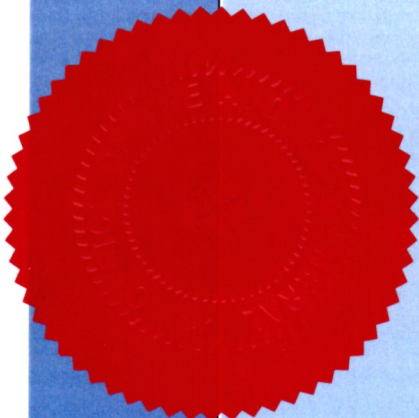


REPUBLIC OF KENYA



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Tuesday 14/4/2018
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OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2017**

STATE DEPARTMENT FOR ENERGY



STATE DEPARTMENT FOR ENERGY

**KENYA ENERGY-SECTOR ENVIRONMENT AND SOCIAL RESPONSIBILITY
PROGRAMME FUND**

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30 JUNE, 2017**

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

KENYA ENERGY-SECTOR ENVIRONMENT AND SOCIAL RESPONSIBILITY PROGRAMME FUND
Reports and Financial Statements
For the Financial Year ended June 30, 2017

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I. KEY KENYA ENERGY-SECTOR ENVIRONMENT AND SOCIAL RESPONSIBILITY PROGRAMME FUND INFORMATION AND MANAGEMENT

(a) Background information

The Kenya Energy-Sector Environment and Social Responsibility Programme Fund was established on 17 October, 2007 by the then Minister for Finance, through Legal Notice No. 188. The officer administering the Fund is the Principal Secretary, State Department for Energy of the Ministry of Energy and Petroleum. The object and purpose of the Fund is to finance activities relating to:

- the production of wood fuel, power distribution poles and energy crops for production of bio-fuels; and
- growing of trees in order to conserve soil and preserve catchment areas for hydro-power dams, including provision of a sink for carbon dioxide generated through combustion fossil fuels.

(b) Key Management

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

- Finance Department
- Accounts Department
- Directorate of Renewable Energy
- Supplies Chain Management Department.

(c) Fiduciary Management

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

No.	Designation	Name
1.	Principal Secretary, State Department for Energy	Dr. Eng. Joseph Njoroge
2.	Secretary, Directorate of Renewable Energy	Eng. Isaac Kiva
3.	Chief Finance Officer	William Mbaka
4.	Chief Accountant	CPA. Veronica Kamau
5.	Director Supply Chain Management	Mary Mwangi

(d) Fiduciary Oversight Arrangements

- Ministerial Performance Management Committee (MPMC)
- Ministerial Human Resources Management Advisory Committee (MHRMAC)

(e) Fund's Headquarters

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

(f) Fund's Contacts

Telephone: (254) 3110112
E-mail: info@energy.go.ke
Website: www.go.ke

(g) Fund's Bankers

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

(h) Independent Auditors

Auditor-General
Office of the Auditor-General
Anniversary Towers, University Way
P.O. Box 30084
GOP 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

Hydro power is one of the cheapest and environmentally friendly sources of energy, and is derived directly from the forested catchments of this country. Deforestation of water catchments has a direct impact on the amount of water available to generate power because this causes siltation of dams and irregular flow of water resources, which in turn leads to reduced performance of dams for hydro power generation.

Key Achievements

The launch of Kenya Energy-Sector Environment and Social Responsibility Program Fund (KEEP Fund) was done in the year 2008. The latest projects have dwelt on rehabilitation of degraded water catchment areas for Upper Tana and Sondu Miriu Rivers. So far, 1030 hectares of degraded water catchment areas have been rehabilitated. The Ministry has been working closely with other Government institutions and the local communities adjacent to the project sites.

The projects have created about 2000 jobs for the local communities during the initial tree planting activities and every quarter of the year when undertaking spot weeding of the seedlings for the project period. Community scouts are also employed to protect the site for the entire project period

Emerging Issues Related to the Fund

The ongoing 2008-2018 KEEP Fund Action Plan will be revised during this year to enable preparation of another Action plan for 2019.

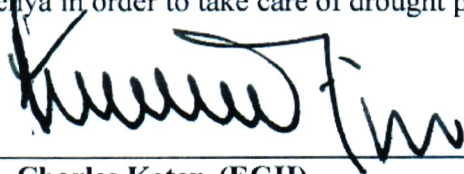
Implementation Challenges

Drought has been a major challenge in some of the project sites. In some areas, culture of the local community has impacted negatively on the project, especially in areas where grazing livestock is a way of life.

Way Forward

More stakeholders will need to be brought on board to participate in implementation and monitoring of various environment related projects. In future, it will be necessary to use part of this Fund to enhance skills of staff handling the various projects.

In future, different types of projects will need to be designed for the various agro-ecological zones in Kenya in order to take care of drought prone areas.



Hon. Charles Keter, (EGH)
CABINET SECRETARY

III. STATEMENT OF FUND MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Officer Administering the Fund for a national government entity 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 by the Public Sector Accounting Standards Board of Kenya from time to time.

The Officer Administering the Kenya Energy-Sector Environment and Social Responsibility Programme Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2017. 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 entity; (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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Officer Administering the Fund accepts responsibility for the Fund'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) and relevant legal framework of the Government of Kenya. The Officer Administering the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2017, and of the Fund's financial position as at that date. The Officer Administering the Fund further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Funds financial statements as well as the adequacy of the systems of internal financial control.

The Officer Administering the Fund confirms that the Fund has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the Fund'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 Officer Administering the Fund confirms that the Fund'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 Funds revised financial statements were approved and signed by the Officer Administering the Fund on **23 January, 2018**.

Officer Administering the Fund
Name: **Dr. Eng. Joseph K. Njoroge CBS**

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

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA ENERGY-SECTOR ENVIRONMENT AND SOCIAL RESPONSIBILITY PROGRAMME FUND – STATE DEPARTMENT FOR ENERGY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Energy-Sector Environment and Social Responsibility Programme Fund set out on pages 6 to 18, which comprise the statement of assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya, Section 35 of the Public Audit Act, 2015 and Government Financial Management (Kenya Energy-Sector Environment and Social Responsibility Programme Fund) Regulations, 2007. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Energy-Sector Environment and Social Responsibility Programme Fund as at June 30, 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 Government Financial Management (Kenya Energy-Sector Environment and Social Responsibility Programme Fund) Regulations, 2007.

In addition, as required by Article 229(6) of the Constitution, except for the matter described in the Emphasis of Matter section of my report, based on the audit 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 Opinion

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

Report of the Auditor-General on the Financial Statements of Kenya Energy Environment and Social Responsibility Programme Fund for the year ended 30 June 2017

Emphasis of Matter

1. Interest on Bank Deposits

Included in the other receipts amount of Kshs.15,179,115 reflected in the statement of receipts and payments for the year under review is a receipt of Kshs.13,459,115 which according to note 2 to the financial statements, relate to interest income. Available information indicates that the management of the Fund and Kenya Commercial Bank (KCB) limited agreed on 14 November 2007 that deposits in bank accounts held at KCB Kipande House Branch shall earn interest at the rate of 4% p.a. effective from 15 November, 2007. According to the agreement, the accrued interest is payable by the bank annually by 31 December. Examination of bank statements relating to the calendar years 2007 to 2016 revealed that the Fund received interest totaling Kshs.92,623,311 during that period. However, management has not provided evidence of how the bank computed the interest amount of Kshs.92,623,311. A re-calculation performed on the account indicates that interest income due to the Fund from 15 November 2007 to 30 June 2017 should have been Kshs.134,502,815 thus resulting to underpayment of Kshs.41,879,504. Consequently, the accuracy of interest income of Kshs.13,459,115 reflected in the financial statements for the year ended 30 June 2017 and Kshs.79,164,196 received in prior years could not be confirmed.

2. Outstanding Contributions to the Fund

As reported in my 2015/2016 audit report, the government financial management regulations under the Kenya Energy Sector Environment and Social Responsibility Programme (KEEP) Fund of 2007 Section 3(2)(b) and its ten-year action plan (2008-2018) provides for annual contributions by state corporations and agencies under the Ministry of Energy and Petroleum into the Fund. The annual contributions receivable from Kenya Petroleum Refineries Ltd, Kenya Electricity Generating Company Ltd, Kenya Pipeline Company Ltd, National Oil Corporation of Kenya, Ltd, Kenya Power and Lighting Company Ltd and Energy Regulatory Commission (ERC) amounts to Kshs.2 Million, Kshs.100 Million, Kshs.51 Million, Kshs.5 Million, Kshs.90 Million and Kshs.2 Million respectively, all totalling Kshs.250 Million. However, during the year under review, only ERC made its contribution. Available information also indicates that the total contribution outstanding from the state agencies and corporations amounted to Kshs.2,372,500,000 as at 30 June 2017. Management has not explained why the agencies and corporations have not complied with the KEEP Fund regulations by submitting their annual contributions.

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 Emphasis of Matter section of my report, there were no Key Audit Matters to report in the year under review.

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 Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern accounting assumption unless the management either intends to liquidate the Fund or 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 Fund'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 which includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

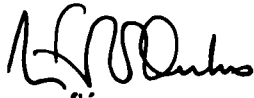
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 that 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 Fund'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 Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease 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 and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and I 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

12 March 2018

KENYA ENERGY-SECTOR ENVIRONMENT AND SOCIAL RESPONSIBILITY PROGRAMME FUND
Reports and Financial Statements
For the Financial Year ended June 30, 2017

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017 Kshs	2015-2016 Kshs
RECEIPTS			
Transfers from Other Government Entities	1	93,000,000	84,000,000
Other Receipts	2	15,179,115	15,225,738
TOTAL RECEIPTS		108,179,115	99,225,738
PAYMENTS			
Use of goods and services	3	71,111,903	34,656,255
Other Contracted Services	4	47,781,495	115,531,888
Transfers to Other Government Entities		-	19,000,000
Other Expenses	5	218,140	-
TOTAL PAYMENTS		119,111,538	169,188,142
DEFICIT		(10,932,423)	(69,962,405)

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



Officer Administering the Fund
Name: **Dr. Eng. Joseph K. Njoroge CBS**



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

KENYA ENERGY-SECTOR ENVIRONMENT AND SOCIAL RESPONSIBILITY PROGRAMME FUND
Reports and Financial Statements
For the Financial Year ended June 30, 2017

VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2016-2017 Kshs	2015-2016 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalent			
Bank Balance	6	543,013,107	569,581,491
Total Cash and Cash Equivalent		543,013,107	569,581,491
Accounts Receivable	7	15,635,961	-
TOTAL FINANCIAL ASSETS		558,649,068	569,581,491
REPRESENTED BY			
Fund Balance B/F	8	569,581,491	639,543,895
Deficit for the Year		(10,932,423)	(69,962,405)
NET FINANCIAL POSITION		558,649,068	569,581,491

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

Officer Administering the Fund
Name: **Dr. Eng. Joseph K. Njoroge CBS**

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KENYA ENERGY-SECTOR ENVIRONMENT AND SOCIAL RESPONSIBILITY PROGRAMME FUND
Reports and Financial Statements
For the Financial Year ended June 30, 2017

VII. STATEMENT OF CASHFLOWS

	Note	2016-2017 Kshs	2015-2016 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts for Operating Income			
Transfers from Other Government Entities	1	93,000,000	84,000,000
Other Receipts	2	15,179,115	15,225,738
Payments for Operating Expenses			
Use of Goods and Services	3	(71,111,903)	(34,656,255)
Other Contracted Services	4	(47,781,495)	(115,531,888)
Transfers to Other Government Entities			(19,000,000)
Other Expenses	5	(218,140)	-
Adjusted for:			
Adjustments during the year - Increase in Accounts Receivables	7	(15,635,961)	-
Net Cash Flow from Operating Activities		(26,568,384)	(69,962,405)
NET INCREASE IN CASH AND CASH EQUIVALENT			
		(26,568,384)	(69,962,405)
Cash and Cash Equivalent at BEGINNING of the year	6	569,581,491	639,543,895
Cash and Cash Equivalent at END of the year	6	543,013,106	569,581,491

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

Officer Administering the Fund
Name: **Dr. Eng. Joseph K. Njoroge CBS**

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

VIII. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from Other Government Entities	80,000,000	-	80,000,000	93,000,000	(13,000,000)	116
Other Receipts	-	-	-	15,179,115	(15,179,115)	∞
TOTAL RECEIPTS	80,000,000	-	80,000,000	108,179,115	(28,179,115)	135
PAYMENTS						
Use of goods and services	-	-	-	71,111,903	(71,111,903)	∞
Other Contracted Services	-	-	-	47,781,495	(47,781,495)	∞
Other Expenses	-	-	-	218,140	(218,140)	∞
TOTAL PAYMENTS	-	-	-	119,111,538	(119,111,538)	∞
DEFICIT				(10,932,423)	90,932,423	

Reasons for Budget Utilization Differences

- i. **Transfers from Other Government Entities**
 The over receipt of Kshs.13,000,000 relates to a contribution to the Fund by Energy Regulatory Commission of Kshs.2,000,000 and refunds to the Fund of Kshs.11,000,000 from parastatals which had been paid by the Fund on behalf of the parastatals. These receipts were not included in the State Department for Energy's Development budget as Capital Grants to the Fund.
- ii. **Other Receipts**
 Interests and other operating receipts of Kshs.15,179,115 were not budgeted for.
- iii. **Payments**
 The total payments of Kshs.119,111,523 had no budget as an annual work programme and cost estimates for the year under review were not prepared due to an oversight. The management has indicated that going forward, work programme and cost estimates will be prepared annually.

IX. 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 and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and relevant legal framework of the Government of Kenya. The financial statements comply with and conform to the format of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

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

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Fund.

2. Recognition of Revenue and Expenses

The Fund recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the Fund. In addition, the Fund recognises all expenses when the event occurs and the related cash has actually been paid out by the Fund.

3. 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

KENYA ENERGY-SECTOR ENVIRONMENT AND SOCIAL RESPONSIBILITY PROGRAMME FUND
Reports and Financial Statements
For the Financial Year ended June 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Accounts Receivable

Accounts receivable comprises outstanding imprests and any amounts paid out of the Fund, but which, under the enabling legislation, are not eligible for financing from the Fund and are expected to be refunded to the Fund.

5. Budget

The annual work programme and cost estimates for the Fund were not prepared for the year under review due to an oversight. However, going forward, the same will be prepared annually, starting in 2017/2018.

6. Comparative figures

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

7. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30th 2017

KENYA ENERGY-SECTOR ENVIRONMENT AND SOCIAL RESPONSIBILITY PROGRAMME FUND
Reports and Financial Statements
For the Financial Year ended June 30, 2017

X. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

	2016-2017	2015-2016
	Kshs	Kshs
Transfers from National Government Entities:		
State Department for Energy	8,000,000	80,000,000
Energy Regulatory Commission	2,000,000	4,000,000
Refund of Contribution to GES:		
Kenya Electricity Transmission Company Ltd	1,000,000	-
Kenya Electricity Transmission Company Ltd	5,000,000	-
Kenya Power and Lighting Company Ltd	5,000,000	-
Total	93,000,000	84,000,000

2. OTHER RECEIPTS

	2016-2017	2015-2016
	Kshs	Kshs
Interest Income	13,459,115	15,225,738
Miscellaneous Receipts	1,720,000	-
Total	15,179,115	15,225,738

Interest is earned on bank balance and cash deposited in the bank.

3. USE OF GOODS AND SERVICES

	2016-2017	2015-2016
	Kshs	Kshs
Domestic Travel and Subsistence	36,292,451	32,326,294
Hospitality Supplies and Services	1,954,867	-
Other Operating Expenses	32,864,585	2,329,961
Total	71,111,903	34,656,255

KENYA ENERGY-SECTOR ENVIRONMENT AND SOCIAL RESPONSIBILITY PROGRAMME FUND
Reports and Financial Statements
For the Financial Year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. OTHER CONTRACTED SERVICES

	2016-2017	2015-2016
	Kshs	Kshs
Growing of Trees	47,781,495	115,531,888
Total	47,781,495	115,531,888

5. OTHER EXPENSES

	2016-2017	2015-2016
	Kshs	Kshs
Bank Charges	218,140	2,329,961
Total	218,140	2,329,961

6. BANK ACCOUNTS

Name of Bank, Account No. and Currency	2016-2017	2015-2016
	Kshs	Kshs
Kenya Commercial Bank, 1104175894, Kshs	543,013,107	569,581,491
Total	543,013,107	569,581,491

7. ACCOUNTS RECEIVABLE

Name of Bank, Account No. and Currency	2016-2017	2015-2016
	Kshs	Kshs
Consultants Salaries Receivable	3,707,740	-
Maintenance & Data Loggers - Refundable	11,928,221	-
Total	15,635,961	-

8. FUND BALANCE BROUGHT FORWARD

Description	2016-2017	2015-2016
	Kshs	Kshs
Bank Accounts	569,581,491	639,543,895
Total	569,581,491	639,543,895

KENYA ENERGY-SECTOR ENVIRONMENT AND SOCIAL RESPONSIBILITY PROGRAMME FUND
Reports and Financial Statements
For the Financial Year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. RELATED PARTY DISCLOSURES

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

The following comprise related parties to the Kenya Energy Sector and Social Responsibility Programme Fund:

- State Department for Energy
- Kenya Petroleum Refineries Limited
- Kenya Power and Lighting Company Limited
- Kenya Electricity Generating Company Limited
- Kenya Pipeline Company Limited
- National Oil Corporation of Kenya Limited
- Energy Regulatory Commission

Related Party Transactions:

	2016-2017	2015-2016
	Kshs	Kshs
Transfers from National Government Entities:		
State Department for Energy	8,000,000	80,000,000
Energy Regulatory Commission	2,000,000	4,000,000
Refund of Contribution to GES:		
Kenya Electricity Transmission Company Ltd	1,000,000	-
Kenya Electricity Transmission Company Ltd	5,000,000	-
Kenya Power and Lighting Company Ltd	5,000,000	-
Total	93,000,000	84,000,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p>Outstanding Contributions due to the Fund</p> <p>The government financial management regulations under the Kenya Energy Sector Environment and Social Responsibility Programme (KEEP) Fund of 2007 Section 3(2)(b) and its ten-year Action Plan (2008-2018) provides for annual contributions by state corporations and agencies under the Ministry of Energy and Petroleum into the Fund. The annual contributions receivable from Kenya Petroleum Refineries Ltd, Kenya Electricity Generating Company Ltd, Kenya Pipeline Company Ltd, National Oil Corporation of Kenya, Ltd, Kenya Power and Lighting Company Ltd and Energy Regulatory Commission (ERC) of</p>	<p>Demand letters have already been sent to the respective organizations to honour their obligation as per the KEEP act.</p>	<p>Veronica Kamau, Head of Accounting Unit</p>	Not resolved	5 months

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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)
	<p>Kshs.2 Million, Kshs.100 Million, Kshs.5 Million, Kshs.51 Million, Kshs.5 Million, Kshs.90 Million and Kshs.2 Million respectively totalling to Kshs.250 Million. However, during the year under review, only ERC made its contribution into the Fund. Available information also indicates that the total contribution outstanding from the state agencies and corporations and due to the Fund stood at Kshs.2,124,500,000 as at 30 June 2016. Management has not rendered explanation. Management has not rendered explanations as to why the agencies and corporations have not complied with the KEEP Fund regulations by submitting their annual contributions.</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)
2	<p>The statement of receipts and payments under grants and transfers to Other Government Entities reflects an amount of Kshs.19,000,000 and as disclosed under note 6 to the financial statements. The amount relate to transfers to the Ministry of Devolution and Planning (MDP) on account of participation in the Global Entrepreneurship Summit exhibition for Ministry of Energy and Petroleum and five state corporations under it of Kshs.1,000,000 and Kshs.18,000,000 respectively, with the amount being refundable. As of the time of finalizing this report, only one corporation had refunded their portion of Kshs.5,000,000. The recoverability and availability of the remainder balance of Kshs.13,000,000 to be applied for the intended purposes could not be confirmed.</p> <p>As a result of the exclusion, the current status of these matters could</p>	<p>Demand letters have already been sent to the respective organizations to honour their obligation as per the KEEP act.</p>	<p>Veronica Kamau, Head of Accounting Unit</p>	<p>Not resolved</p>	<p>5 months</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 (<i>Name and designation</i>)	Status: (<i>Resolved / Not Resolved</i>)	Timeframe: (<i>Put a date when you expect the issue to be resolved</i>)
	not be established.				