

REPUBLIC OF KENYA



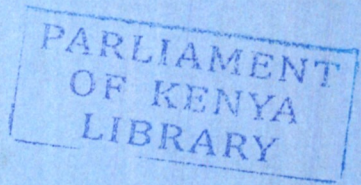
*Paper laid by the  
Leader of Majority  
on 06/06/2018  
@Lundi.*



OFFICE OF THE AUDITOR-GENERAL



**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
STATE DEPARTMENT FOR ENERGY**

**FOR THE YEAR ENDED  
30 JUNE 2017**



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

**REPORT**

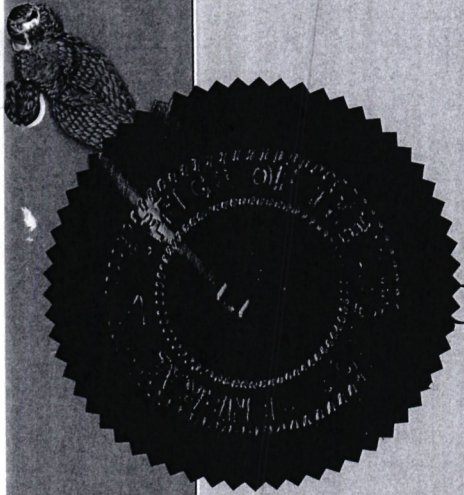
**OF**

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**MINISTRY OF ENERGY AND PETROLEUM  
STATE DEPARTMENT FOR ENERGY**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30<sup>th</sup>, 2017**

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

**MINISTRY OF ENERGY AND PETROLEUM, STATE DEPARTMENT FOR ENERGY**  
**Reports and Financial Statements**  
**For the Year Ended June 30, 2017**

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## **I. STATE DEPARTMENT FOR ENERGY KEY INFORMATION AND MANAGEMENT**

### **(a) Background information**

The Ministry of Energy was formed many years ago and on 20 May 2013, its name was changed to the Ministry of Energy and Petroleum through Executive Order No.2/2013 that outlined the Organisation of the Government of Kenya. Under the Executive Order No. 1 of May, 2016 on the Organization of the Government of the Republic of Kenya, the Ministry was split into two State Departments; Energy and Petroleum, with each drawing its mandates from the above Executive Order. At the Cabinet level, the Ministry is represented by the Cabinet Secretary who is responsible for the general policy and strategic direction of the Ministry and each State Department is represented by a Principal Secretary.

#### **i. Vision of the State Department for Energy**

Provision of affordable, quality energy for all Kenyans

#### **ii. Mission of the State Department for Energy**

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

#### **iii. Mandate/Functions of the State Department for Energy**

The State Department for Energy is mandated to undertake the following functions:

- National Energy and Policy management
- Hydro-power Development
- Geothermal Exploration and Development
- Rural Electrification Programme
- Promotion of Renewable Energy
- Energy Regulation, Security, and Conservation

#### **iv. Core Values of the State Department for Energy**

- Integrity
- Transparency
- Accountability
- Professionalism
- Prudent utilization of resources
- Open to constructive suggestions

### **(b) Key Management**

The Ministry's day-to-day management is under the following key departments:

- Renewable Energy Directorate
- Electric Power Development Directorate
- Geo-Exploration Directorate
- Administration Department
- ICT Department
- Accounts Department

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- Human Resource Development Department
- Human Resource Management Department
- Internal Audit
- Finance Department
- Central Planning and Project Monitoring Unit (CPPMU) Department
- Supplies Chain Management Department
- Public Communications Department

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	Cabinet Secretary, Ministry of Energy & Petroleum	Hon. Charles Keter, (EGH)
2.	Principal Secretary (Accounting Officer)	Dr. (Eng.) Joseph Njoroge, (CBS)
3.	Senior Deputy Secretary	Charles Wanyoike
4.	Head of Finance	William Mbaka
5.	Head of Accounting Unit	Veronica W. Kamau
6.	Head of Supplies Chain	Mary Mwangi
7.	Secretary Geo Exploration	John M. Omenge
8.	Secretary Renewable Energy	Eng. Isaac Kiva
11.	Secretary Electrical Energy	Eng. Julius M. Mwathani
12.	Director of HRM/D	Stephen Lusweti
13.	D./DHRD	Nancy Wachira
14.	AD/ICT	Patrick Njoroge
15.	Chief Economist	Timothy Gakuu

Senior Management – State Department for Energy



**Hon. Charles Keter,  
EGH, Cabinet Secretary**



**Dr. Eng. Joseph  
Njoroge, CBS, Principal  
Secretary**



**Eng. Julius Mwachani,  
Secretary, Electrical  
Power Development**



**Mr. Charles Wanyoike,  
HSC, Ag. Director of  
Administration**



**Mr. Timothy Gakuu,  
Head of Economic  
Planning**



**Eng. Isaac N. Kiva,  
Secretary for  
Renewable Energy**



**Mr. William Mbaka,  
Senior Deputy Director  
of Budget**



**Mr. Stephen Lusweti,  
Director HRM&D**



**Mr. John Omenge,  
Secretary Geo-  
Exploration**



**Ms. Mary Mangi, HSCM**






**Ms Veronica Kamau  
Head of Accounting  
Unit**



**Ms. Nancy Wachira,  
Head of Training.**

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**Profiles of Senior Management – State Department for Energy**

 <p><b>Hon. Charles Keter, EGH, Cabinet Secretary.</b></p>	<p>Hon. Charles Keter, EGH, was appointed Cabinet Secretary for the Ministry of Energy and Petroleum in December 2015. He had previously served as an Assistant Minister in the same Ministry between 2008 and 2010. His responsibilities include oversight, policy and governance of the Ministry's mandate which is to facilitate the provision of clean, sustainable, affordable, reliable, secure and quality energy and petroleum services for national development while protecting the environment. He holds Bachelor of Science degree from Kenyatta University and a Global Executive MBA from the United States International University (USIU).</p>
 <p><b>Dr. Eng. Joseph Njoroge, CBS, Principal Secretary</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. Julius Mwathani, Secretary, Electrical Power Development</b></p>	<p>Eng. Julius Micheni Mwathani is the Secretary, Electrical Power Development in the Ministry. He is a Registered Consulting Mechanical Engineer by the Engineers Board of Kenya and a corporate member of the Engineers Institution of Kenya. His current duties include the formulation of energy policies, the economic and financial appraisal of energy projects, the monitoring and implementation of energy projects and the preparation and implementation of directorate work plans, budgets and procurement plans. He has a Bachelor's degree from the University of Nairobi in Mechanical Engineering and an Executive Master's degree Business Administration from Jomo Kenyatta University of Agriculture Technology.</p>



**Mr. Charles Wanyoike, HSC, Ag.  
 Director of Administration**

Mr. Charles Wanyoike, HSC, is the Ag. Director of Administration. He previously served as the Senior Deputy Secretary at the Ministry of Interior and Coordination of National Government. He holds a Master Degree in Business Administration and attended several administrative courses including Senior Strategic Leadership and Corporate Governance.



**Eng. Isaac N. Kiva,  
 Secretary for  
 Renewable Energy**

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



**Mr. John Omenge, Secretary  
 Geo-Exploration**

Mr. Omenge, Secretary Geo-Exploration, is the Head of the Geo- Exploration Directorate, State Department of Energy. He holds a BSc degree in Geology from the University of Poona, India and MSc Mineral Exploration and Mining Geology from Leicester University, UK. He is a Fellow of the Geological Society of Kenya and Registered Geologist by the Geologists Registration Board of Kenya. Mr. Omenge has worked for about 33 years as a Geologist for the Government of Kenya. He is the Alternate Director to the Principal Secretary, State Department of Energy, at the Kenya Nuclear Electricity Board (KNEB) .The Geo-Exploration Directorate takes care of matters of Exploration and Development of Geothermal, Coal and Nuclear Energy Resources

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**Mr. William Mbaka, Senior Deputy  
Director of Budget**

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.






**Mr. Timothy Gakuu, Head of  
Economic Planning**

Mr. Timothy G. Gakuu joined the Ministry in October 2015 to Head the CPPMU. He coordinates and supervises Economic Planning functions in the ministry that include; Planning, analysis and review of government policies; Economic analysis, review and monitoring and evaluation of development programmes and projects; analysis of information on energy to advice the Principle Secretary on economic and strategic planning; performance contracting and budget management processes and reporting. He holds a Masters in Economics and a Bachelor's degree from Nairobi University.



**Mr. Stephen Lusweti, Director  
HRM&D**

Mr. Stephen Lusweti assumed the position of Director, Human Resource Management & Development in March, 2015. He is responsible for the human resource management and development function at the State Department Energy. He holds a Bachelor of Arts degree from the University of Nairobi and Masters degree from Speyer University, German.

 <p><b>Ms Veronica Kamau</b> <b>Head of Accounting Unit</b></p>	<p>Veronica Kamau is the Head of the accounting unit since May 2016. She is responsible for the budget execution function and preparation of financial reports. She holds a Bachelor of commerce degree (Accounting option) from Kenyatta University and a Masters degree in strategic management from Kenya Methodist University. She is a Certified Public Accountant and a member of the Institute of certified public Accountants of Kenya</p>
 <p><b>Ms. Mary Mangi, HSCM</b></p>	<p>Ms. Mary Mwangi is the Head of Supply Chain Management Services since May 2016. She is in charge of procurement, planning, processing, Inventory and Assets Management, disposal of assets and Contract Management. She holds a Bachelor of Arts (Economics Hons) from Punjab University, India. She is a member of KISM.</p>
 <p><b>Ms. Nancy Wachira, Head of Training.</b></p>	<p>Ms. Nancy Wachira is the Assistant Director Human Resource Management and Development since June 2016. She is in charge of trainings. She holds a Master and Bachelor degree in Education from Kenyatta University and a Higher Diploma in Human Resource Management from the College of Human Resource Management</p>

**MINISTRY OF ENERGY AND PETROLEUM, STATE DEPARTMENT FOR ENERGY**  
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**(d) Fiduciary Oversight Arrangement**

**Budget Implementation Committee**

Composition of the Committee:

S/No.	Name	Department	Position
1	William Mbaka	Finance	Chairman
2	Timothy Gakuu	Planning	Alternate Chairman
3	Veronica Kamau	Accounts	Secretary
4	Michael Mwangi	Administration	Member
5	Elijah Mumbo	ICT	Member
6	Isaac Kiva	Renewable	Member
7	Julius Mwathani	Electrical	Member
8	John Omenge	Geo-Exploration	Member
9	Stephen Lusweti	Human Resource	Member
10	Scholastica Maiteka	Audit	Member
11	Mary Mwangi	Procurement	Member

**Responsibilities of Budget Implementation Committee**

- 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 review the utilization of donor funds voted for the MDA;
- To advise the Accounting Officer 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 A-I-A returns for the MDAS and recommend actions to be taken;
- To participate in Sector Working Groups; and
- To prepare the budget for the line Ministry/State Department in consultation with Heads of Departments.

**Budget Committee Meetings Attendance for the year ended 30th June, 2017**

Committee Member	Meetings Attended				Total
	04/08/16	10/11/16	15/02/17	03/05/17	
William Mbaka	✓	✓	✓	✓	4
Timothy Gakuu	✓	✓	✓	✓	4
Veronica Kamau	✓	✓	✓	✓	4
Michael Mwangi	✓	✓	✓	✓	4
Elijah Mumbo	✓	✓	✓	✓	4
Isaac Kiva	✓	X	✓	✓	3
Julius Mwathani	✓	X	X	X	1
John Omenge	✓	✓	✓	X	3
Stephen Lusweti	✓	✓	✓	✓	4
Scholastica Maiteka	✓	✓	✓	✓	4
Mary Mwangi	✓	✓	✓	✓	4

✓ - Attended

X – Absent with apology

**(e) State Department for Energy Headquarters**

P.O. Box 30582-00100  
Nyayo House  
Kenyatta Avenue  
**Nairobi, Kenya**

**(f) State Department for Energy Contacts**

Telephone: (254) (020)3310112  
E-mail: [ps@energy.go.ke](mailto:ps@energy.go.ke)  
Website: [www.energy.go.ke](http://www.energy.go.ke)

**(g) State Department for Energy Bankers**

- Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
**Nairobi, Kenya**
- Kenya Commercial Bank  
Kipande House Branch  
**Nairobi, Kenya**
- Equity Bank  
Kenyatta Avenue  
**Nairobi, Kenya**

**(h) Independent Auditors**

Auditor-General  
Office of the Auditor-General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
**Nairobi, Kenya**

**(i) Principal Legal Adviser**

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

## **II. FORWARD BY THE CABINET SECRETARY**



**Hon. Charles Keter, EGH Cabinet Secretary, Ministry of Energy and Petroleum**

During the Financial Year 2016/2017, the Ministry through the State Department of Energy and the State Department of Petroleum has implemented critical energy policy and large scale infrastructure development in wind and hydropower, geothermal exploration, oil and gas exploration, coal exploration, and erection of transmission lines. These activities have enhanced the national power generation capacity, expanded and reinforced the national transmission and distribution network, improved reliability of energy services, enhanced regional electricity interconnection, doubled the national electricity access rate, revamped the national energy mix in favour of renewable energy and smarter technologies, and put Kenya on the path to successfully produce and export oil.

In that regard, I am pleased to submit the annual reports and financial statements of the State Department for Energy for the financial year ended 30 June 2017 as per Section 81 of the Public Finance and Management Act, 2012.

### **A. POLICY AND LEGISLATIVE CHANGES/NEW STRATEGIC INITIATIVE**

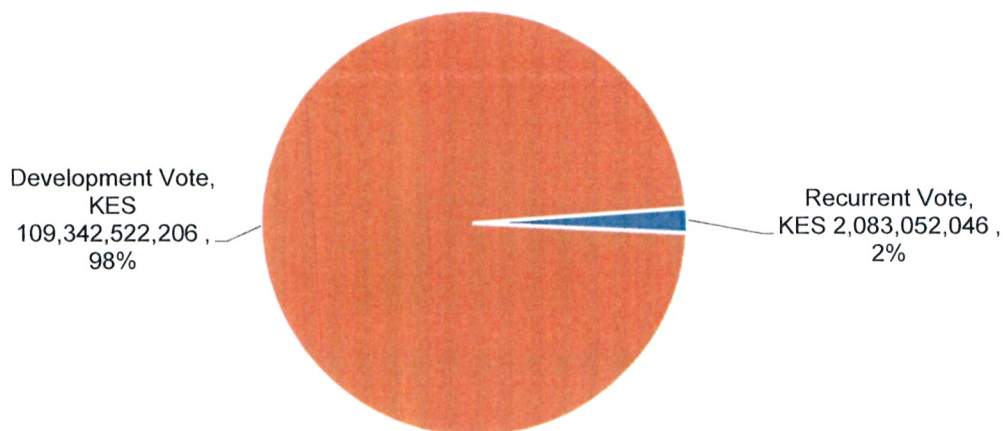
Energy is prioritized as one of the infrastructure enablers for achievement of the objectives of Kenya Vision 2030 being implemented through five-year horizon Medium Term Plans. Improved access to energy sources especially electricity improves human development conditions through provision of water; industrial and agricultural productivity; disadvantaged groups empowerment; better health and education conditions and environmental sustainability. Approximately three (3) out of every four (4) Kenyans, of which two-third reside in the rural areas, lack access to electricity services resulting into unsustainable use of biomass and agricultural waste linked with exposure to indoor respiratory infections. The poor households lack adequate access to affordable, reliable, safe and quality energy services.

### **B. BUDGET ALLOCATION AND PERFORMANCE AGAINST ACTUAL AMOUNTS**

#### **1. Budget Allocation**

In the financial year 2016/17 the State Department for Energy had a gross budget of Kshs.111.4 Billion which was made up of Kshs.2 Billion for recurrent vote and Kshs.109.3 Billion for development vote. These allocations are depicted in the pie chart below:

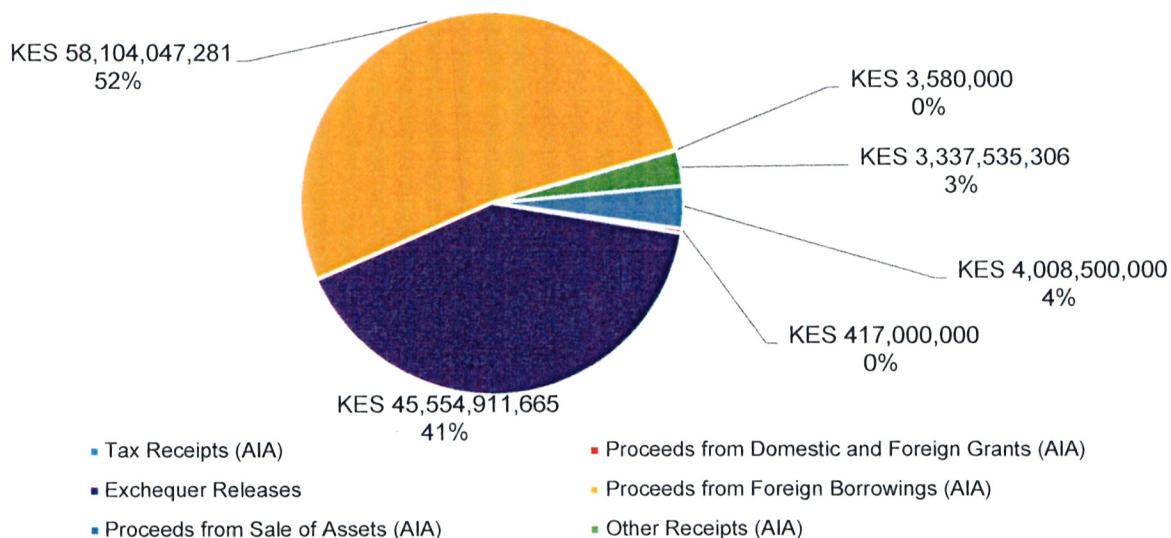
**2016/17 BUDGET ALLOCATION**



**2. Receipts Budget**

The gross receipts budget of Kshs.111.4 Billion was to be obtained from the following sources of funds:

**2016/17 BUDGETED RECEIPTS**

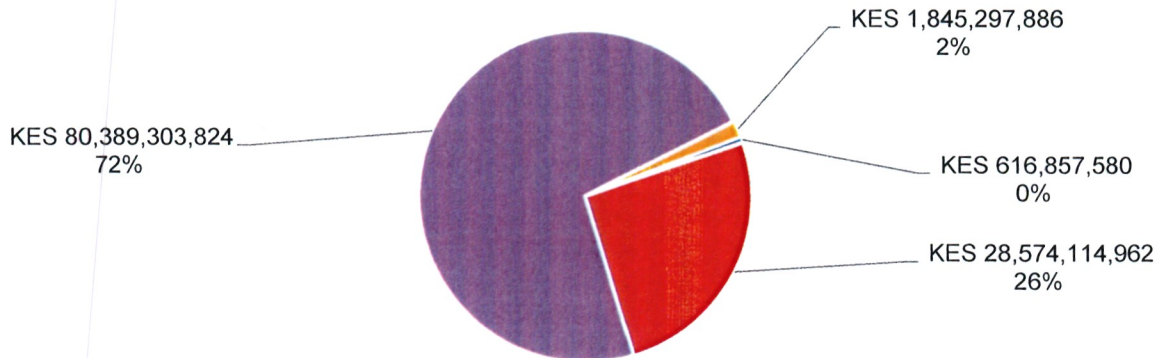


Tax receipts of Kshs.4,008,500,000 comprises receipts of Kshs.2,300,000,000, Kshs.1,085,000,000 and Kshs.623,500,000 from 5% rural electrification programme levy, petroleum development levy and royalties on geothermal exploration. Other receipts figure of Kshs.3,337,535,306 consists of receipts of Kshs.3billion from sale of geothermal steam and Kshs.337,535,306 from Kipevu Oil Storage Facility charges.

**3. Payments Budget**

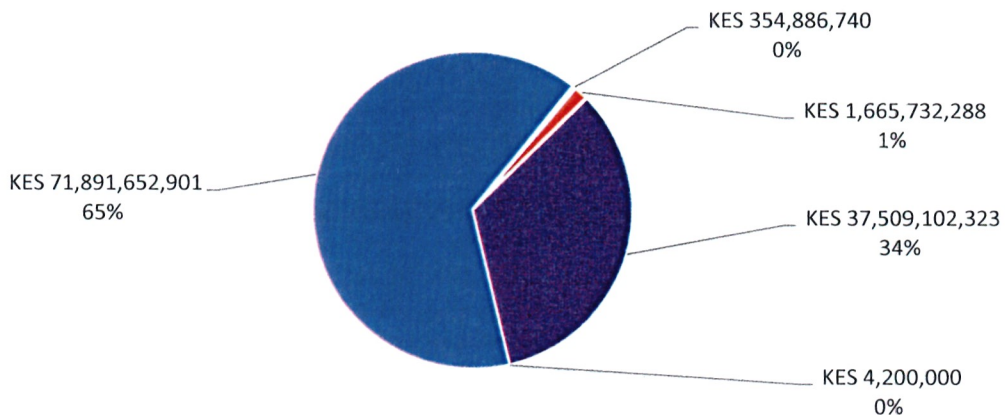
The gross budget of Kshs.111.4 Billion was to be expended on the following programmes and economic items:

**BUDGETED PAYMENTS BASED ON PROGRAMMES**



- General Administration Planning and Support Services
- Power Generation
- Power Transmission and Distribution
- Alternative Energy Technologies

**BUDGETED PAYMENTS BASED ON ECONOMIC ITEMS**



- Compensation of Employees
- Use of Goods and Services
- Transfers to Other Government Entities
- Social Security Benefits
- Acquisition of Assets

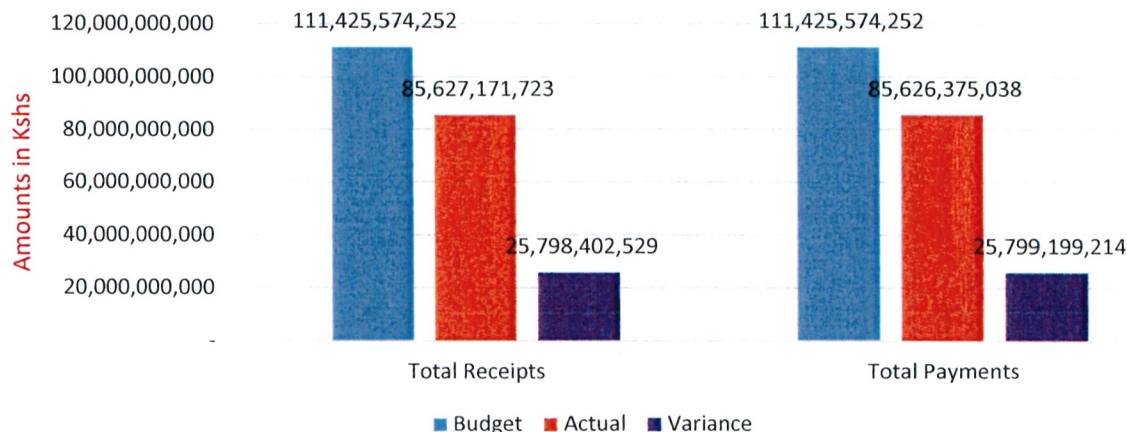
**4. Actual Performance Against Budget**

The State Department's actual receipts during the year ended 30 June 2017 were 23% below budget, while actual payments also amounted to 23% below budget as analysed below:

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Financial Performance	Budget	Actual	Variance	% Variance
	Kshs	Kshs	Kshs	%
Total Receipts	111,425,574,252	85,627,171,723	25,798,402,529	23
Total Payments	111,425,574,252	85,626,375,038	25,799,199,214	23
<b>Surplus</b>	-	<b>796,686</b>	<b>(796,686)</b>	

**BUDGET PERFORMANCE VS ACTUAL AMOUNTS**

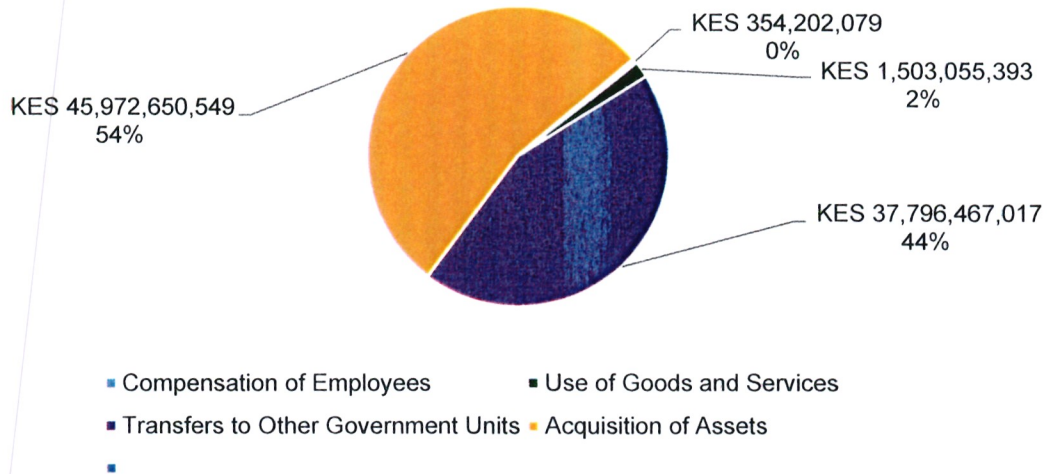


**5. Budget Utilization Based on Economic Classification**

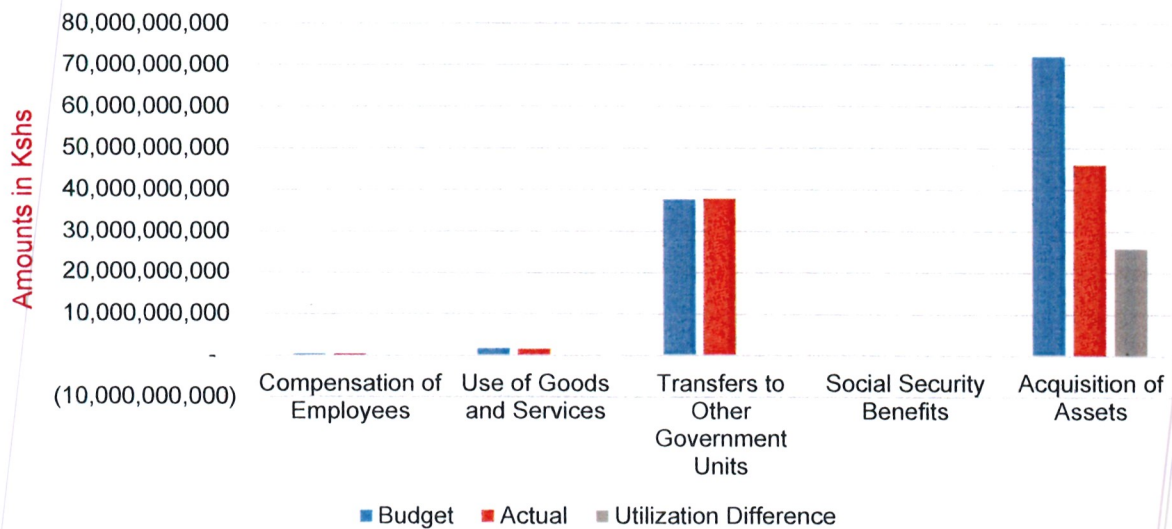
The State Department spent Kshs.85.6 Billion against an approved budget of Kshs.111.4Billion representing absorption of 77%. Utilization of the budget was carried out through various activities (economic classifications) as shown in the table and charts below:

conomic Item	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	Kshs	Kshs	Kshs	
Compensation of Employees	354,886,740	354,202,079	684,661	100%
Use of Goods and Services	1,665,732,288	1,503,055,393	162,676,895	90%
Transfers to Other Government Entities	37,509,102,323	37,796,467,017	(287,364,694)	101%
Social Security Benefits	4,200,000	-	4,200,000	0%
Acquisition of Assets	71,891,652,901	45,972,650,549	25,919,002,352	64%
<b>TOTAL PAYMENTS</b>	<b>111,425,574,252</b>	<b>85,626,375,038</b>	<b>25,799,199,214</b>	<b>77%</b>

**BUDGET UTILIZATION BASED ON ECONOMIC CLASSIFICATION**



**COMPARISON OF BUDGET AND AND ACTUAL AMOUNTS BASED ON ECONOMIC ITEMS**



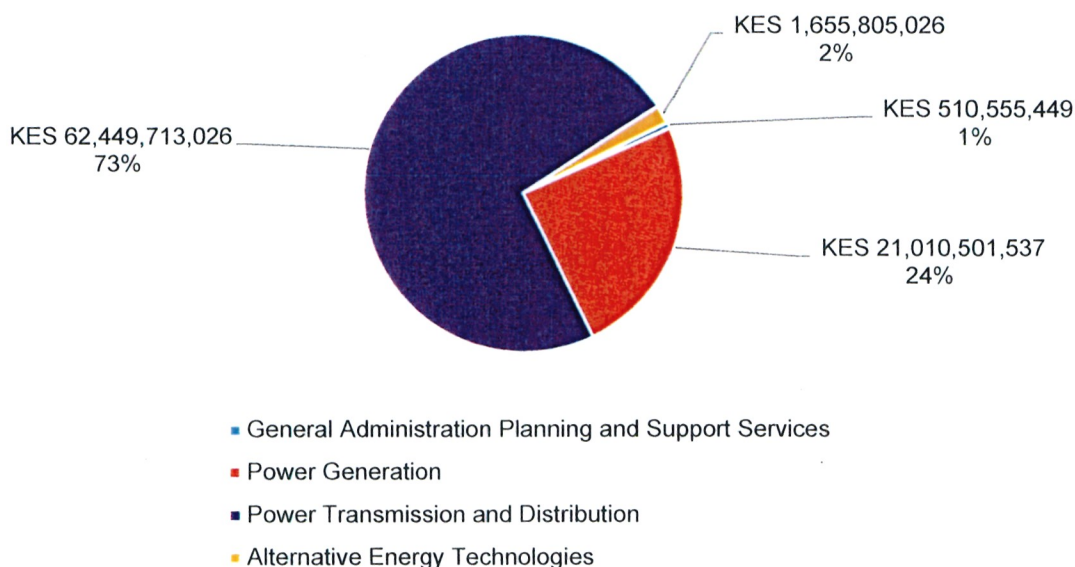
**6. Budget Utilization Based on Programmes**

The State Department spent Kshs.85.6 Billion against an approved budget of Kshs.111.4 Billion representing absorption of 77%. Utilization of the budget was carried out through various programmes as shown in the table and charts below:

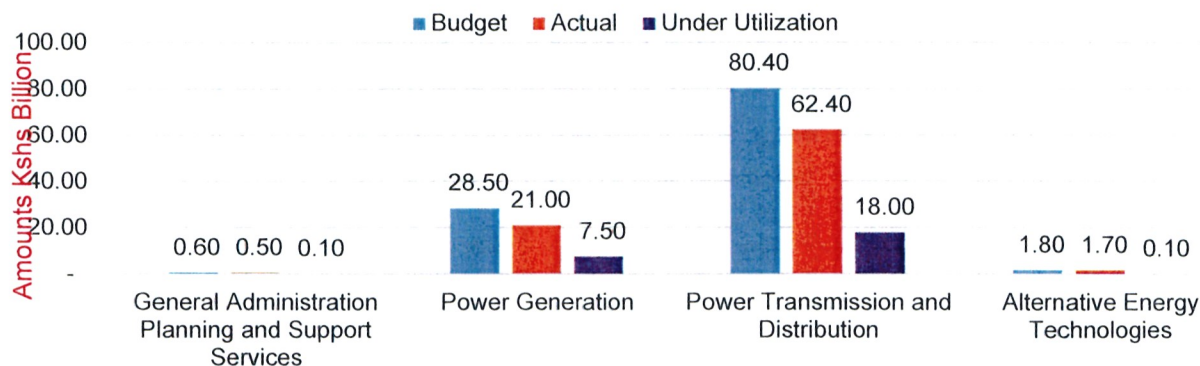
**MINISTRY OF ENERGY AND PETROLEUM, STATE DEPARTMENT FOR ENERGY**  
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Programme	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	Budget Utilization %
	Kshs	Kshs	Kshs	
General Administration Planning and Support Services	616,857,580	510,555,449	106,302,131	83%
Power Generation	28,574,114,962	21,010,501,537	7,563,613,425	74%
Power Transmission and Distribution	80,389,303,824	62,449,713,026	17,939,590,798	78%
Alternative Energy Technologies	1,845,297,886	1,655,805,026	189,492,860	90%
<b>Total</b>	<b>111,425,574,252</b>	<b>85,626,575,038</b>	<b>25,798,999,214</b>	<b>77%</b>

**BUDGET UTILIZATION BASED ON PROGRAMMES**



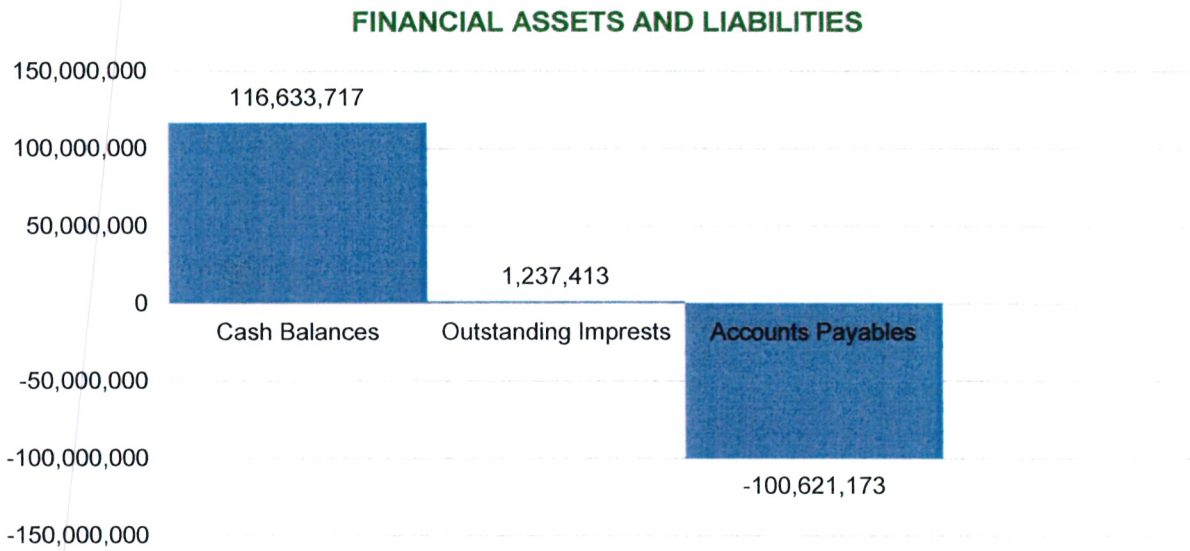
**COMPARISON OF BUDGET AND ACTUAL AMOUNT BASED ON PROGRAMMES**



**MINISTRY OF ENERGY AND PETROLEUM, STATE DEPARTMENT FOR ENERGY**  
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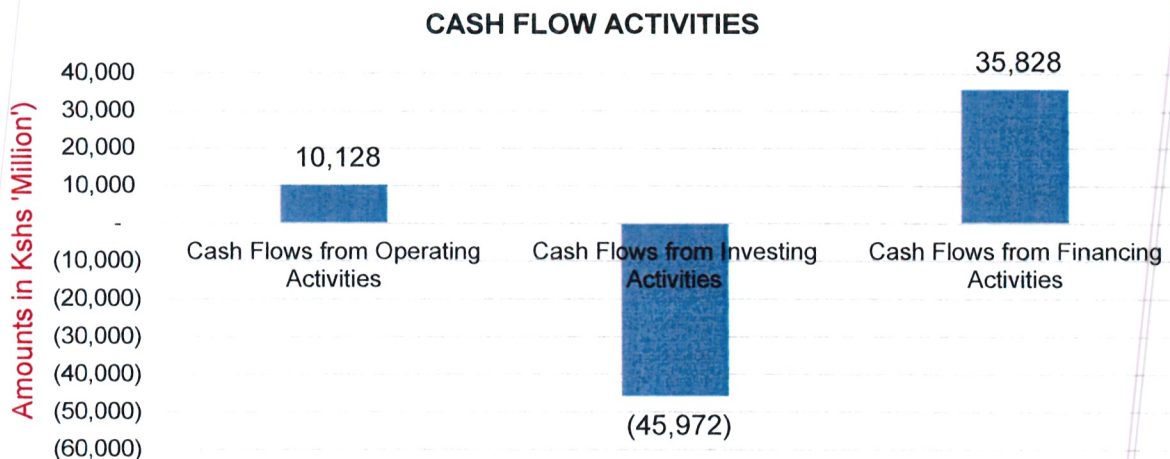
**7. Financial Assets**

The State Department for Energy’s net financial assets as at 30 June 2017 was Kshs.17,249,956 and consisted of bank balances and outstanding imprests and accounts payables amounting to Kshs.116,633,717, Kshs.1,237,413 and Kshs.100,621,173 respectively as shown in the graph below:



**8. Cash Flow Activities**

The State Department’s cash flows during the year under audit were from operating, investing and financing activities as follows:



**C. KEY ACHIEVEMENTS OF THE STATE DEPARTMENT FOR ENERGY**

The achievement of the State Department of Energy is in the following aspects: enhancing power generation capacity, transmission and distribution network reinforcement and expansion, enhancing regional trade through interconnection of regional electricity networks, enhancing access to electricity, promoting renewable energy and introduction of new technologies in electricity generation.

## 1. Power Generation

During the period under review, installed generation capacity increased by a total of 325.8MW bringing the total installed to 2,333MW as at 30<sup>th</sup> June, 2017. The 325.8MW was realized from the following generation power plants:

- 5MW of Geothermal from KenGen WH905 in July 2016 and
- 5MW of Olkaria Wellhead OW39 in October 2016.
- 5MW of Hydro from Teremi GenPro in May 2017
- 300MW from Lake Turkana Wind Farm was commissioned in June 2017. This power plant is yet to be connected to the National Electricity Grid due to non-completion of Loiyangalani –Suswa transmission line.
- The State Department signed in May 2017 PPA agreement with Kenya Tea Development Authority for the purchase of renewable energy from 7 KTDA mini hydros with a combined capacity of 10.8MW. In addition, five (5) off-grid power generation stations were constructed to serve the consumers who were far away from the national electricity grid.



Turkana wind farm turbines

## 2. Expansion and Upgrading of Electricity Transmission

A total of 341.1Km of transmission lines and eight (8) transmission substations were completed during the financial year: The 341.1Km comprised of:

- 85.1Km of 100km 400kV Suswa-Isinya Transmission line and Athi-River & Isinya Substations. The line was completed.
- 134.6Km of 482km 400/220kV Mombasa - Nairobi double circuit line
- 4.8Km of 13km 132kV Menengai - Soilo transmission line
- 28.8Km of 44km 132kV Kisii - Awendo transmission line
- 42.4Km of 138km 220kV Turkwel - Ortum - Kitale transmission line
- 45.4Km of 431km 132kV Power Transmission System Improvement Projects (8Kms 132 kV Bomet – Sotik transmission line and 13Kms 132 kV Ishiara – Kieni transmission line were completed and energized).

Significant progress was achieved towards completion of the following lines

- 428Kms 400 kV Loiyangalani –Suswa transmission line – 2 more subcontractors have been mobilized and are now on site; and
- 138km 220kV Turkwel - Ortum - Kitale transmission line.



Suswa substation

### **3. Increased Access to Electricity**

Under this component, expansion and upgrading of the distribution network and connectivity of the electricity to new customers were taken into consideration. Various projects were undertaken during the period under review. These were geared towards increasing access to electricity for social economic development in the country.

#### **a) Expand and Upgrade Electricity Distribution Network**

- **Distribution Lines**

A total of 6,767 Km of new distribution lines were added into the existing grid network.

- **New Distributions Substations**

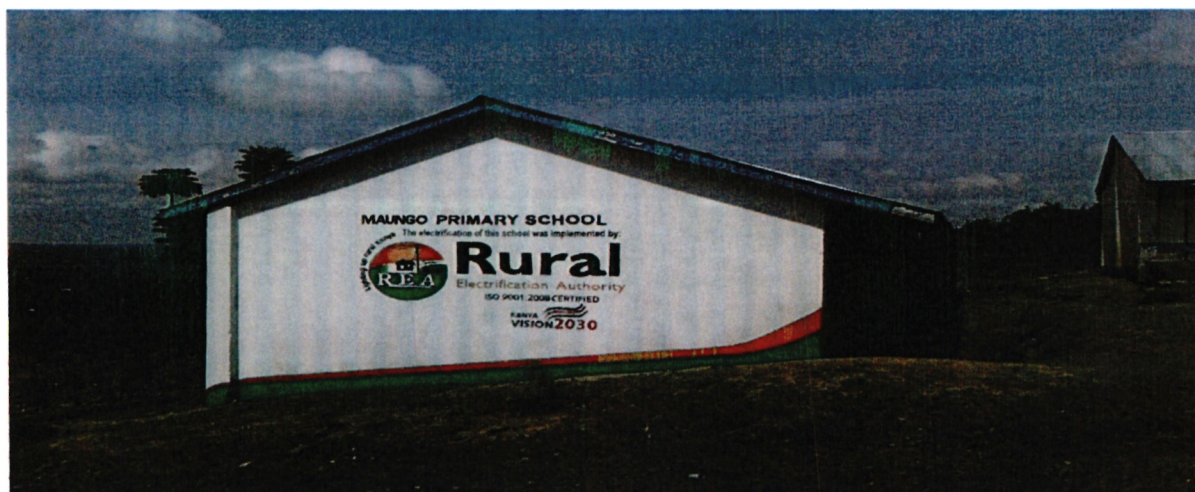
Ten (10) New Distribution Substations were completed during the period. These were Tala, Dagoretti, Gatundu, Kangema, Uplands, Githunguri, Gigiri, Cianda, Steel Billets and Juja Road Substations. Matasia, Kabete, Diani and Mamlaka road substations are still in progress.

#### **b) Customer Connection**

The number of new customers were connected to Electricity during the period was 1,291,909, bringing the total number of customers connected to the electricity to 6,182,282 as at 30<sup>th</sup> June, 2017 from 4,890,373 as at 30<sup>th</sup> June, 2016. The achievement of this phenomenal growth in connectivity was facilitated by high level of resources mobilization to subsidize connection costs complimented by the implementation of an extensive connectivity campaign across the country through Last Mile Connectivity project to meet a significant share of reticulation cost and World Bank funded Global Partnership Output Based Aid (GPOBA) electrification project aimed at connecting customers to electricity in high density area.

#### **c) Digital literacy Programme (Connecting Electricity to All Public Primary Schools in the Country).**

A total of 1,102 public primary schools were connected to electricity during the reporting period bringing the cumulative to 23,496 (18,948 on grid and 4,548 on Solar). This programme is aimed at supporting Digital literacy Programme that is being implemented by Ministry of Education by electrification of all public primary schools in the Country.



Electrification of Maungo Primary School

#### d) Other Public Facilities Connected

A total of 272 other public facilities were connected to electricity. These facilities included markets, trading centres, health centres, Government offices, water points and tea buying centres. As at June, 2017 a total of 18,966 other public facilities had been connected to electricity through the grid or solar.

#### e) Public Street Lighting Project

A total of 38,185 Street lighting points were installed across the Country against a target of 30,000 during the year. The project commenced in 2014/15 FY. The initial scope was intended to cover Nairobi city but was later extended to cover the whole of Nairobi City County and other major cities and towns in the Country. The objective of the project is to promote 24hr economy in addition to enhancing security in designated public places.

### 4. Development of renewable and alternative energy technologies

In order to enhance promotion and development of renewable energy as an alternative source of energy, during the period under review the following were achieved:

#### a) Solar Energy Development

The objective of this initiative is to electrify the areas far away from the main electricity grid. During 2016/17 FY, 49 new Solar PV systems were installed in public institutions in Arid and Semi-Arid areas. Also, 143 of the previously installed Solar PVs were maintained.

#### b) Wind Energy Development

The objective of the Wind Masts is to collect data that will be key in determining the intensity of wind which will in turn help in decision making in as far as investment in Wind Energy development is concerned. During the period under review, sixty-one (61) existing wind masts and data loggers were rehabilitated. Also collection and analysis of data from previously installed wind masts and data loggers across the country continued.

**c) Re-Afforestation of water towers**

160 Ha of hydropower dam catchment areas were planted with Seedlings. The re-afforestation of these extensive areas of the hydropower dam catchment in the Tana basin ensures security of hydropower generation.



Kamburu hydropower dam and re-afforested surrounding

**d) Energy Audits**

Conducted seventeen (17) investment Grade Audits and General Audits, in collaboration with Kenya Association of Manufactures (KAM) to promote energy efficiency and conservation.

**5. Coal Exploration and Development**

The State Department of Energy continued to explore different ways of enhancing the energy mix to promote security of supply of electricity coal exploration and development. During the year coal exploration in coastal region continued, stakeholders' engagements to promote coal exploration and development in the country were undertaken, Environmental and Social Impact Assessment (ESIA) and Resettlement Action Plan (RAP) and feasibility studies for Lamu Coal powered plant were undertaken.



Section of Mui Basin Coal Field

## 6. Geothermal exploration and development

Geothermal is one of the cheapest sources of energy. In order to ensure affordability of the electricity, the government continued to promote the exploration and development of Geothermal in the Country. During the year exploration of geothermal continued in Nakuru and Baringo counties. In addition, Surface geological studies, Geophysical surveys, Geochemical surveys and processing of the data and generation of anomaly maps in Geothermal Exploration were undertaken.



Geothermal drilling rig at Menengai field

## 7. Nuclear Resources Exploration and Development in Kenya

Nuclear energy has been identified as a future source of energy to meet the growing demand. During the year the following activities were carried: 80 Kenyans were trained on nuclear related courses, draft nuclear regulatory bill and national nuclear energy policy were developed, one convention on early notification was acceded to, and 43 public awareness for a were conducted.

Lastly a grid study report was completed. This report entailed technical evaluation of Kenya electric grid and its ability to support nuclear power plants.

### D. EMERGING ISSUES IN ENERGY SECTOR

During the implementation of the projects and programs, the following emerging issues were noted and documented:

- The shift to PPP as a financing option for the sustainability of infrastructure development;
- Growing concerns on safety, health and environmental issues during project implementation and operation;
- The need for security of power infrastructure installations as a key national concern to guard against terror threats and safeguards against projects delivery timelines;
- Economic integration and growth of regional power trade and taxation of cross-border power exchanges;
- climate change related issues and significant shift towards production of clean and green renewable energy;
- The collaboration between the National and County Governments in energy planning

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- Mainstreaming of cross-cutting issues such as gender, SDGs, disaster management among others the implementation of energy projects and programme.

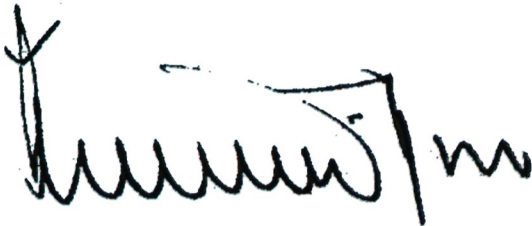
**E. CHALLENGES AND MITIGATION MEASURES**

<b>Challenges/Risks</b>	<b>Mitigation Measures (Way Forward)</b>
Mismatch in electricity demand and generation capacity expansion.	<ul style="list-style-type: none"> <li>▪ Actualisation of vision 2030 flagship projects</li> <li>▪ Pursue capacity expansion strategies that ensure balancing of supply and demand</li> </ul>
Multiple Levies demanded by various Government entities for power infrastructure	<ul style="list-style-type: none"> <li>▪ Intervention by Government to resolve disputes, set relevant policy and harmonise relevant laws</li> </ul>
Right of Way for power infrastructure projects, (way leaves acquisition, encroachment, trace clearance) and land acquisition, leading to huge claims by Contractors due to stoppage of works.	<ul style="list-style-type: none"> <li>▪ Review of the existing legal and institutional frameworks that govern wayleave and land acquisition.</li> <li>▪ Enactment of Public Participation Bill, 2016</li> <li>▪ Public Education</li> <li>▪ Engaging Government, County and other public bodies</li> <li>▪ Enforcement of Land Laws (Amendment) Act No. 28 of 2016.</li> <li>▪ Undertake due diligence on the projects.</li> <li>▪ There is need to plan and acquire land in advance to meet the current and future infrastructure expansion requirements given its ever increasing costs.</li> </ul>
High initial connection costs	<ul style="list-style-type: none"> <li>▪ Loan facilities for customers</li> <li>▪ Support from GOK to meet connectivity costs</li> <li>▪ Review costs to increase efficiencies</li> <li>▪ Pre-investment by the government especially in greenfield.</li> </ul>
Balancing competing objectives in the sector such as rapid capacity expansion against the need for lower tariffs and the need for greening our generation against the desire for cheaper reliable capacities that are not necessarily green such as coal	<ul style="list-style-type: none"> <li>▪ Timely review of tariffs</li> <li>▪ Target low cost generation sources.</li> <li>▪ Balancing policy objectives through periodic and timely review of targeted policies.</li> </ul>
Vandalism of electricity infrastructure	<ul style="list-style-type: none"> <li>▪ Need for punitive legislation to guard against vandalism</li> <li>▪ Apply anti-vandalism technology</li> <li>▪ Sensitise local communities on protecting/policing power infrastructure</li> <li>▪ Establish security intelligence system and community informers' frameworks</li> <li>▪ Install security alarm and surveillance systems in all substations and strategic points along the lines</li> </ul>
Inadequate financial resources and delayed disbursements	<ul style="list-style-type: none"> <li>▪ Review of the Public Financial Management (PFM) Act, 2012 and the Regulations to increase efficiency in disbursements.</li> <li>▪ Lobby National Treasury and National Parliament and Development Partners for more budgetary allocations</li> <li>▪ Explore new business models e.g. formation of subsidiaries for off balance sheet financing, EPC+Finance and Public Private Partnerships (PPPs).</li> </ul>

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	<ul style="list-style-type: none"> <li>▪ Diversification of revenue sources – Exchequer, development partners, free wayleaves, partnerships with county governments, enhanced customer connections</li> </ul>
Insecurity and community conflicts in project areas	<ul style="list-style-type: none"> <li>▪ Need for security arrangements for power infrastructure projects and guard against potential terror attacks.</li> <li>▪ Conflict management measures.</li> </ul>
Inadequate human resource capacity	<ul style="list-style-type: none"> <li>▪ Establishment of National Centres of Excellence in the Energy sector.</li> <li>▪ Capacity building programmes through Benchmarking and partnerships</li> </ul>
High pre-development costs for Energy Projects	<ul style="list-style-type: none"> <li>▪ Continued GOK support in mobilizing resources to fund the upfront costs through Government to Government grant propositions and other innovative approaches.</li> <li>▪ Promote Public Private Partnerships (PPPs).</li> </ul>
High electricity tariff	<ul style="list-style-type: none"> <li>▪ Promote the development of cheap sources of electricity such as geothermal, nuclear, LNG and coal.</li> <li>▪ Deliberate interventions in the energy market through fiscal incentives (taxes, duties, levies) and non-fiscal incentives (subsidies, fees, guarantees, credits).</li> </ul>
Inadequate Legal and regulatory framework to address emerging issues in the energy sector.	<ul style="list-style-type: none"> <li>▪ Review the legal, regulatory, policy and institutional framework in the energy sector to address the emerging issues in the sector.</li> </ul>

Finally, I urge all the stakeholders to collaborate in the implementation of the various energy sector strategies and plans with a view to delivering, on a sustainable basis, affordable quality energy for all Kenyans.



**Hon. Charles Keter, (EGH)**  
**CABINET SECRETARY**  
**MINISTRY OF ENERGY AND PETROLEUM**

### **III. STATEMENT OF STATE DEPARTMENT FOR ENERGY'S MANAGEMENT RESPONSIBILITIES**

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a Ministry of Energy and Petroleum, State Department for Energy shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the Ministry of Energy and Petroleum, State Department for Energy is responsible for the preparation and presentation of the ministry's financial statements, which give a true and fair view of the state of affairs of the ministry for and as at the end of the financial year (period) ended on June 30, 2016 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 ministry; (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 ministry; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the Ministry of Energy and Petroleum, State Department for Energy accepts responsibility for the ministry's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Ministry's financial statements give a true and fair view of the state of Ministry's transactions during the financial year ended June 30, 2017, and of the Ministry's financial position as at that date. The Accounting Officer in charge of the Ministry of Energy and Petroleum further confirms the completeness of the accounting records maintained for the Ministry, which have been relied upon in the preparation of the Ministry's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the Ministry of Energy and Petroleum, State Department for Energy confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Further the Accounting Officer confirms that the Ministry's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

#### **Approval of the financial statements**

The Ministry of Energy and Petroleum, State Department for Energy's revised financial statements were approved and signed by the Accounting Officer on **23 April, 2018**.

Principal Secretary  
Name: **Dr. Eng. Joseph K. Njoroge, CBS**

Principal Accounts Controller  
Name: **Veronica W. Kamau**  
ICPAK Member Number: **10669**

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR ENERGY FOR THE YEAR ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of State Department for Energy set out on pages 27 to 51, which comprise the statement of financial assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows, summary statement of appropriation: recurrent and development combined, budget execution by programmes and sub-programmes 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 and Section 35 of the Public Audit Act, 2015. 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, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of State Department for Energy as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with Public Finance Management Act, 2012.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, based on the procedures performed, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

#### Basis for Qualified Opinion

##### 1. Land without Title Deeds

As reported in 2015/16, the State Department for Energy does not have title deeds for eight (8) parcels of land it occupies totaling 40.11 hectares valued at approximately Kshs.336,549,200. Particulars and current condition of these parcels of land, which are located in Kericho, Kisii, Migori, Kakamega, Uasin Gishu, Kitui, Nyeri and Meru counties, are as detailed out below:-

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*Report of the Auditor-General on the Financial Statements of State Department for Energy for the year ended 30 June 2017*

No.	Land Parcel	Size (Hectares)	Location (County)	Approximate Value (Kshs)	Condition
1.	Kericho Energy Centre	0.07	Kericho	3,049,200	Developed and fenced
2.	Kisii Energy Centre	4.00	Kisii	160,000,000	Developed and fenced
3.	Migori Energy Centre	0.40	Migori	2,200,000	Developed but not fenced
4.	Bukura Energy Centre	2.00	Kakamega	3,500,000	Developed but not fenced
5.	Uasin Gishu Energy Centre	0.80	Uasin Gishu	12,000,000	Developed and fenced
6.	Kitui Energy Centre	10.60	Kitui	53,000,000	Developed and fenced
7.	Wambugu Energy Centre	4.00	Nyeri	80,000,000	Developed but not fenced
8.	Mitunguu Energy Centre	18.24	Meru	22,800,000	Only 2 hectares is developed and fenced off.
	<b>Total</b>	<b>40.11</b>		<b>336,549,200</b>	

Information available indicate that the process of acquiring titles for some of the land parcels has been underway for significantly long duration. From the foregoing, it has not been possible to confirm the rightful ownership of these parcels as well as the risk exposure of being encroached upon by squatters and land grabbers.

## 2. Pending Accounts Payable

The statement of receipts and payments reflects payments totalling to Kshs.85,626,375,038 for the year ended 30 June 2017. This amount excludes pending accounts payables of Kshs.40,171,588 disclosed under Note 19.1 to the financial statements which have been carried forward to 2017/2018 financial year. Had the pending accounts payables been settled in the year under review, the statement would have reflected a deficit of Kshs.39,374,902 instead of the reported surplus of Kshs.796,686. This is indicative of the State Department failure to adhere to Public Financial Management guidelines on budgeting by incurring expenditure in excess of the approved budget. In addition, failure to settle accounts payables in the year to which they relate adversely affects the following year's budget provision to which they have to be charged.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of State Department for Energy 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 qualified opinion.

### Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described

in the Basis for Qualified Opinion and Other Matter sections of my report, I have determined that there are no Key Audit Matters to communicate in my report.

## **Other Matter**

### **1. Twin Biogas Digesters Plant - Narok County, Siana Primary School**

The State Department entered into a local contract on 29 June 2016, for an amount of Kshs 7,923,405 for the supply, construction, testing and commissioning of twin biogas digesters plant in Narok County-Siana Primary School. The objective of the digester was to generate biogas for use by the school using cow dung and sewage. The contract provided for twenty (20) and eight (8) weeks for the construction and testing to its functional use respectively. Available records at the State Department indicate that the contractor had been paid Kshs.5,351,300 as at 30 June 2017, based on engineer's assessment with the balance being payable upon testing of the system. However, although the biogas construction and installation was completed in January 2017, it was yet to be tested by the time of concluding this report. According to the school management, the delay in testing resulted from inability of the system to generate biogas as a result of inadequate cow dung supply. According to the project management, the school had at the project design stage undertaken to maintain sufficient herd of cattle to adequately supply the digester. Consequently, it has not been possible to confirm whether value for money will be realized from the expenditure of Kshs.7,923,405 on the biogas project.

### **2. Utilization of Training Facility at Mirangiine - Nyandarua County**

During the 2013/2014 financial year, the Ministry of Energy and Petroleum commenced the development of a modern office complex and training Centre in Nyandarua County at Mirangiine Energy Centre. The Centre has since been completed but is yet to be utilized due for lack of furniture and fittings. Although, management has indicated having budgeted for it in the 2017/18 and 2018/19 financial year, no documentary evidence was made available for audit review.

Under the circumstances, it has not been possible to ascertain whether the State Department received or will receive value for money on the investment on Mirangiine Energy Centre.

### **3. Budget Control and Performance**

#### **3.1. Budgetary Absorption**

The State Department's total approved budget for the year ended 30 June 2017 amounted to Kshs.111,425,574,252, as disclosed in the summary statement of appropriation: recurrent and development combined. Of the amount, recurrent and development expenditures amounted to Kshs.2,083,052,046 and Kshs.109,342,522,206 representing 2% and 98% of the total budget respectively. However, the total actual expenditure during the period amounted to Kshs.85,626,375,038 representing under absorption of Kshs.25,799,199,214 or 23% of the total budget. The table below compares the budget against the actuals:-

Vote	Final budget (Kshs)	Actual expenditure (Kshs)	Budget Utilization Difference (Kshs)	% Budget absorption
Recurrent Expenditure	2,083,052,046	2,014,569,087	68,482,959	97%
Development Expenditure	109,342,522,206	83,611,805,951	25,730,716,255	76%
<b>Total Expenditure</b>	<b>111,425,574,252</b>	<b>85,626,375,038</b>	<b>25,799,199,214</b>	<b>77%</b>

The under-absorption of Kshs.25,799,199,214 may have resulted into slowed down implementation of activities and projects in the Department's annual work-plan, for which the funds were budgeted. This may have impacted negatively on service delivery to the people of Kenya.

Consequently, it has not been possible to confirm if the Department's objectives for the year ended 30 June 2017 were achieved.

### 3.2. Development Budget

The State Department's development budget for the year amounted to Kshs.109,342,522,206, as disclosed in the summary statement of appropriation: development. This differs with actual expenditure of Kshs.83,611,805,951, resulting into an under-absorption of Kshs.25,730,716,255, representing 24% of the development budget, as detailed below:-

Expenditure Items	Approved Final Budget (Kshs.)	Actual Expenditure (Kshs.)	Under/ (Over) Absorption (Kshs.)
Compensation of Employees	2,000,000	1,315,125	684,875
Use of goods and services	1,482,436,968	1,374,875,341	107,561,627
Transfers to Other Government Units	35,981,552,323	36,268,917,017	(287,364,694)
Acquisition of Assets	71,876,532,915	45,966,698,468	25,909,834,447
Total	109,342,522,206	83,611,805,951	25,730,716,255

The under-absorption of Kshs.25,730,716,255 may have resulted into slowed down implementation of activities and projects in the Department's annual work-plans for which the funds were budgeted. This may have impacted negatively on service delivery to the people of Kenya. Consequently, it has not been possible to confirm if the Department's objectives for the year ended 30 June 2017 were achieved.

### Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such 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.

In preparing the financial statements, management is responsible for assessing the State Department's ability to continue to sustain its services, disclosing, as applicable,

matters related to sustainability of services and using the applicable basis of accounting unless management either intends to cease operations 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.

Those charged with governance are responsible for overseeing the State Department's financial reporting process.

### **Auditor-General's Responsibilities for the Audit of the Financial Statements**

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 that 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.

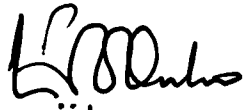
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures which are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the State Department's 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 State Department's ability to sustain 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 State Department to cease to continue to sustain 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 that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities of the department 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**

**04 May 2018**

**MINISTRY OF ENERGY AND PETROLEUM, STATE DEPARTMENT FOR ENERGY**  
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**V. STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2016-2017 Kshs	2015-2016 Kshs
<b>RECEIPTS</b>			
Tax Receipts	1	4,062,458,470	6,036,765,622
Proceeds from Domestic and Foreign Grants	2	-	1,393,389
Exchequer Releases	3	42,241,752,654	35,152,766,855
Proceeds from Foreign Borrowings	4	35,828,369,271	31,956,874,802
Proceeds from Sale of Assets	5	175,775	3,708,707
Other Receipts	6	3,494,415,553	408,049,912
<b>TOTAL RECEIPTS</b>		<b>85,627,171,723</b>	<b>73,559,559,287</b>
<b>PAYMENTS</b>			
Compensation of Employees	7	354,202,079	327,665,540
Use of goods and services	8	1,503,055,393	955,197,341
Transfers to Other Government Entities	9	37,796,467,017	36,986,572,128
Other grants and transfers	10	-	6,000,000
Acquisition of Assets	11	45,972,650,549	35,282,503,008
<b>TOTAL PAYMENTS</b>		<b>85,626,375,038</b>	<b>73,557,938,017</b>
<b>SURPLUS</b>		<b>796,686</b>	<b>1,621,270</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The State Department for Energy's revised financial statements were approved on **23 April, 2018** and signed by:

Principal Secretary  
Name: **Dr. Eng. Joseph K. Njoroge, CBS**

Principal Accounts Controller  
Name: **Veronica W. Kamau**  
ICPAK Member Number: **10669**

**VI. STATEMENT OF ASSETS AND LIABILITIES**

	Note	2016-2017 Kshs	2015-2016 Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	12	116,633,717	132,663,901
Cash Balances	13	-	114,348
<b>Total Cash And Cash Equivalents</b>		<b>116,633,717</b>	<b>132,778,249</b>
Accounts Receivables - Outstanding Imprest , Clearance Accounts and District Suspense	14	1,237,413	4,083,945
<b>TOTAL FINANCIAL ASSETS</b>		<b>117,871,130</b>	<b>136,862,194</b>
<b>LESS: FINANCIAL LIABILITIES</b>			
Accounts Payables - Deposits	15	100,621,173	120,408,924
<b>NET FINANCIAL ASSETS</b>		<b>17,249,956</b>	<b>16,453,270</b>
<b>REPRESENTED BY</b>			
Fund Balance B/fwd	16	16,453,270	1,147,395,000
Prior Year Adjustments	17	-	(1,132,563,000)
Surplus/Deficit for the Year		796,686	1,621,270
<b>NET FINANCIAL POSSITION</b>		<b>17,249,956</b>	<b>16,453,270</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The State Department for Energy's revised financial statements were approved on **23 April, 2018** and signed by:

Principal Secretary  
 Name: **Dr. Eng. Joseph K. Njoroge, CBS**

Principal Accounts Controller  
 Name: **Veronica W. Kamau**  
 ICPAK Member Number: **10669**

MINISTRY OF ENERGY AND PETROLEUM, STATE DEPARTMENT FOR ENERGY  
 Reports and Financial Statements  
 For the Year Ended June 30, 2017

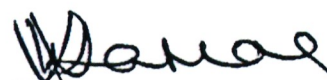
**VII. STATEMENT OF CASH FLOWS**

	Note	2016-2017 Kshs	2015-2016 Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Tax Receipts	1	4,062,458,470	6,036,765,622
Proceeds from Domestic and Foreign Grants	2	-	1,393,389
Exchequer Releases	3	42,241,752,654	35,152,766,855
Other Receipts	6	3,494,415,553	408,049,912
<b>Payments for operating expenses</b>			
Compensation of Employees	7	(354,202,079)	(327,665,540)
Use of goods and services	8	(1,503,055,393)	(955,197,341)
Transfers to Other Government Entities	9	(37,796,467,017)	(36,986,572,128)
Other grants and transfers	10	-	(6,000,000)
<b>Adjusted for:</b>			
Decrease in Receivables		2,846,533	(3,720,945)
Decrease in Payables		(19,787,751)	3,137,924
Adjustments during the year	17	-	(1,132,563,000)
<b>Net Cashflow from Operating Activities</b>		<b>10,127,960,971</b>	<b>2,190,394,748</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	5	175,775	3,708,707
Acquisition of Assets	11	(45,972,650,549)	(35,282,503,009)
<b>Net Cash Flows From Investing Activities</b>		<b>(45,972,474,774)</b>	<b>(35,278,794,302)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	4	35,828,369,271	31,956,874,802
<b>Net Cash Flow from Financing Activities</b>		<b>35,828,369,271</b>	<b>31,956,874,802</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(16,144,532)</b>	<b>(1,131,524,752)</b>
<b>Cash and Cash Equivalent at BEGINNING of the Year</b>		<b>132,778,249</b>	<b>1,264,303,000</b>
<b>Cash and Cash Equivalent at END of the Year</b>		<b>116,633,717</b>	<b>132,778,249</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The State Department for Energy's revised financial statements were approved on **23 April, 2018** and signed by:



Principal Secretary  
 Name: **Dr. Eng. Joseph K. Njoroge, CBS**



Principal Accounts Controller  
 Name: **Veronica W. Kamau**  
 ICPAK Member Number: **10669**

MINISTRY OF ENERGY AND PETROLEUM, STATE DEPARTMENT FOR ENERGY  
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VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Revenue/Expense Item	Original Budget		Adjustments		Final Budget		Actual on Comparable Basis		Budget Utilisation Difference		% of Utilisation Difference to Final Budget	
	a	Kshs	b	Kshs	c=a+b	Kshs	d	Kshs	e=d-d	Kshs	f=d/c	%
<b>RECEIPTS</b>												
Tax Receipts (AIA)	4,008,500,000		-		4,008,500,000		4,062,458,470		(53,958,470)		101%	
Proceeds from Domestic and Foreign Grants (AIA)	-		417,000,000		417,000,000		-		417,000,000		0%	
Exchequer Releases	38,402,373,726		7,152,537,939		45,554,911,665		42,241,752,654		3,313,159,011		93%	
Proceeds from Foreign Borrowings (AIA)	71,509,894,729		(13,405,847,448)		58,104,047,281		35,828,369,271		22,275,678,010		62%	
Proceeds from Sale of Assets (AIA)	3,580,000		-		3,580,000		175,775		3,404,225		5%	
Other Receipts (AIA)	3,337,535,306		-		3,337,535,306		3,494,415,553		(156,880,247)		105%	
<b>TOTAL RECEIPTS</b>	<b>117,261,883,761</b>		<b>(5,836,309,609)</b>		<b>111,425,574,262</b>		<b>86,627,171,723</b>		<b>25,798,402,529</b>		<b>77%</b>	
<b>PAYMENTS</b>												
Compensation of Employees	345,886,740		9,000,000		354,886,740		354,202,079		684,661		100%	
Use of Goods and Services	699,232,288		966,500,000		1,665,732,288		1,503,055,393		162,676,895		90%	
Transfers to Other Government Units	26,895,165,000		10,613,937,323		37,509,102,323		37,796,467,017		(287,364,694)		101%	
Social Security Benefits	4,200,000		-		4,200,000		-		4,200,000		0%	
Acquisition of Assets	89,317,399,733		(17,425,746,832)		71,891,652,901		45,972,650,549		25,919,002,352		64%	
<b>TOTAL PAYMENTS</b>	<b>117,261,883,761</b>		<b>(5,836,309,609)</b>		<b>111,425,574,262</b>		<b>86,626,376,038</b>		<b>25,799,199,214</b>		<b>77%</b>	
<b>SURPLUS/DEFICIT</b>							<b>796,686</b>		<b>(796,686)</b>			

Notes

- Tax receipts (101%) – the over collection was as a result of under estimation of 5% REP Levy, where actual receipts exceeded budget.
  - Proceeds from domestic and foreign grants (0%) – This was due to delays in project implementation
  - Proceeds from Foreign Borrowings (62%) – This was due to delays in release of funds from donors
  - Proceeds from Sale of Assets (5%) - This was due to non-disposal of assets during the year
  - Other Receipts (105%) - This was due to an increase in collection of Kipevu Oil Storage Facility Charges
  - Compensation of employees (66%) – There was a decline in the number of casual employees during the year
  - Transfers to Other Government Units (101%) – Overutilization was caused by transfer of KOSF money to State Department for Petroleum as per the sharing agreement which was not in the budget.
  - Social Security Benefits (0%) – There were no claims for payment during the year
  - Acquisition of Assets (64%) – The under expenditure was due to long procurement processes
- The State Department for Petroleum's revised financial statements were approved on 23 April, 2018 and signed by:

*J.S.*

Principal Secretary  
Name: **Dr. Eng. Joseph K. Njoroge, CBS**

*Veronica W. Kamau*

Principal Accounts Controller  
Name: **Veronica W. Kamau**  
ICPAK Member Number: **1066**

**MINISTRY OF ENERGY AND PETROLEUM, STATE DEPARTMENT FOR ENERGY**  
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**IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT**

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation Difference to Final Budget f=d/c %
<b>RECEIPTS</b>						
Exchange releases	1,871,436,740	4,500,000	1,875,936,740	1,842,300,000	33,636,740	98%
Proceeds from Sale of Assets (AIA)	3,580,000	-	3,580,000	175,775	3,404,225	5%
Other Receipts (AIA)	203,535,306	-	203,535,306	372,584,164	(169,048,858)	183%
<b>TOTAL RECEIPTS</b>	<b>2,078,552,046</b>	<b>4,500,000</b>	<b>2,083,052,046</b>	<b>2,215,059,939</b>	<b>(132,007,893)</b>	<b>106%</b>
<b>PAYMENTS</b>						
Compensation of Employees	343,886,740	9,000,000	352,886,740	352,886,954	(214)	100%
Use of goods and services	187,795,320	(4,500,000)	183,295,320	128,180,052	55,115,268	70%
Transfers to Other Government Units	1,527,550,000	-	1,527,550,000	1,527,550,000	-	100%
Social Security Benefits	4,200,000	-	4,200,000	4,200,000	-	0%
Acquisition of Assets	15,119,986	-	15,119,986	5,952,081	9,167,905	39%
<b>TOTAL PAYMENTS</b>	<b>2,078,552,046</b>	<b>4,500,000</b>	<b>2,083,052,046</b>	<b>2,014,569,087</b>	<b>68,482,959</b>	<b>97%</b>
<b>SURPLUS/DEFICIT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,490,852</b>	<b>(200,490,852)</b>	

**Notes**

- Proceeds from Sale of Assets (5%) - This was due to non-disposal of assets during the year
- Other Receipts (183%) - This was due to an increase in collection of Kipevu Oil Storage Facility Charges
- Use of Goods and Services (70%) - This was due to IFMIS downtime and hence payments were not going through
- Social Security Benefits (0%) - There were no claims for payment during the year
- Acquisition of Assets (39%) - This was as a result of long procurement process

The State Department for Petroleum's revised financial statements were approved on **23 April, 2018** and signed by:

Principal Secretary

Name: **Dr. Eng. Joseph K. Njoroge, CBS**



Principal Accounts Controller

Name: **Veronica W. Kamau**  
 ICPAK Member Number: **10669**



**MINISTRY OF ENERGY AND PETROLEUM, STATE DEPARTMENT FOR ENERGY**  
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**X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT**

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c %
<b>RECEIPTS</b>						
Tax Receipts (AIA)	4,008,500,000	-	4,008,500,000	4,062,458,470	(53,958,470)	101%
Proceeds from Domestic and Foreign Grants (AIA)	-	417,000,000	417,000,000	-	417,000,000	0%
Exchequer releases	36,530,936,986	7,148,037,939	43,678,974,925	40,399,452,654	3,279,522,271	92%
Proceeds from Foreign Borrowings (AIA)	71,509,894,729	(13,405,847,448)	58,104,047,281	35,828,369,271	22,275,678,010	62%
Other Receipts (AIA)	3,134,000,000	-	3,134,000,000	3,121,831,389	12,168,611	100%
<b>TOTAL RECEIPTS</b>	<b>115,183,331,715</b>	<b>(5,840,809,509)</b>	<b>109,342,522,206</b>	<b>83,412,111,784</b>	<b>25,930,410,422</b>	<b>76%</b>
<b>PAYMENTS</b>						
Compensation of Employees	2,000,000	-	2,000,000	1,315,125	684,875	66%
Use of goods and services	511,436,968	971,000,000	1,482,436,968	1,374,875,341	107,561,627	93%
Transfers to Other Government Units	25,367,615,000	10,613,937,323	35,981,552,323	36,268,917,017	(287,364,694)	101%
Acquisition of Assets	89,302,279,747	(17,425,746,832)	71,876,532,915	45,966,698,468	25,909,834,447	64%
<b>TOTAL PAYMENTS</b>	<b>115,183,331,715</b>	<b>(5,840,809,509)</b>	<b>109,342,522,206</b>	<b>83,611,805,951</b>	<b>25,730,716,255</b>	<b>76%</b>
<b>SURPLUS/DEFICIT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(199,694,166)</b>	<b>199,694,166</b>	

**Notes**

- Tax receipts (101%) – the over collection was as a result of under estimation of 5% REP Levy, where actual receipts exceeded budget.
- Proceeds from domestic and foreign grants (0%) – This was due to delays in project implementation
- Proceeds from Foreign Borrowings (62%) – This was due to delays in release of funds from donors
- Compensation of employees (66%) – There was a decline in the number of casual employees during the year
- Transfers to Other Government Units (101%) – Overutilization was caused by transfer of KOSF money to State Department for Petroleum as per the sharing agreement which was not in the budget.
- Acquisition of Assets (64%) – The under expenditure was due to long procurement processes

The State Department for Petroleum's revised financial statements were approved on **23 April, 2018** and signed by:



Principal Secretary

Name: **Dr. Eng. Joseph K. Njoroge, CBS**



Principal Accounts Controller

Name: **Veronica W. Kamau**

ICPAK Member Number: **10669**

**MINISTRY OF ENERGY AND PETROLEUM, STATE DEPARTMENT FOR ENERGY**  
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**XI. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES**

<b>Programme/Sub-programme</b>	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Budget Utilization Difference</b>
	<b>2016/2017</b>	<b>2016/2017</b>	<b>2016/2017</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>General Administration Planning and Support Services</b>			
Administrative Services	508,627,089	403,081,454	105,545,635
Planning and Project Monitoring	94,412,008	90,131,523	4,280,485
Financial Services	13,818,483	17,342,472	(3,523,989)
<b>Sub-total</b>	<b>616,857,580</b>	<b>510,555,449</b>	<b>106,302,131</b>
<b>Power Generation</b>			
Geothermal generation	28,187,058,966	20,623,511,529	7,563,547,437
Development of Nuclear Energy	364,000,000	364,000,000	-
Coal Exploration and Mining	23,055,996	22,990,008	65,988
<b>Sub-total</b>	<b>28,574,114,962</b>	<b>21,010,501,537</b>	<b>7,563,613,425</b>
<b>Power Transmission and Distribution</b>			
National Grid System	66,478,768,527	49,152,056,691	17,326,711,836
Rural Electrification	13,910,535,297	13,297,656,335	612,878,962
<b>Sub-total</b>	<b>80,389,303,824</b>	<b>62,449,713,026</b>	<b>17,939,590,798</b>
<b>Alternative Energy Technologies</b>			
Alternative Energy Technologies	1,845,297,886	1,655,805,026	189,492,860
<b>Sub-total</b>	<b>1,845,297,886</b>	<b>1,655,805,026</b>	<b>189,492,860</b>
<b>Grand Total</b>	<b>111,425,574,252</b>	<b>85,626,575,038</b>	<b>25,798,999,214</b>

(NB: This statement is a disclosure statement indicating the utilisation in the same format as the State Department for Energy's budgets which are programme based).

## **XII. SIGNIFICANT ACCOUNTING POLICIES**

The principle accounting policies adopted in the preparation of these financial statements are set out below:

### **1. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below.

This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The receivables and payables are disclosed in the Statement of Assets and Liabilities. The Statement of Assets and Liabilities is not mandatory statement under the IPSAS Cash basis but is encouraged in order to disclose information on assets and liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

### **2. Reporting Entity**

The financial statements are for the State Department for Energy. The financial statements encompass the reporting entity as specified under section 81 of the Public Finance Management Act 2012 and also comprise the following development projects implemented by the State Department for Energy:

- Kenya Electricity Modernization Project; and
- Kenya Electricity Expansion Project.

### **3. Recognition of Receipts and Payments**

#### **a) Recognition of Receipts**

The Entity recognizes all receipts from the various sources when the event occurs and the related cash has actually been received by the entity.

#### **Tax Receipts**

Tax Receipts is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

#### **Exchequer Releases**

Exchequer releases is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

#### **External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

#### ***Donations and grants***

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary.

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In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

***Proceeds from borrowing***

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the entity or any other debt the Entity may take on will be treated on cash basis and recognized as receipts during the year of receipt.

***Undrawn external assistance***

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30th June 2017, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

**Other Receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements the time associated cash is received.

**b) Recognition of Payments**

The entity recognizes all expenses when the event occurs and the related cash has actually been paid out by the entity.

**Compensation of Employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

**Use of Goods and Services**

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

**Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of disclosure. This summary is disclosed as an annexure to the entity's financial statements.

**4. 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 Central Bank of Kenya and at various commercial banks at the end of the financial year.

**Restriction on Cash**

Restricted cash represents amounts that are limited /restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2017, this amounted to Kshs.100,621,173 balance compared to Kshs120,408,924 in prior period as indicated in note 15. There were no other restrictions on cash during the year

**5. Accounts Receivable**

For the purposes of these financial statements, imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**MINISTRY OF ENERGY AND PETROLEUM, STATE DEPARTMENT FOR ENERGY**  
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**XIII. NOTES TO THE FINANCIAL STATEMENTS**

**1 TAX RECEIPTS**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Taxes on Goods and Services	3,808,625,195	3,206,569,742
Royalties	253,833,275	554,195,880
Receipts from <b>Permission</b> to use Goods and Services	0	2,276,000,000
<b>TOTAL</b>	<b>4,062,458,470</b>	<b>6,036,765,622</b>

Taxes on Goods and Services relates to money received from 5% rural electrification programme (REP) levy and petroleum development levy.

**2 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS**

<b>Name of Donor</b>	<b>Date received</b>	<b>Amount in foreign currency</b>	<b>2016-2017</b>	<b>2015-2016</b>
			<b>Kshs</b>	<b>Kshs</b>
<b>Grants Received from Bilateral Donors (Foreign Governments)</b>				
IDA	-	-	-	1,393,389
<b>Total</b>				<b>1,393,389</b>

**3 EXCHEQUER RELEASES**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Total Exchequer Releases for quarter 1	7,390,368,976	4,557,633,525
Total Exchequer Releases for quarter 2	7,353,971,045	8,645,328,155
Total Exchequer Releases for quarter 3	7,503,002,280	7,024,828,275
Total Exchequer Releases for quarter 4	19,994,410,353	14,924,976,900
<b>TOTAL</b>	<b>42,241,752,654</b>	<b>35,152,766,855</b>

**4 PROCEEDS FROM FOREIGN BORROWINGS**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Foreign Borrowings – Direct payments	35,828,369,271	31,956,874,802
<b>TOTAL</b>	<b>35,828,369,271</b>	<b>31,956,874,802</b>

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Direct payments are expenditures directly paid by the donors relating to development projects funded by the international development partners.

**5 PROCEEDS FROM SALE OF ASSETS**

Description	2016-2017	2015-2016
	Kshs	Kshs
Receipts from the Sale of Inventories, Stocks and Commodities	175,775	3,708,707
<b>Total</b>	<b>175,775</b>	<b>3,708,707</b>

**6 OTHER RECEIPTS**

Description	2016-2017	2015-2016
	Kshs	Kshs
Receipts from Incidental Sales by Non-Market Establishments	590,584,164	407,305,026
Other Receipts Not Classified Elsewhere	-	744,886
Proceeds from Sale of Steam	2,903,831,389	-
<b>Total</b>	<b>3,494,415,553</b>	<b>408,049,912</b>

Receipts from incidental sales by non-market establishments relates to receipt of Kipevu oil storage facility charges and proceeds from sale of steam is money received by Geothermal Development Company from sale of steam to KENGEN and IPPs.

**7 COMPENSATION OF EMPLOYEES**

Description	2016-2017	2015-2016
	Kshs	Kshs
Basic salaries of permanent employees	238,071,887	215,542,189
Basic wages of temporary employees	1,315,125	9,621,074
Personal allowances paid as part of salary	114,815,067	102,502,277
<b>TOTAL</b>	<b>354,202,079</b>	<b>327,665,540</b>

**8 USE OF GOODS AND SERVICES**

Description	2016-2017	2015-2016
	Kshs	Kshs
Utilities, supplies and services	6,149,971	9,995,777
Communication, supplies and services	14,142,445	12,046,610
Domestic travel and subsistence	31,983,213	26,448,882
Foreign travel and subsistence	4,828,441	7,490,337
Printing, advertising and information supplies & services	2,022,733	11,008,582
Rentals of produced assets	2,940	9,355,129
Training expenses	101,096,027	296,816,918
Hospitality supplies and services	23,623,950	115,592,914
Specialized materials and services	8,032,793	10,216,174

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Description	2016-2017	2015-2016
	Kshs	Kshs
Office and general supplies and services	8,221,887	18,630,807
Other operating expenses	1,213,990,385	406,883,069
Routine maintenance – vehicles and other transport equipment	6,868,181	10,967,250
Routine maintenance – other assets	76,751,725	8,202,564
Fuel Oil and Lubricants	5,340,702	8,540,177
Payments in Bank Statement not yet Recorded in Cashbook - Rec	-	898,265
Payments in Bank Statement not yet Recorded in Cashbook - Dev	-	2,103,886
<b>TOTAL</b>	<b>1,503,055,393</b>	<b>955,197,341</b>

**9 TRANSFERS TO OTHER GOVERNMENT ENTITIES**

Description	2016-2017	2015-2016
	Kshs	Kshs
Transfers to National Government entities (SCOA Codes 2630100, 2630200) – See list below.	37,796,467,017	36,986,572,128
<b>TOTAL</b>	<b>37,796,467,017</b>	<b>36,986,572,128</b>

The above transfers were made to the following self-reporting entities during the year:

Description	Recurrent	Development	2016-2017
	Kshs	Kshs	Kshs
<b>Transfers to SAGAs and SCs</b>			
Geothermal Development Company	666,730,000	2,647,000,000	3,313,730,000
Kenya Electricity Transmitting company	301,100,000	11,842,937,323	12,144,037,323
Kenya Nuclear Electricity Board	81,000,000	441,000,000	522,000,000
Kenya Power and Lighting company(subsidy)	-	2,829,000,000	2,829,000,000
Kenya Power and Lighting company(Last Mile)	-	5,700,000,000	5,700,000,000
Kenya Power and Lighting company(Street Lighting)	-	4,600,000,000	4,600,000,000
Rural Electrification Authority	478,720,000	8,126,615,000	8,605,335,000
Kenya Association of Manufacturers		35,000,000	35,000,000
State Department for Petroleum		47,364,694	47,364,694
<b>TOTAL</b>	<b>1,527,550,000</b>	<b>33,621,917,017</b>	<b>37,796,467,017</b>

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**10 OTHER GRANTS AND TRANSFERS**

Explanation	2016-2017	2015-2016
	Kshs	Kshs
Membership dues and subscriptions to international organizations	-	6,000,000
<b>Total</b>	<b>-</b>	<b>6,000,000</b>

**11 ACQUISITION OF ASSETS**

Description	2016-2017	2015-2016
	Kshs	Kshs
<b>Non Financial Assets</b>		
Construction and Civil Works	45,193,474,305	32,875,864,546
Purchase of Vehicles and Other Transport Equipment	-	45,000,000
Overhaul of Vehicles and Other Transport Equipment	1,470,546	1,633,854
Purchase of Office Furniture and General Equipment	1,372,340	3,303,353
Purchase of Specialised Plant, Equipment and Machinery	16,780,620	234,902,328
Purchase of Certified Seeds, Breeding Stock and Live Animals	81,616,047	10,624,783
Research, Studies, Project Preparation, Design & Supervision	583,537,042	504,117,670
Rehabilitation of Civil Works	94,399,649	1,407,056,474
<b>Total</b>	<b>45,972,650,549</b>	<b>35,282,503,008</b>

**12. BANK ACCOUNTS**

Name of Bank, Account No. & Currency	Indicate Whether Recurrent, Development, Deposit e.t.c	2016-2017	2015-2016
		Kshs	Kshs
Central Bank of Kenya, 1000302615, Ksh, Recurrent Kshs-State Department Of Energy	Recurrent	-16,868,555	7,051,623
Central Bank of Kenya, 1000302647, Ksh, RDevelopment Kshs-State Department Of Energy	Development	32,881,099	5,203,354
Central Bank of Kenya, 1000181947, Kshs, Deposit Kshs-State Department Of Energy	Deposits	100,621,173	120,408,924
<b>Total</b>		<b>116,633,717</b>	<b>132,663,901</b>

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**13: CASH IN HAND**

Description	2016-2017	2015-2016
	Kshs	Kshs
Cash in Hand – Held in domestic currency		114,348
<b>TOTAL</b>	<b>-</b>	<b>114,348</b>

Cash in Hand Further Analyzed as follows:

Description	2016-2017	2015-2016
	Kshs	Kshs
Recurrent - Ministry of Energy and Petroleum Hq		13,917
Deposits - Ministry of Energy and Petroleum Hq		100,431
<b>Total</b>	<b>-</b>	<b>114,348</b>

**14. ACCOUNTS RECEIVABLES**

Outstanding Imprests		
Description	2016-2017	2015-2016
	Kshs	Kshs
Government Imprests	1,237,413	3,889,915
District suspense	-	194,030
<b>TOTAL</b>	<b>1,237,413</b>	<b>4,083,945</b>

Below is a breakdown of the above outstanding imprests:

No	Name of Officer	Amount Taken	Amount Surrendered	Balance
		Kshs	Kshs	Kshs
1	Rose Ombehetsi Ombima	40,000	-	40,000
2	Samwel Kiplangat Mutai	89,100	-	89,100
3	Irene Akhubi	95,600	-	95,600
4	Anne Ichahuriah	100,000	-	100,000
5	Geofrey Mungai	198,000	-	198,000
6	Hillary Rotich	86,700	-	86,700
7	John Makite Lesharana	152,100	-	152,100
8	Esther Makena	7,000	-	7,000
9	Jacqueline Ndiema	120,000	-	120,000
10	Martha Nganga	303,913	-	303,913
11	Margaret Koki Makau	30,000	-	30,000
12	Dennis Othieno Owino	15,000	-	15,000
	<b>Total</b>	<b>1,237,413</b>	<b>-</b>	<b>1,237,413</b>

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**15. ACCOUNTS PAYABLE**

Description	2016-2017	2015-2016
	Kshs	Kshs
Deposits	100,621,173	120,408,924
<b>TOTAL</b>	<b>100,621,173</b>	<b>120,408,924</b>

**16. FUND BALANCE BROUGHT FORWARD**

Description	2016-2017	2015-2016
	Kshs	Kshs
Bank accounts	132,663,901	1,264,170,000
Cash in hand	114,348	133,000
Receivables - Outstanding Imprests	4,083,945	363,000
Payables - Deposits	(120,408,924)	(117,271,000)
<b>TOTAL</b>	<b>16,453,270</b>	<b>1,147,395,000</b>

**17. PRIOR YEAR ADJUSTMENTS**

Description of the error	2016-2017	2015-2016
	Kshs	Kshs
Adjustments on bank account balances	-	(1,132,563,000)
<b>TOTAL</b>	<b>-</b>	<b>(1,132,563,000)</b>

**18. RELATED PARTY DISCLOSURES**

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise related parties to the State Department for Energy

- Key management personnel that include the Cabinet Secretaries and Accounting Officer
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Description	2016-2017	2015-2016
	Kshs	Kshs
Transfers to State Corporations and Semi-Autonomous Government Agencies	37,749,102,323	36,986,572,128
Transfers to Other Departments	47,364,694	-
<b>TOTAL</b>	<b>37,796,467,017</b>	<b>36,986,572,128</b>

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**19. OTHER IMPORTANT DISCLOSURES**

**19.1: PENDING ACCOUNTS PAYABLE (See Annex 1)**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Supply of goods	11,402,363	1,945,400
Supply of services	28,769,225	2,876,955
<b>TOTAL</b>	<b>40,171,588</b>	<b>4,822,355</b>

**19.2: OTHER PENDING PAYABLES (See Annex 2)**

<b>Description</b>	<b>2016 – 2017</b>	<b>2015 – 2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Amounts due to National Government entities	482,328	-
<b>TOTAL</b>	<b>482,328</b>	<b>-</b>

**20. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the Auditor-General, 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)
Paragraph 181	<p><b>Accumulation of Funds – Ministry Headquarters</b></p> <p>Available records and information indicate that the Ministry of Energy and Petroleum headquarters construction fund operated by the National Oil Corporation of Kenya (NOCK) had an uncommitted balance of Kshs.589,821,694 as of 30 June, 2015.</p> <p>However confirmation receipt from NOCK indicates a balance of Kshs.516,791,688 resulting in an unexplained difference of Kshs.73,030,006. Management has not provided explanation for the discrepancy. There is also no plan for the utilization of the uncommitted balance and the accrued interest despite the advanced stage of completion of the headquarters building.</p> <p>In the circumstances, it was not possible to confirm the accuracy and validity of the Ministry transfers to NOCK on account of headquarter building.</p>	<p>The Issues have been responded and awaiting clearance from the PAC</p>	<p>Veronica Kamau, Chief Accountant</p>	<p>Not Resolved</p>	<p>30 March 2018</p>

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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)
Paragraph 184.2	<p><b>Land Without Title Deeds</b> As reported in prior year, the Ministry does not have title deeds for some of the parcels of land in Kericho, Kisii, Migori, Bukura, Uasin Gishu, Kitui, Wambugu and Mitungu Energy Centres. Information available indicates that the process of acquiring titles for some of the land parcels has been ongoing for significantly long durations. It is therefore, not possible to verify the rightful ownership of these properties.</p> <p>In light of the above paragraphs, it is not possible to give an opinion on the carrying values of the assets as reflected in the financial statements.</p>	The issues have been responded and awaiting clearance from the PAC	Veronica Kamau, Chief Accountant	Not Resolved	Not known but efforts are being made to obtain the title deeds
Paragraph 185	<p><b>Utilization of Resource Centre at Mitungu in South Imenti Sub – County</b> During the financial year 2012/2013, the Ministry expended amounts totalling Kshs.44,636,192 to put up Mitungu Energy Resource Centre with the completion and hand over date of 25 July 2013. As in previous year's (2013/2014) audit report, the viability of the Centre due to non-optimal utilization was questioned. The management in its response to the Public Accounts Committee (PAC) sitting committed to fully operationalize the Centre and provided a business plan. However as at the time of the audit visit in October 2015, the facility continued to remain idle as the business plan had not been implemented. In light of the above paragraph, I am unable to confirm whether there is value for</p>	The issues have been responded and awaiting clearance from the PAC	Veronica Kamau, Chief Accountant	Not Resolved	30 June 2018



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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)
	money on the expenditure over the project. My opinion is not qualified in respect of this matter.				

*J.K.*

Principal Secretary

Name: **Dr. Eng. Joseph K. Njoroge, CBS**

*Veronica*

Principal Accounts Controller

Name: **Veronica W. Kamau**

ICPAK Member Number: **10669**

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**ANNEX 1: PENDING ACCOUNTS PAYABLE**

<b>Supply of goods</b>	<b>Supplier</b>	<b>Amount (Kshs)</b>
Supply of 16GB	Unicomm technologies	2,142,000
Supply of office equipment	Sunbeam suppliers	3,775,160
Supply tonners	Patreda global enterprises	893,120
Supply of project version and 3G modem	Autogen limited	314,750
Supply of Laptops and modems	Kappex enterprises Limited	565,000
Supply of cleaning materials	Penyoka enterprises	68,478
Supply of vacuum cleaner and computer processor	Padage investments	1,377,200
Supply of flash disks, electric cooker	Flare ventures	233,500
Supply And delivery of computer iPad	Scarbox services	324,000
Supply of printer copier papers, conqueror, phone handset	Computer options	352,000
Supply of multinational printer	Treber investments	1,357,155
		<b>11,402,363</b>
<b>Supply of services</b>	<b>Service Provider</b>	<b>Amount (Kshs)</b>
Supply of air ticket	Pago airways	1,216,170
Supply of air ticket	Shiners tours and travel	357,995
Supply of air tickets	Ride on agencies limited	1,118,400
Supply of air tickets	Green bay travel limited	490,800
Conference facility	KSG-Mombasa	2,859,400
Internet connection services	Safaricom limited	2,404,968
Consultancy services	KSG-Embu	1,687,200
Maintenance of motor vehicles	Toyota Kenya	1,779,652
Cost of conference facility	Lake Naivasha Simba lodge	2,200,000
Catering services	Ronalo foods	1,297,800
Catering services	TIN TIN restaurant	780,100
Catering services	Intercontinental Hotel	340,181
Catering services	Utalii Hotel	294,000
Air tickets	Mara ways tours and travel	1,424,654
Air tickets	Mighty tours and travel	462,960
Airt tickets	Bush and beach travel services	416,561.4
Provision of short code messages	Better sms Limited	480,000
Electricity bill	Kenya power limited	1,079,574
Maintenance of Lifts	Elevators general services ltd	504,785
Water bill	Nairobi water and sewerage co	418,544

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Conference facilities	The pot limited	2,250,680
Conference facilities	Sarova panafric hotel	100,000
Conference facilities	Lake Naivasha panorama park	528,000
Conference facilities	Astorian Grand Hotel	100,800
Air tickets	Africana Savana tours	164,969
Air tickets	Kosen Safaris Africa	331,410
Air tickets	Sky touch travel and tours agencies	112,500
Air tickets	Light house tours and travels	102,640
Air tickets	African Touch Safaris	127,970
Conference facilities	Kisumu Hotel	253,000
Conference facilities	Winsor Hotel	150,000
Conference facilities	Sweet lake resort	825,000
Air time services	Trap communication	252,000
Retention money	Lemorio enterprises	936,417.6
Consultancy fee	Albert Mugera	597,897
Provision of sanitary bins	Rentokil initial	70,992
Provision of information technology services	Ventag enterprises	48,970
Air ticket	Jambo net ltd	32,800
Catering services	Intercontinental	48,750
Air ticket	Travel plaza limited	97,315
Air ticket	Bush and beach Travel	23,370
<b>TOTAL</b>		<b>28,769,225</b>

**ANNEX 2: OTHER PENDING PAYABLES**

<b>Supply of services</b>	<b>Service Provider</b>	<b>Amount (Kshs)</b>
Payment of Video shooting	Ministry of Agriculture information centre	482,328
<b>TOTAL</b>		<b>482,328</b>

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**ANNEX 3: SUMMARY OF FIXED ASSET REGISTER**

Asset class	Historical Cost b/f (Kshs) 2015/2016	Additions During the Year (Kshs) 2016/2015	Disposals During the Year (Kshs) 2016/2016	Historical Cost C/F (Kshs) 2016/2017
Land	121,780,634	-	0	121,780,634
Buildings and structures	1,528,562,974	-	0	1,528,562,974
Transport equipment	120,689,665	1,470,546	0	122,160,211
Office equipment, furniture and fittings	33,606,900	1,372,340	175,775	34,803,465
ICT Equipment, Software and Other ICT Assets	47,685,191	4,889,195	0	52,574,386
Other Machinery and Equipment	130,157,780,296	45,299,765,379	0	175,457,545,675
Certified seeds, Breeding stock and line Animals	26,325,036	81,616,047	0	107,941,083
Intangible assets	2,231,441,994	583,537,042	0	2,814,979,036
<b>TOTAL</b>	<b>134,267,872,690</b>	<b>45,972,650,549</b>	<b>175,775</b>	<b>180,240,347,464</b>

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the State Department for Energy. Additions during the year tie to note 11 on acquisition of assets during the year.

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**ANNEX 4: LIST OF PROJECTS IMPLEMENTED BY THE STATE DEPARTMENT FOR ENERGY**

<b>Ref</b>	<b>Project Name</b>	<b>Principal Activity of the Project</b>	<b>Accounting Officer</b>	<b>Project Consolidated in These Financial Statements (yes/no)</b>
1	Kenya Electricity Expansion Project	Increase capacity, efficiency and quality of electricity supply and expand access to electricity in Urban, Peri-Urban and Rural areas	Dr.(Eng.) Joseph Njoroge,(CBS)	Yes
2	Kenya Electricity Modernization Project	Increase access to electricity, improve reliability of electricity services and to strengthen KPLC's financial situation	Dr.(Eng.) Joseph Njoroge,(CBS)	Yes

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**ANNEX 5: LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE STATE DEPARTMENT FOR ENERGY**

Ref	SC, SAGA or Public Fund's Name	Principal Activity of Entity	Accounting Officer	Amount Transferred During the Year	Inter-Entity Reconciliations Done? (yes/no)
1	Geothermal Development Company Ltd	Development of steam for sale to power generating companies	Dr.(Eng.) Joseph Njoroge,(CBS)	3,313,730,000	Yes
2	Kenya Electricity Transmitting Company Ltd	Transmission of generated electric power	Dr.(Eng.) Joseph Njoroge,(CBS)	12,144,037,323	Yes
3	Kenya Nuclear Electricity Board	Fast-tracking the development of nuclear power in order to enhance the production of affordable and reliable electricity	Dr.(Eng.) Joseph Njoroge,(CBS)	522,000,000	Yes
4	Kenya Power and Lighting Company Ltd	Distribution of electric power to consumers	Dr.(Eng.) Joseph Njoroge,(CBS)	13,129,000,000	Yes
5	Rural Electrification Authority	Implementation of Government's rural electrification programme through construction of rural electrification projects	Dr.(Eng.) Joseph Njoroge,(CBS)	8,605,335,000	Yes
6	Kenya Association of Manufacturers	Supervision of manufacturing companies	Dr.(Eng.) Joseph Njoroge,(CBS)	35,000,000	Yes
7	State Department for Petroleum	facilitating availability of sufficient, secure, efficient and affordable clean energy by 2030	Dr.(Eng.) Joseph Njoroge,(CBS)	47,364,694	Yes
8	Petroleum Development Levy Fund	Development of energy sector	Dr.(Eng.) Joseph Njoroge,(CBS)	1,066,397,062	Yes
9	Kenya Energy Sector Environment and Social Responsibility Programme Fund	Facilitating production of bio fuels and growing of trees in order to conserve soil.	Dr.(Eng.) Joseph Njoroge,(CBS)	80,000,000	Yes
<b>Total</b>				<b>38,942,864,079</b>	

**NB:** Amounts reflected against Funds, i.e. Kshs.1,066,397,062 and Kshs.80,000,000 are not included in Note 9 since they were not budgeted under Transfers to Other Government Entities.