

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 26 JUN 2019

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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
KENYA ENERGY-SECTOR ENVIRONMENT  
AND SOCIAL RESPONSIBILITY PROGRAMME  
FUND**

**FOR THE YEAR ENDED  
30 JUNE 2018**

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY

29 MAR 2019

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**KENYA ENERGY ENVIRONMENT & SOCIAL RESPONSIBILITY  
PROGRAMME FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2018**

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Prepared in accordance with the Accrual Basis of Accounting Method under the  
International Public Sector Accounting Standards (IPSAS)

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**Kenya Energy-Sector Environment and Social Responsibility Programme Fund**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2018**

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**KENYA ENERGY-SECTOR ENVIRONMENT & SOCIAL RESPONSIBILITY PROGRAMMER**  
**FUND INFORMATION AND MANAGEMENT**

**a) Background information**

The Kenya Energy-Sector Environment & Social Responsibility Programmer Fund was established Legal Notice No. 188 of 2007. The Fund is under the supervision of Ministry of Energy, is wholly owned by the government of Kenya and is domiciled in Kenya.

**b) Principal Activities**

The principal activity of keep is supporting production of bio fuels and growing of trees in order to conserve soil.

**Vision**

Provision of affordable, quality energy for all Kenyans

**Mission**

To facilitate provision of clean, sustainable, affordable, reliable, and secure energy services for national development while protecting the environment.

**Core Values**

The fund upholds the values of integrity, transparency, accountability, professionalism, prudent utilization of resources and open to constructive suggestions.

**c) Key Management**

The Fund's day-to-day management is under the following organs/departments:

- Fund Administrator (Principal Secretary, State Department for Energy)
- Secretary, Renewable Energy Department, State Department for Energy
- Head of Supply Chain Management Unit, State Department for Energy
- Fund Accountant (Head of Accounting Unit, State Department for Energy)
- Head of Finance Section, State Department for Energy

**d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

| <b>Ref</b> | <b>Name</b>                  | <b>Position</b>                                  |
|------------|------------------------------|--|
| 1          | Dr. Eng. Joseph Njoroge, CBS | Principal Secretary, Energy (Fund Administrator) |
| 2          | Eng. Isaac Kiva              | Secretary, Renewable Energy                      |
| 3          | Jedidah A.N. Macharia        | Chief Accountant (Fund Accountant)               |
| 4          | Rebecca Mounde               | Chief Supply Chain Management Officer            |
| 5          | William O. Mbaka             | Senior Chief Finance Officer                     |

**e) Fiduciary Oversight Arrangements**

**(i) Budget Implementation Committee**

Responsibilities of Budget Implementation Committee are:

- To review and consider the cash flow plans-this shall involve a regular review of the Ministerial cash plan and approval of any changes to the initial cash flow plan to be communicated to National Treasury;
- To review the utilization of cash limits and consider any changes as may be required;
- To advise the Fund Administrator on any challenges related to the budget implementation;
- To review and recommend reallocation of expenditures;
- To review and approve the submission of the expenditure returns, IPPD, pending bills and recommend actions to be taken;
- To participate in Sector Working Groups; and
- To prepare the budget for the Fund in consultation with key management.

**(ii) Internal Audit Unit**

The mandate of Internal Auditors includes:

- Review and evaluate of budgetary performance, financial management, transparency and accountability mechanisms and processes relating to the Fund;
- Giving reasonable Fund; and
- Reviewing the effectiveness of the financial and non-financial performance management systems of the Fund.

**(iii) Parliamentary Committee Activities**

- Public Accounts Committee invites the Principal Secretary to appear before it to adduce evidence on the Report of the Auditor-General on the financial statements of the Fund.
- Budget and Appropriations Committee approves expenditure budget of the State Department for the execution of governance.
- Energy Committee examines special matters relating to energy.

**f) Fund Headquarters**

P.O. Box 30582 – 00100  
Nyayo House Building  
Kenyatta Avenue  
Nairobi, Kenya

**g) Fund Contacts**

Telephone: (254) 310112  
E-mail: [info@energy.go.ke](mailto:info@energy.go.ke)  
Website: [www.energy.go.ke](http://www.energy.go.ke)

**h) Fund Bankers**

Kenya Commercial Bank Limited  
P. O. Box 30012, 00100  
Kenyatta Avenue  
Nairobi, Kenya

**Kenya Energy-Sector Environment and Social Responsibility Programme Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2018**

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**i) Independent Auditors**




Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**j) Principal Legal Adviser**



The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**MANAGEMENT TEAM**

The management during the 2017/2018 financial year consisted of:

|   |  |
|---|--|
|    | <p><b>Dr. Eng. Joseph Njoroge, CBS</b><br/><b>Fund Administrator (Principal Secretary, MoE)</b></p> <p>Eng. Dr. Joseph Njoroge has wide experience in power engineering and management. He previously worked at Kenya Power and rose through the ranks to become Managing Director before being nominated to the position of Principal Secretary in the Ministry of Energy and Petroleum. Eng. Njoroge holds a Bachelor of Science degree in electrical engineering and Master of Business Administration with a major in strategic management. He is a Chartered Electrical Engineer, a member of the Institution of Engineering and Technology, UK, a Registered Consulting Engineer, and is also a Fellow of the Institution of Engineers of Kenya. He is also Chairman of the MBA Chapter of University of Nairobi Alumni Association. He also holds a PhD from University of Nairobi's School of Business.</p>  |
|  | <p><b>Eng. Isaac N. Kiva, OGW</b><br/><b>Secretary for Renewable Energy</b></p> <p>Isaac Kiva is the Secretary for Renewable Energy since 1 June, 2017. Previously, he had served as the Director of Renewable Energy from 30<sup>th</sup> August, 2013. He heads the Directorate charged policy formulation, and promotion of development and utilization of renewable energy, energy efficiency and conservation, including facilitation of private sector investment. Eng. Kiva has wide experience in public sector management, having worked in energy and senior Government positions for over 20 years. He holds a Bachelor's Degree in Electrical Engineering from the University of Nairobi, and has undergone several professional courses in management, leadership, energy development and financial and economic analysis and modeling. He is a registered Professional Engineer with the Engineers Board of Kenya and a member of the Institution of Engineers of Kenya.</p> |
|  | <p><b>Jedidah A.N. Macharia</b><br/><b>Head of Accounting Unit</b></p> <p>Jedidah A.N. Macharia is the Head of the accounting unit from June 2018. She is responsible for the budget execution function and preparation of financial reports. She holds a Bachelor of commerce degree (Accounting &amp; finance option) from KCA University.</p>   |

**Kenya Energy-Sector Environment and Social Responsibility Programme Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2018**

|  |  |
|--|--|
|   | <p><b>Rebecca B. Mounde</b><br/><b>Chief Supply Chain Management Officer</b></p> <p>Ms. Rebecca Mounde is the Head of Supply Chain Management Services from June 2018. She is in charge of procurement, planning, processing, Inventory and Assets Management, disposal of assets and Contract Management. She holds a Bachelor of Arts Degree She is a member of KISM.</p>  |
|  | <p><b>William O. Mbaka</b><br/><b>Senior Chief Finance Officer</b></p> <p>Mr. William O. Mbaka is the Senior Deputy Director of Budget in the State Department of Energy, Ministry of Energy and Petroleum and Head of Finance. He has served in the Civil Service for 29 years and as Head of Finance for 18 years. He has served in various ministries such as Housing, Agriculture, Health, Planning and Labour, among others. He also served as an Alternate Director in various State Corporations including Nzoia Sugar Company, Kenya Sugar Board, Sony Sugar Company and Coast Development Authority and currently is serves as an Alternate Director at Kenya Generating Electricity Company (KENGEN).He holds a MBA in Finance from Birmingham University (UK), A degree in Business Studies from Kenyatta University and an ACCA qualification.</p> |

**Kenya Energy-Sector Environment and Social Responsibility Programme Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2018**

**REPORT OF THE FUND ADMINISTRATOR**

It is my pleasure to present the Kenya Energy Environment and Social Responsibility Programme Fund financial statements for the year ended 30<sup>th</sup> June 2018. The financial statements present the financial performance of the fund over the past year.

The fund was established on 17 October 2007, through Legal Notice No. 188 and collects contributions from other Government entities affiliated to the Ministry of Energy for production of wood fuel, power distribution poles and energy crops for production of bio fuels; and growing of trees in order to conserve soil and preserve catchment areas for hydro-power dams.

**Financial Performance**

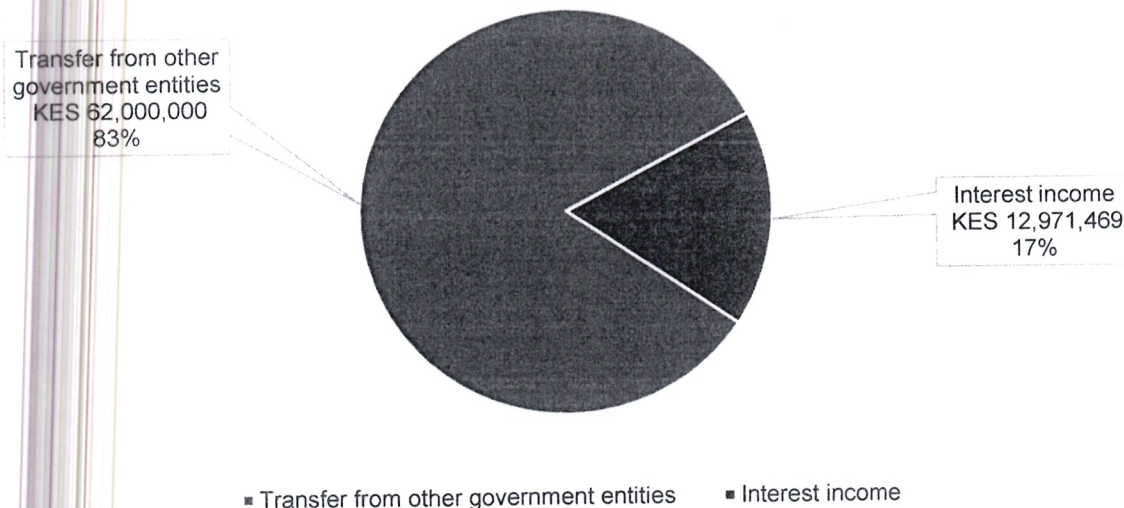
**a) Revenue**

In the year ended 30<sup>th</sup> June 2018, the Fund had projected revenues of Kshs.62,000,000. Out of this, the fund was able to realise Kshs.62,000,000 in actual revenues, representing 100% performance. In the table below, we present an analysis of revenue performance during the year.

| Revenue classification                   | Revenue budget    | Actual Receipt    | Realization (%) |
|--|-------------------|-------------------|-----------------|
| Revenue                                  | Kshs              | Kshs              |                 |
| Transfers from other government entities | 60,000,000        | 60,000,000        | 100%            |
| Interest income                          | -                 | 12,971,469        | (100)%          |
| <b>Total income</b>                      | <b>62,000,000</b> | <b>74,971,469</b> |                 |

A graphical representation of the actual revenue is as shown below:

**Revenues Received in 2017/2018**



**Kenya Energy-Sector Environment and Social Responsibility Programme Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2018**

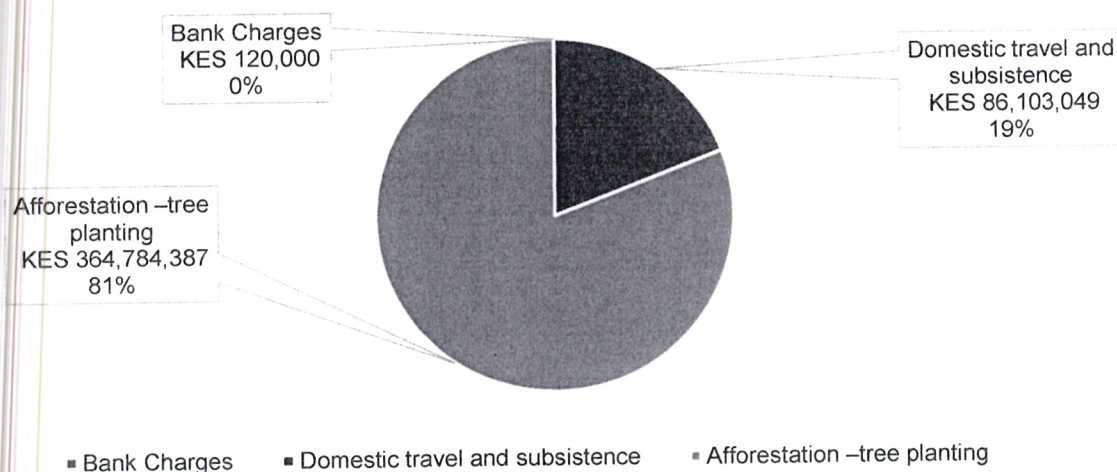
**REPORT OF THE FUND ADMINISTRATOR (Continued)**

**b) Expenditure**

During the financial year 2017/2018, the Fund had expenses estimates amounting to Kshs.202,720,000 and actual expenses of Kshs.451,007,436, resulting in an over utilization of Kshs.248,287,436 (122%). The over utilization was occasioned by inadvertent failure to adequately budget for available funds. The following are tabular graphical representation of the actual expenses of Kshs.451,007,436:

| Description                     | Amount (Kshs)      |
|---------------------------------|--------------------|
| Bank Charges                    | 120,000            |
| Domestic travel and subsistence | 86,103,049         |
| Afforestation –tree planting    | 364,784,387        |
| <b>Total</b>                    | <b>451,007,436</b> |

**Expenses Incurred in 2017/2018**



**c) Cash flows**

In the FY 2017/2018, we did not have any liquidity disruptions as the amounts of transfer from the State Department of Energy was received throughout the quarters. However, even thou the amounts received from other government entities reduced by 33% the fund had cash and cash equivalents balances brought forward to meet the liquidity needs. The cash and cash equivalents reduced from Kshs.558,649,068 as at 30 June 2017 to Kshs 158,462,064 as at 30 June 2018.

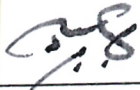
**d) Conclusion**

FY 2017/2018 was a good year in general. Good progress was made and the momentum has been created to enable Kenya Energy-Sector Environment and Social Responsibility Programme Fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

**Kenya Energy-Sector Environment and Social Responsibility Programme Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2018**

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I take this opportunity to thank the management team for their support. I would also want to thank all staff who we have worked hand in hand to ensure that Kenya Energy Environment and Social Responsibility Programme Fund achieves its mission.



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**Dr. Eng. Joseph Njoroge, CBS  
FUND ADMINISTRATOR**

Date.....



**Kenya Energy-Sector Environment and Social Responsibility Programme Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2018**

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a national government entity shall prepare financial statements in respect of the entity in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

The Administrator of the Kenya Energy-Sector Environment and Social Responsibility Programme Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the Kenya Energy-Sector Environment and Social Responsibility Programme Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transactions during the financial year ended June 30, 2018, and of the Fund's financial position as at that date. The Administrator further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

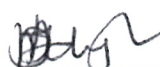
Nothing has come to the attention of the Administrator of the Kenya Energy-Sector Environment and Social Responsibility Programme Fund to indicate that the Fund will not sustain services for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Fund's financial statements were approved by the Principal Secretary on 24<sup>th</sup> January 2019 and signed on its behalf by:



**Fund Administrator**  
Dr. Eng. Joseph K. Njoroge, CBS



**Fund Accountant**  
Jedidah A. N. Macharia  
ICPAK Member Number: 8805

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYA ENERGY-SECTOR ENVIRONMENT AND SOCIAL RESPONSIBILITY PROGRAMME FUND FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

##### **Opinion**

I have audited the accompanying financial statements of Kenya Energy-Sector Environment and Social Responsibility Programme Fund set out on pages 1 to 15, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya, Section 35 of the Public Audit Act, 2015 and Government Financial Management (Kenya Energy-Sector Environment and Social Responsibility Programme Fund) Regulations, 2007. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Energy-Sector Environment and Social Responsibility Programme Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Government Financial Management (Kenya Energy-Sector Environment and Social Responsibility Programme Fund) Regulations, 2007.

##### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Energy-Sector Environment and Social Responsibility Programme Fund in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### **Emphasis of Matter**

###### **Interest on Bank Deposits**

The financial statements reflect interest income of Kshs.12,971,469 under revenues from exchange transactions, as disclosed in note 7. According to information available,

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*Report of the Auditor-General on the Financial Statements of Kenya Energy-Sector Environment and Social Responsibility Programme Fund for the year ended 30 June 2018*

Kenya Commercial Bank (KCB) computed this amount using interest rate of 2.5% p.a. This was in breach of the agreement entered into between the management of the Fund and KCB on 14 November 2007 which stipulated that deposits in bank accounts held at KCB Kipande House Branch shall earn interest at the rate of 4% p.a. effective from 15 November, 2007. Had the interest on the Fund's deposits been calculated using the agreed rate of 4% p.a, the Fund would have earned interest income of Kshs.20,753,995 instead of Kshs.12,971,469. The Fund was therefore underpaid by Kshs.7,782,526. Further, as reported in my 2016/2017 audit report, the Fund received interest amounting to Kshs.92,623,311 on account of its deposits placed with KCB between 2007 and 2016. Included in this figure is a balance of Kshs.80,017,446, for which management is yet to provide satisfactory evidence of how it was computed. Consequently, it has not been possible to confirm whether the Fund received value for its deposits with KCB for the prior years.

### **Key Audit Matters**

Key audit matters are those matters which, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### **Other Matter**

**Tender for the Exploratory Coal and Coal Bed Methane Drilling Services in Kwale, Kilifi and Taita Taveta Counties (Tender No. MOEP/GED/NOT/01/2014-2015)**

### **Background**

Lot 1 of the above tender which entailed Exploratory Coal Diamond Core Drilling Services in Kwale County, was awarded to a local company on 19 May 2015 at a tender sum of Kshs.322,839,600, following a competitive tendering process. The company accepted the award on 26 May 2015 and the resultant contract agreement between the Ministry of Energy and Petroleum and the Company was signed on 29 June 2015. According to the Special Condition of Contract, the Contract was to run for a period of fifteen (15) months, from 29 June 2015 to 29 September 2016. The contractor started mobilizing to the drilling site in July 2016, but was stopped, pending full acceptance of the project by Kwale County leadership. The contractor then commenced work after drilling sites were identified in a kick-off meeting held on 16 January 2018 and was expected to complete the work in a period of eighteen (18) months. The scope of work entailed mobilizing drilling equipment and personnel to the contract site; drilling fifty-four (54) wells across nine (9) coal blocks within the sedimentary basins for coal exploration in Kwale County as per the sites selected by the client; and submission of inception report, logs and descriptions of each well drilled, well completion report, semi-feasibility report and demobilization report.

### **Payments**

During the year under review, the contractor was paid Kshs.22,272,000 (inclusive 16% VAT) vide voucher No.166, dated 14 December 2017. According to the invoice

submitted by the contractor, this payment was for mobilization of plant, equipment and personnel and submission of inception report. However, management did not avail certificates of work done as evidence that mobilization was done to the agreed standards. Further, there was no evidence that an acceptable inception report was submitted by the contractor to management. Under the circumstances, it was not possible to confirm the regularity of the payment of Kshs.22,272,000 made to the contractor.

Further, according to documents supporting the payment, the Kshs.22,272,000 was part of pending bills totaling Kshs.71,987,853 brought forward from the 2016/2017 financial year and payable from this Fund. However, the Fund's financial statements under review and those for the previous year do not disclose any pending bills. Consequently, the completeness of financial statements for the year ended 30 June 2018 could not be confirmed.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

#### 1. Expenditure not Included in the Annual Work Programme

The statement of comparison of budget and actual amounts for the year ended 30 June 2018 reflect total expenditure of Kshs.451,007,436 against approved budget of Kshs.202,720,000 shown in the Fund's annual work programmes for the year under review. The Fund, therefore, incurred excess expenditure of Kshs.248,287,436, contrary to Section 6 of the Government Financial Management (Kenya Energy-Sector Environment and Social Responsibility Programme Fund) Regulations, 2007, which stipulates that the expenditure incurred on the Fund shall be on the basis of, and limited to, annual work programmes and cost estimates which shall be prepared by the officer administering the Fund at the beginning of the financial year to which they relate.

#### 2. Ineligible Expenditure

Included in the afforestation – tree planting expenses of Kshs.364,784,387 disclosed in Note 8 to the financial statements are legal fees amounting to Kshs.256,387,419 (Kshs.32,864,585 in 2016/2017), relating to Kinangop Wind Power Project Vs Government of Kenya and Walam Energy Inc. Vs Republic of Kenya cases; and Kshs.22,272,000 relating to a contract for exploratory coal diamond core drilling

services in Kwale County. This is contrary to Section 4 of the Government Financial Management (Kenya Energy-Sector Environment and Social Responsibility Programme Fund), Regulations 2007, which provides that the object and purpose of the Fund is to finance activities relating to: (a) the production of wood fuel, power distribution poles and energy crops for production of bio-fuel; and (b) growing of trees in order to conserve soil and preserve catchment areas for hydro-power dams, including provision of a sink for carbon dioxide generated through combustion of fossil fuels; and Section 5 of the Regulations which states: "There shall be paid out of the Fund payments in respect of any expenses incurred in pursuance of the object and purpose for which the Fund was established. Information available indicates that the National Treasury advised the State Department for Energy to realign its 2017/2018 approved budget with a view to identifying savings to cater for expenditure on legal/arbitration fees relating to the above mentioned cases. The Fund, therefore, incurred expenses amounting to Kshs.278,659,419, which were not in pursuance to the objects and purposes for which the Fund was established.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis), and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements which are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of the internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue sustaining services, disclosing as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either is aware of intention to terminate the Fund, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of management's systems for monitoring compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report which includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion on whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution, and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act,

2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control which might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

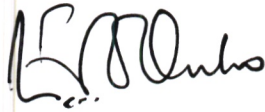
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Fund's ability to continue sustaining its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control which are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters which may reasonably be thought to bear on my independence, and where applicable, related safeguards.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**23 May 2019**

**Kenya Energy-Sector Environment and Social Responsibility Programme Fund**  
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**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**

|   | Note | FY2017/2018          | FY2016/2017         |
|---|------|----------------------|---------------------|
|   |      | Kshs                 | Kshs                |
| <b>Revenue from non-exchange transactions</b>       |      |                      |                     |
| Transfer from other government entities             | 6    | 62,000,000           | 93,000,000          |
| <b>Total revenue from non-exchange transactions</b> |      | <b>62,000,000</b>    | <b>93,000,000</b>   |
| <b>Revenue from exchange transactions</b>           |      |                      |                     |
| Interest income                                     | 7    | 12,971,469           | 15,179,115          |
| <b>Total revenue from exchange transactions</b>     |      | <b>12,971,469</b>    | <b>15,179,115</b>   |
|   |      |                      |                     |
| <b>Total revenue</b>                                |      | <b>74,971,469</b>    | <b>108,179,115</b>  |
|   |      |                      |                     |
| <b>Expenses</b>                                     |      |                      |                     |
| Use of goods and services                           | 8    | 451,007,436          | 119,111,538         |
| <b>Total expenses</b>                               |      | <b>451,007,436</b>   | <b>119,111,538</b>  |
| <b>Deficit for the period</b>                       |      | <b>(376,035,967)</b> | <b>(10,932,423)</b> |

The notes and appendices set out on pages 6 to 15 form an integral part of these Financial Statements

**Kenya Energy-Sector Environment and Social Responsibility Programme Fund**  
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**For the year ended June 30, 2018**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018**

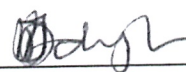
|                           | Note | FY2017/2018        | FY2016/2017        |
|---------------------------|------|--------------------|--------------------|
|                           |      | Kshs               | Kshs               |
| <b>Assets</b>             |      |                    |                    |
| <b>Current assets</b>     |      |                    |                    |
| Cash and cash equivalents | 9    | 158,462,064        | 543,013,107        |
| Accounts receivables      | 10   | 25,151,037         | 15,635,961         |
| <b>Total assets</b>       |      | <b>183,613,101</b> | <b>558,649,068</b> |
| <b>Net Assets</b>         |      |                    |                    |
| Accumulated surplus       |      | 183,613,101        | 558,649,068        |
| <b>Total net assets</b>   |      | <b>183,613,101</b> | <b>558,649,068</b> |

The Financial Statements set out on pages 1 to 15 were signed on behalf of management by:



Fund Administrator  
 Name: Dr. Eng. Joseph Njoroge, CBS

Date.....  
 25/1/19



Fund Accountant  
 Name: Jedidah A. N. Macharia  
 ICPAK Member Number: 8805

Date.....  
 24<sup>th</sup> January 2019

**Kenya Energy-Sector Environment and Social Responsibility Programme Fund  
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**STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2018**

|   | <b>Accumulated surplus</b> | <b>Total</b>       |
|---|----------------------------|--------------------|
|   | <b>Kshs</b>                | <b>Kshs</b>        |
| <b>At 1 July 2017</b>                                 | 569,581,491                | 569,581,491        |
| Deficit for the period                                | (10,932,423)               | (10,932,423)       |
| <b>At 30 June 2017</b>                                | <b>558,649,068</b>         | <b>558,649,068</b> |
| <b>At 1 July 2017</b>                                 | <b>558,649,068</b>         | <b>558,649,068</b> |
| Deficit for the period                                | (376,035,967)              | (376,035,967)      |
| Prior year adjustment - refund of contribution to GES | 1,000,000                  | 1,000,000          |
| <b>At 30 June 2018</b>                                | <b>183,613,101</b>         | <b>183,613,101</b> |

**Kenya Energy-Sector Environment and Social Responsibility Programme Fund**  
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**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018**

|   | Note | FY2017/2018          | FY2016/2017          |
|---|------|----------------------|----------------------|
|   |      | Kshs                 | Kshs                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |      |                      |                      |
| <b>Receipts</b>   |      |                      |                      |
| Transfer from other government entities                     | 6    | 62,000,000           | 93,000,000           |
| Interest income   | 7    | 12,971,469           | 13,459,115           |
| Other income  |      | -                    | 1,720,000            |
| <b>Total Receipts</b>                                       |      | <b>74,971,469</b>    | <b>108,179,115</b>   |
| <b>Payments</b>   |      |                      |                      |
| Use of goods and services                                   | 8    | (451,007,436)        | (119,111,538)        |
| <b>Total Payments</b>                                       |      | <b>(451,007,436)</b> | <b>(119,111,538)</b> |
| <b>Adjustments</b>  |      |                      |                      |
| Prior year adjustment - refund of contribution to GES       |      | 1,000,000            | -                    |
| Increase in receivables                                     | 10   | (9,515,076)          | (15,635,961)         |
| <b>Total Adjustments</b>                                    |      | <b>(8,515,076)</b>   | <b>(15,635,961)</b>  |
| <b>Net cash flows from operating activities</b>             |      | <b>(384,551,043)</b> | <b>(26,568,384)</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <b>(384,551,043)</b> | <b>(26,568,384)</b>  |
| Cash and cash equivalents at 1 JULY                         |      | 543,013,107          | 569,581,491          |
| <b>Cash and cash equivalents at 30 JUNE,2018</b>            | 9    | <b>158,462,064</b>   | <b>543,013,107</b>   |

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2018

|   | Original budget      | Adjustments       | Final budget         | Actual on comparable basis | Performance difference | % difference |
|---|----------------------|-------------------|----------------------|----------------------------|------------------------|--------------|
|   | Kshs                 | Kshs              | Kshs                 | Kshs                       | Kshs                   |              |
| <b>Revenues</b>                         |                      |                   |                      |                            |                        |              |
| Transfer from other government Entities | 80,000,000           | 18,000,000        | 62,000,000           | 62,000,000                 | -                      | 0%           |
| Interest income                         | -                    | -                 | -                    | 12,971,469                 | 12,971,469             | ∞            |
| <b>Total Revenues</b>                   | <b>80,000,000</b>    | <b>18,000,000</b> | <b>62,000,000</b>    | <b>74,971,469</b>          | <b>12,971,469</b>      | <b>21%</b>   |
| <b>Expenses</b>                         |                      |                   |                      |                            |                        |              |
| Use of goods and services               | 202,720,000          | -                 | 202,720,000          | 451,007,436                | 248,287,436            | 122%         |
| <b>Total Expenses</b>                   | <b>202,720,000</b>   | <b>-</b>          | <b>202,720,000</b>   | <b>451,007,436</b>         | <b>248,287,436</b>     | <b>122%</b>  |
| <b>Surplus for the period</b>           | <b>(122,720,000)</b> | <b>18,000,000</b> | <b>(140,720,000)</b> | <b>(376,035,967)</b>       | <b>(235,315,967)</b>   |              |

**BUDGET NOTES**

- Interest Income:** The over collection of interest income of Kshs.12,971,469 arose since the Fund does not budget for interest income.
- Use of goods and services:** The over expenditure of Kshs.248,287,436 was due to the fact that the Fund did not include in the annual work programme most of the opening bank balance.

**NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

The Kenya Energy-Sector Environment & Social Responsibility Programme Fund was established by the Public Finance Management (Kenya Energy-Sector Environment and Social Responsibility Programme Fund, Regulations, 2007, through Legal Notice No. 188 of 2007. The Fund is under the supervision of Ministry of Energy, is wholly owned by the government of Kenya and is domiciled in Kenya.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Fund.

The financial statements have been prepared in accordance with the Public Finance Management Act, the Public Finance Management (Kenya Energy-Sector Environment and Social Responsibility Programme Fund, Regulations, 2007, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted will be consistently applied to all the subsequent years as this is the first year the financial statements have been prepared on IPSAS accrual basis.

**3. ADOPTION OF NEW AND REVISED STANDARDS**

**a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2018**

| Standard                              | Effective date and impact:   |
|---------------------------------------|--|
| <b>IPSAS 39:</b><br>Employee Benefits | <b>Applicable: 1<sup>st</sup> January 2018</b><br>The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. |

**b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018**

| Standard                                    | Effective date and impact:  |
|---|---|
| <b>IPSAS 40:</b> Public Sector Combinations | <b>Applicable: 1<sup>st</sup> January 2019:</b><br>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations. |

**c) Early adoption of standards**

The Fund did not early – adopt any new or amended standards in year 2018.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Fund and can be measured reliably. All transfers from other government entities are recognized in the statement of financial performance.

**ii) Revenue from exchange transactions**

**Interest income**

Interest is calculated by the bank on the average monthly balances and credited every six months to the Fund's account. The Fund recognizes interest income during the year it is credited to the Fund's bank account.

**b) Budget information**

The original budget for FY 2017/2018 was approved by the National Assembly in June 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

**c) Changes in accounting policies and estimates**

The Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**d) Related parties**

The Fund regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise the Fund Administrator, Secretary, Renewable Energy Department, Head of Supplies Chain Department, Head of Finance Department and the Fund Accountant.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the commercial banks at the end of the financial year.

**f) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

**g) Events after the reporting period**

There were no material adjusting and non- adjusting events after the reporting period.

**h) Currency**

The financial statements are presented in Kenya Shillings (Kshs).

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Fund's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Kenya Energy Sector Environment and Social Responsibility Programme Fund**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**6. TRANSFER FROM OTHER GOVERNMENT ENTITIES**

| Description                                    | FY2017/2018       | FY2016/2017       |
|--|-------------------|-------------------|
|  | Kshs              | Kshs              |
| Contribution from State Department for Energy  | 60,000,000        | 80,000,000        |
| Contribution from Energy Regulatory Commission | 2,000,000         | 2,000,000         |
| Refund of Contribution to GES                  | -                 | 1,000,000         |
| Kenya Electricity Transmission Company Ltd     | -                 | 5,000,000         |
| Kenya Power and Lighting Company Ltd           | -                 | 5,000,000         |
| <b>Total</b>                                   | <b>62,000,000</b> | <b>93,000,000</b> |

**7. INTEREST INCOME**

| Description                  | FY2017/2018       | FY2016/2017       |
|------------------------------|-------------------|-------------------|
|                              | Kshs              | Kshs              |
| Interest on bank deposits    | 12,971,469        | 13,459,115        |
| <b>Total interest income</b> | <b>12,971,469</b> | <b>13,459,115</b> |

**8. USE OF GOODS AND SERVICES**

| Description                        | FY2017/2018        | FY2016/2017        |
|------------------------------------|--------------------|--------------------|
|                                    | KShs               | KShs               |
| Bank Charges                       | 120,000            | 218,140            |
| Domestic travel and subsistence    | 86,103,049         | 36,292,451         |
| Afforestation –tree planting       | 364,784,387        | 47,781,495         |
| Hospitality, supplies and services | -                  | 1,954,867          |
| Miscellaneous expenses             | -                  | 32,864,585         |
| <b>Total</b>                       | <b>451,007,436</b> | <b>119,111,538</b> |

**9. CASH AND CASH EQUIVALENTS**

| Description                            | FY2017/2018        | FY2016/2017        |
|--|--------------------|--------------------|
|  | Kshs               | Kshs               |
| Bank balance – Current Account         | 158,462,064        | 543,013,107        |
| <b>Total cash and cash equivalents</b> | <b>158,462,064</b> | <b>543,013,107</b> |

Kenya Energy-Sector Environment and Social Responsibility Programme Fund  
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 (a) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS ARE AS FOLLOWS:

|                        |                | FY2017/2018        | FY2016/2017        |
|------------------------|----------------|--------------------|--------------------|
| Financial institution  | Account number | Kshs               | Kshs               |
| <b>Current account</b> |                |                    |                    |
| Kenya Commercial Bank  | 1104175894     | 158,462,064        | 558,649,068        |
| <b>Sub- total</b>      |                | <b>158,462,064</b> | <b>558,649,068</b> |

10. ACCOUNTS RECEIVABLES

| Description                                    | FY2017/2018       | FY2016/2017       |
|--|-------------------|-------------------|
|  | KShs              | KShs              |
| Consultants salaries receivable                | 3,707,740         | 3,707,740         |
| Maintenance & data loggers expenses Refundable | 11,928,221        | 11,928,221        |
| Loan receivable - KEEP IDA                     | 9,515,076         | -                 |
| <b>Total receivables</b>                       | <b>25,151,037</b> | <b>15,635,961</b> |

11. CASH GENERATED FROM OPERATIONS

|   | FY2017/2018          | FY2016/2017         |
|---|----------------------|---------------------|
|   | Kshs                 | Kshs                |
| <b>Deficit for the year</b>                           | <b>(376,035,967)</b> | <b>(10,932,423)</b> |
| <b>Adjusted for:</b>                                  |                      |                     |
| Prior year Adjustment - Refund of Contribution to GES | 1,000,000            | -                   |
| Increase in accounts receivables                      | (9,515,076)          | (15,635,961)        |
| <b>Net cash flow from operating activities</b>        | <b>(384,551,043)</b> | <b>(26,568,384)</b> |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12. RELATED PARTY BALANCES**

**a) Nature of related party relationships**

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The Fund is related to the following entities:

- a) State Department of Energy
- b) Petroleum development fund
- c) Other government entities
- d) Key management personnel.
- k) Related party's transactions

|                                | <b>FY2017/2018</b> | <b>FY2016/2017</b> |
|--------------------------------|--------------------|--------------------|
|                                | <b>Kshs</b>        | <b>Kshs</b>        |
| Transfers from related parties | 62,000,000         | 93,000,000         |
| Transfers to related parties   | 9,515,076          | -                  |

**Kenya Energy-Sector Environment and Social Responsibility Programme Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2018**


**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

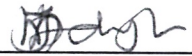
| Reference No. on the external audit Report | Issue / Observations from Auditor   | Management comments  | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|--|--|-----------------------------------|--|
| 1  | <p><b>Interest on Bank Deposits</b></p> <p>Included in the other receipts amount of Kshs.15,179,115 reflected in the statement of receipts and payments for the year under review is a receipt of Kshs.13,459,115 which according to note 2 to the financial statements, relate to interest income. Available information indicates that the management of the Fund and Kenya Commercial Bank (KCB) limited agreed on 14 November 2007 that deposits in bank accounts held at KCB Kipande House Branch shall earn interest at the rate of 4% p.a. effective from 15 November, 2007. According to the agreement, the accrued interest is payable by the bank annually by 31 December. Examination of bank statements relating to the calendar years 2007 to 2016 revealed that the Fund received interest totaling Kshs.92,623,311 during that period. However, management has not provided evidence of how the bank computed the interest amount of Kshs.92,623,311. A re-calculation performed on the account indicates that interest income due to the Fund from 15 November 2007 to 30 June 2017 should have been Kshs.134,502,815 thus resulting to underpayment of Kshs.41,879,504. Consequently, the accuracy of interest income of Kshs.13,459,115 reflected in the financial statements for the year ended 30 June 2017 and Kshs.79,164,196 received in prior years could not be confirmed.</p> | <p>Communication to the bank by the management, Regarding interest computation</p> | <p>Jedidah Macharia<br/>Head of Accounting Unit</p>            | Not resolved                      | Depends on PAC timetable   |

**Kenya Energy-Sector Environment and Social Responsibility Programme Fund  
Annual Reports and Financial Statements  
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| Reference No. on the external audit Report | Issue / Observations from Auditor   | Management comments   | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|---|--|-----------------------------------|--|
| 2  | <p><b>Outstanding Contributions to the Fund</b><br/>As reported in my 2015/2016 audit report, the government financial management regulations under the Kenya Energy Sector Environment and Social Responsibility Programme (KEEP) Fund of 2007 Section 3(2)(b) and its ten-year action plan (2008-2018) provides for annual contributions by state corporations and agencies under the Ministry of Energy and Petroleum into the Fund. The annual contributions receivable from Kenya Petroleum Refineries Ltd, Kenya Electricity Generating Company Ltd, Kenya Pipeline Company Ltd, National Oil Corporation of Kenya, Ltd, Kenya Power and Lighting Company Ltd and Energy Regulatory Commission (ERC) amounts to Kshs.2 Million, Kshs.100 Million, Kshs.51 Million, Kshs.5 Million, Kshs.90 Million and Kshs.2 Million respectively, all totalling Kshs.250 Million. However, during the year under review, only ERC made its contribution. Available information also indicates that the total contribution outstanding from the state agencies and corporations amounted to Kshs.2,372,500,000 as at 30 June 2017. Management has not explained why the agencies and corporations have not complied with the KEEP Fund regulations by submitting their annual contributions.</p> | Demand letters already sent to the respective organization honour their obligation to the KEEP ACT. | Jedidah Macharia<br>Head of Accounting Unit                    | Not resolved                      | Depends on PAC timetable   |

  
Fund Administrator  
Dr. Eng. Joseph K. Njoroge, CBS

Date.....

  
Fund Accountant  
Jedidah A. N. Macharia  
ICPAK Member Number: 8805

Date.....

Kenya Energy-Sector Environment and Social Responsibility Programme Fund  
 Annual Reports and Financial Statements  
 For the year ended June 30, 2018

APPENDIX II: INTER-ENTITY TRANSFERS

| Entity name                                      | Bank statement date | Amount (KShs)     | FY to which the amounts relate |
|--|---------------------|-------------------|--------------------------------|
| <b>Transfers from other government entities:</b> |                     |                   |                                |
| State Department for Energy                      | 22 May 2018         | 60,000,0000       | 2017/2018                      |
| Energy Regulatory Commission                     | 05 April 2018       | 2,000,000         | 2017/2018                      |
| <b>Total</b>                                     |                     | <b>62,000,000</b> |                                |
| <b>Transfers to other government entities:</b>   |                     |                   |                                |
| Kenya Electricity Expansion Project              | 12 April 2018       | 9,515,076         | 2017/2018                      |
| <b>Total</b>                                     |                     | <b>9,515,076</b>  |                                |

*J.K.*

Fund Administrator  
 Dr. Eng. Joseph K. Njoroge, CBS

Date.....*26/1/19*.....

*Jedidah A. N. Macharia*

Fund Accountant  
 Jedidah A. N. Macharia  
 ICPAK Member Number: 8805

Date.....*24/1/2019*.....

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Kenya Energy-Sector Environment and Social Responsibility Programme Fund  
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APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

| Name of the MDA/Donor<br>Transferring the funds | Date received            | Nature:<br>Recurrent/Development/Others | Total Amount      |  | Where<br>Recorded/recognized          |
|---|--------------------------|---|-------------------|--|---------------------------------------|
|   | as per bank<br>statement |   |                   |  | Statement of Financial<br>Performance |
|   |                          |   | <b>Kshs</b>       |  | <b>Kshs</b>                           |
| State Department for Energy                     | 22 May 2018              | Petroleum Development Levy              | 60,000,000        |  | 60,000,000                            |
| Energy Regulatory Commission                    | 05 April 2018            | Contribution                            | 2,000,000         |  | 2,000,000                             |
| <b>Total</b>                                    |                          |   | <b>62,000,000</b> |  | <b>62,000,000</b>                     |



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