

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

22 MAY 2019

RECEIVED

KENYA NUCLEAR ELECTRICITY BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

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

Contents

Page

KEY ENTITY INFORMATION AND MANAGEMENT.....	i
BOARD OF DIRECTORS	vi
CHAIRPERSON'S STATEMENT FOR FINANCIAL YEAR 2017/2018	xii
REPORT OF THE CHIEF EXECUTIVE OFFICER FOR FINANCIAL YEAR 2017/2018	xiii
CORPORATE GOVERNANCE STATEMENT	xiv
MANAGEMENT DISCUSSION AND ANALYSIS	xix
CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xxi
REPORT OF THE DIRECTORS	xxii
STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xxiii
REPORT OF THE AUDITOR-GENERAL ON KENYA NUCLEAR ELLECTRICITY BOARD FOR THE YEAR ENDED 30TH JUNE 2018	xxiv
STATEMENT OF FINANCIAL PERFORMANCE FOR YEAR ENDED 30 JUNE 2018	1
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2018	2
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2018.....	3
STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2018	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018	5
NOTES ON STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	6
NOTES TO THE FINANCIAL STATEMENTS	8
PPENDIX I: INTER-ENTITY TRANSFERS	24
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	25

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Nuclear Electricity Project Committee was established under the aegis of the Ministry of Energy through the Kenya Gazette Notice No. 14188 of 19th November 2010. NEPC has since been transformed into a statutory body under the State Corporations Act (Cap 446) through Legal Notice No. 131 dated 16th November 2012. It was subsequently renamed Kenya Nuclear Electricity Board (KNEB). Its raison d'etre is to realize Kenya's Vision 2030 by fast tracking the development of nuclear power in order to enhance the production of affordable and reliable electricity.

(b) Principal Activities

Mandate: To fast track the development of nuclear electricity generation in Kenya.

Vision: Safe, efficient and reliable nuclear technology for electricity generation.

Mission: To promote safe and secure application of nuclear technology for sustainable electricity generation and distribution in Kenya

Core Values: Safety & Security, Clean Environment Integrity, Professionalism, Transparency and Accountability, Innovation, Efficiency.

The Functions of KNEB are as follows:

- To promote and expedite the development of nuclear electricity in Kenya
- Undertake public education and awareness on Kenya's nuclear power programme; Identify, prepare and facilitate the implementation of a roadmap for a nuclear power programme;
- In collaboration with relevant Government agencies, develop a comprehensive legal and regulatory framework for nuclear electricity generation in Kenya;
- Develop a human resource capacity to ensure Kenya has the requisite manpower to successfully establish and maintain a
- nuclear power programme;
- Identify appropriate sites in Kenya for the construction of nuclear power plants and related amenities;
- Enter into collaborative programme's related to nuclear electricity research and development with other international and national organizations;
- Establish a library and information Centre on nuclear science and technology, and
- Perform any other duties which may be necessary for the execution of its mandate under this Order

**Kenya Nuclear Electricity Board (KNEB)
Annual Reports and Financial Statements
For the year ended June 30, 2018**

(c) Key Management

The Board's day-to-day management is under the following Key organs:

- Board of Directors
- Chief Executive Officer
- Various Heads of Department

(d) Fiduciary Management

The key management personnel who held office during the financial year Ended 30th June 2018 and who had direct fiduciary responsibility were:

No	Designation	Name
1	Chief Executive Officer	Eng. Collins Juma
2	Head of Finance & Strategy	CPA. L. M. Ong'onge
3	Head Human Resource & Administration	Ms. Sophia Githuku
4	Head of Legal & Regulatory	Mr. Philip Mutai
5	Head of Publicity & Advocacy	Mr. Basett Buyukah
6	Head of Technical Affairs	Ms. Winfred Ndubai
7	Head of Procurement	Mr. Richard Bii

(e) Fiduciary Oversight Arrangements

i. The Board Audit & Risk Committee

The Audit & Risk management Committees duties are based on six broad functions namely the Internal Control, Risk Management and compliance, financial reporting, internal audit, external audit, compliance with laws and regulations; and compliance with KNEBs Code of Conduct and ethical guidelines. The Committee assesses effectiveness of the Boards internal control and risk management and compliance framework, it reviews the impact of significant accounting and reporting issues such as professional and regulatory pronouncement; meets management and both external and internal auditors to review the financial statements and results of the audit process and assesses if generally accepted accounting principles have been consistently applied in the preparation of preliminary announcement & interim financial statements.

The Audit & Risk Committee was constituted in line with Treasury Circular No.16/2005 on establishment and operationalization of audit committees in the Public Service. The Committee comprised five non-executive directors and is chaired by a non-executive director. The committee held 6meeting during the financial year.

ii. The Board Finance and General Purpose Committee

The principal responsibility of the committee is developing and overseeing the

implementation of the finance strategy and human resource strategy. The committee is also responsible for the approval of the annual procurement plan and annual budget and for ensuring prudent financial management. The Committee is also responsible for spearheading the development of the corporate strategic plan, monitoring implementation of the strategic and operation plans and coordinating the Performance contracting process. The committee held 8 meeting during the financial year.

iii. Parliamentary Oversight Committees

Parliament has a constitutional mandate to scrutinize government spending and oversight functions are vested in the legislature as a fundamental principle of the separation of powers. The National Assembly, through its committees, exercises oversight over national revenue and expenditure. It approves the national government borrowing and sets public debt ceiling. The established committees are mandated with:

- Reviewing and approving the budget and expenditures;
- Scrutinizing governance activities, policies and programmes, assessing whether they meet the intended objectives of legislation, policy frameworks and development plans;
- Conducting investigations on special issues;
- Monitor state department on spending according to their budget plan, and if they underspend, the agency is made to account for that.

iv. Inspectorate of State Corporations

It's a body mandated to appraise and monitor services of all state departments. Inspectorate of State Corporation is domiciled at the presidency. The body is tasked with:

- Surcharging those responsible for loss and retribute the lost funds to the state corporations;
- Ensuring efficient public management system in parastatals;
- Carrying out management audits in State Corporations to ensure compliance with set policies, rules and procedures; and providing advisory services to Government and other stakeholders on matters affecting State Corporations

v. International Atomic Energy Agency (IAEA)

The objectives of the IAEA's dual mission – to promote and control the Atom – are defined in Article II of the IAEA Statute.

“The Agency shall seek to accelerate and enlarge the contribution of atomic energy to peace, health and prosperity throughout the world. It shall ensure, so far as it is able, that assistance provided by it or at its request or under its supervision or control is not used in such a way as to further any military purpose”.

The IAEA also works, among others, with the International Renewable Energy Agency and the National Oceanic and Atmospheric Administration to maximize the contribution of nuclear science and technology to the achievement of development priorities. Kenya, as a member state makes the following contributions:

**Kenya Nuclear Electricity Board (KNEB)
Annual Reports and Financial Statements
For the year ended June 30, 2018**

- Working capital fund: Contribution based on country's ability for a specific project earmarked by the agency.
- Regular budget contribution: Annual contribution to finance the agency's operations.
- Technical cooperation fund: This is to fund the technical projects.
- National participation costs: For all projects conceptualized nationally, we pay 5% of the total project costs.

vi. Office of the Auditor-General

The Office of the Auditor-General is one of the Independent Offices recognized by the Kenyan Constitution 2010. Its core mandate is to ensure that accountability and transparency are adhered to at the three arms of government; Judiciary, Legislature and Executive as well as constitutional commissions and independent offices established under the constitution 2010. It audits and reports on; accounts of the national government, county governments, the judiciary, every commission and every independent office set up by the Constitution, state corporations, National Assembly, the Senate, political parties that receive funding from public funds, public debt (how much the government owes to lenders); and any other office as prescribed by the national assembly.

(f) Kenya Nuclear Electricity Board Head quarters

Kenya Nuclear Electricity Board
P.O. Box 26374-00100
Kawi House
South C - Red Cross Road, Behind Boma Hotel
Nairobi, Kenya

(g) Kenya Nuclear Electricity Board Contacts

Telephone:(254)020 2219407
E-mail: info@nuclear.co.ke
Website:
www.nuclear.co.ke

(h) Kenya Nuclear Electricity Board Bankers

1. Kenya Commercial Bank
Moi Avenue Branch
Po Box 48400-00100
Nairobi, Kenya

**Kenya Nuclear Electricity Board (KNEB)
Annual Reports and Financial Statements
For the year ended June 30, 2018**

2. Co-operative Bank of Kenya
Mombasa Road Branch
P O Box 48231-00100
Nairobi, Kenya
3. NIC Bank
Harambee Avenue
Branch
P O Box 44599-00100
Nairobi, Kenya
4. National Bank of Kenya
South C Red Cross Branch
Nairobi, Kenya
5. Development Bank of Kenya
Loita Street Branch
P.O. Box 30483-00100
Nairobi, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

Kenya Nuclear Electricity Board (KNEB)
Annual Reports and Financial Statements
For the year ended June 30, 2018

BOARD OF DIRECTORS

The Following Board Members Held Office in the period under Review:

Name	Notes	Appointed
1. Mr.Henry Rotich, EGH	Cabinet Secretary, National Treasury	
2. Paul Kihara Kariuki	Attorney General	
3. Dr.Eng.Joseph Njoroge	Principal Secretary, Ministry of Energy & Petroleum	
4. Prof.Colleta SudaPhd.FKHAS,CBS	Principal Secretary, State Department of Science and Technology	
5. Ms Teresia Mbaika	Independent Board Member	October 2015
6. Dr.Josephine Sinyo	Independent Board Member	October 2015
7. Mr.Stephen Karanja	Independent Board Member	October 2015
8. Mr.Ernest Orito	Independent Board Member	October 2015
9. Belinda Kiilu	Alternate to Attorney General	May 2013
10. George Mothemba	Alternate to PS National Treasury	October 2015
11. John Omenge	Alternate to PS Energy	November 2014
12. Joseph Odhiambo	Alternate to PS Department of Science & Technology	January 2014
13. Eng. Collins Juma	Chief Executive Officer	August 2017

The profiles of the above Board Members are as follows:

CABINET SECRETARY-NATIONAL TREASURY



Mr. Henry Rotich, E.G.H.

Born in 1969, Mr. Rotich has a Master's Degree in Public Administration (MPA) from the Kennedy School of Government at Harvard University, and a Master's Degree – Economics and Bachelor's Degree Economics (First Class Honours) from the University of Nairobi.

He was previously the Head of Macroeconomics in the National Treasury, and has also served as an Economist with the International Monetary Fund (IMF), Nairobi Office. Mr. Rotich joined the Board of KNEB upon his appointment as the Cabinet Secretary to the National Treasury on 15th May, 2013.



Hon. Paul Kihara Kariuki

ATTORNEY GENERAL-STATE LAW OFFICE

Judge Kariuki was admitted to the Bar in 1978 after completing his post-graduate diploma in law at the Kenya School of Law, Nairobi. He practiced law with several legal establishments including Ndungu Njoroge and Kwach Advocates, and Hamilton Harrison and Mathews Advocates in Nairobi.

In 2003, he was appointed to serve as Principal and Chief Executive Officer at the Kenya School of Law. In the same year, he was appointed Judge of the High Court where he served in both the civil and commercial divisions of the Court for several years.

Between 2009 and 2013, Judge Kariuki served as the first Director at the Judiciary Training Institute where he was instrumental in establishing all the operational systems for the technical arm of the judiciary incorporating professional development for all judges, magistrates and all cadres of the paralegal staff at the Judiciary.

Judge Kariuki was appointed the President of the Court of Appeal in 2013; he was instrumental in the decentralization of the Court of Appeal to Malindi, Kisumu and Nyeri Counties. He also directed the development of the blueprint ten-point strategy for the transformation of the Court that culminated in the Court of Appeal Bill and the Strategic Plan for the Court of Appeal in Kenya.

Judge Kihara was appointed Attorney General of the Republic of Kenya in March 2018.

Judge Kariuki has served as Chancellor or Honorary Legal Advisor for The Anglican Church of Kenya, Member of the Kenya Anti-Corruption Authority Advisory Board and as chair of Thomas Barnado House and Rotary International. He is an esteemed member of Law Society of Kenya, Commonwealth Lawyers Association and the International Bar Association. He has deep interests in gardening, classical music, theater and drama, playing squash and cricket.



Dr. Eng. Joseph Njoroge

PRINCIPAL SECRETARY, MINISTRY OF ENERGY & PETROLEUM

Dr. Eng. Njoroge is the Principal Secretary, State Department of Energy in the Ministry of Energy & Petroleum. He holds a PhD in Business Administration from the University of Nairobi and an MBA with a major in Strategic Management. He also holds a First Class Honours Degree in Electrical Engineering.

He is a registered Consulting Engineer, a Chartered Engineer, a member of the Institution of Engineering & Technology (UK) and a fellow of the Institute of Engineers of Kenya. He is also a member of the Institute of Directors of Kenya and a trainer in corporate governance. He is the former Managing Director of Kenya Power & Lighting Company Limited, the country's transmitter, distributor and retailer of electricity, a position he held for six years. Dr. Eng. Njoroge is a distinguished Electrical Engineer with a career spanning over three decades.



Prof. Collette A. Suda
PhD, FKNAS, CBS

**PRINCIPAL SECRETARY-STATE DEPARTMENT OF
SCIENCE AND TECHNOLOGY**

Collette Suda, an associate professor of sociology, is a well-respected Kenyan sociologist with a wealth of research experience in issues of gender and development, children in especially difficult circumstances, social development, agricultural/rural development and community development.

Prof Suda earned her PhD in rural sociology from the University of Missouri-Columbia in 1986. She also holds an MSc in rural sociology and an MSc in community development from the same university.



Mr George Muthemba

ALT. TO PRINCIPAL SECRETARY- NATIONAL TREASURY

Born in 1959, Mr. Muthemba holds Bachelor of Commerce degree with a CPA(K). He has a wide experience in Government Accounting and Budgeting, and actively involved in the development of PFM Act, 2012 and PFM Regulation, 2015.



Ms. Belinda Kiilu

ALT. TO ATTORNEY GENERAL-STATE LAW OFFICE

Born 1981, Ms. Kiilu, is an advocate of the High Court of Kenya and is currently a Senior State Counsel in the Office of the Attorney General and Department of Justice, with experience in advising the Government on its transactions, commercial contracts as well international negotiations. She holds a Bachelor Of Law (LLB) degree from University of Nairobi. She is a member of the Law Society of Kenya.



Mr. John Omenge

**ALT. TO PRINCIPAL SECRETARY, MINISTRY OF
ENERGY & PETROLEUM**

Mr. Omenge, born in 1961, 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 the alternate director to the Principal Secretary, Ministry of Energy & Petroleum and is currently the Chief Geologist at the Ministry of Energy & Petroleum. He is a Fellow Member of the Geological Society of Kenya and Registered Geologist by the Geologists Registration Board of Kenya. Mr. Omenge has worked for 30 years as a Geologist for the Government of Kenya.



Mr. Joseph Odhiambo

ALT. PRINCIPAL SECRETARY-STATE DEPARTMENT OF SCIENCE AND TECHNOLOGY

Born 1964, Mr. Odhiambo holds a Bsc, Msc. In Biochemistry and a PHD in Biochemistry. He has worked for ILRAD, ILRI, ICIPE, Tulane University (USA), Maseno University, MOEST-DRMD. He has over 20years experience in research in Biomedical and Science Technology and Information policy formulation.



Hon. Josephine Sinyo

BOARD MEMBER KENYA NUCLEAR ELECTRICITY BOARD

Josephine Sinyo is an advocate with a difference. She has over 30 years of experience in legal practice, training and research, an International, Regional, National celebrity in spite of her disability. She is the first blind woman lawyer in Kenya. She attended University of Nairobi in Kenya and The University of Hull in England where she achieved her LLB and LLM degrees in law respectively. Despite working at the State Law Office, she is a dynamic member of civil society, and was involved in the Constitutional Review process championing the agenda for children women and Persons with Disabilities generally. She has worked with several NGOs, some of this groups include: International Federation of Women Lawyers (FIDA, Kenya Chapter) Forum for Women Education (FAWE, Kenya Chapter); the Law Society of Kenya; Kenya Breast Health Programme; Kenya Union of the Blind; Kenya Society for the Blind and the United Disabled Persons of Kenya, a National umbrella Organization for persons with disabilities where she was the Chair Person between 2001-2005

She currently works at The Kenya Law Reform Commission where she's the Government Disability expert at the Attorney General's Office and she continues to ably represent the government at various global forums



Mr. Ernest Orito

BOARD MEMBER KENYA NUCLEAR ELECTRICITY BOARD

Born in 1984, Eng. Ernest Orito has a wide range of experience in chemical and process engineering and management. He holds a Masters in occupational and safety health.

Bachelor of Technology in chemical and process engineering. Currently he is the Technical Director of Focus OSHE LTD.



Eng. Collins Juma

**CEO
KENYA NUCLEAR ELECTRICITY BOARD**

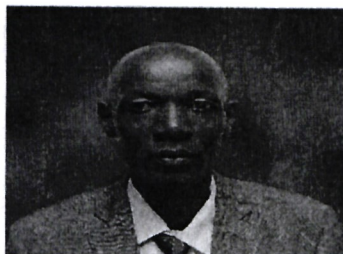
Eng. Collins Juma has been serving as Chief Executive Officer of the Kenya Nuclear Electricity Board since last year (2017) having served in acting capacity since 2016. He holds a Bachelor of Engineering Degree (Mechanical) from the Indian Institute of Technology and a Masters degree in Operations Management from the University of Nairobi. Eng. Juma is the current President of the Institution of Engineers of Kenya having been elected earlier this year. He is also a registered Consulting Engineer with Engineers Board of Kenya and has worked in the energy sector for over 20 years, including stints at Kenya Power and KENGEN. He is currently pursuing a PhD in Operations Management from the University of Nairobi.



Ms. Teresiah Malokwe

**BOARD MEMBER KENYA NUCLEAR ELECTRICITY
BOARD**

Born in 1985, Ms. Teresiah Malokwe holds a Masters in Health Economics and Policy from University of Nairobi and Bachelor of Science (Environmental Health) from Kenyatta University. She is a Board member at Kenya Nuclear Electricity Board where she chairs the Finance and General Purpose committee.



Mr. Stephen Karanja

**BOARD MEMBER KENYA NUCLEAR ELECTRICITY
BOARD**

Born in 1970 Mr. Stephen Karanja holds a Masters in Nuclear Science and Bachelor of Education in Science from Kenyatta University. Mr. Karanja is a part time lecturer at Dedan Kimathi University and Board member at Kenya Nuclear Electricity Board

MANAGEMENT TEAM



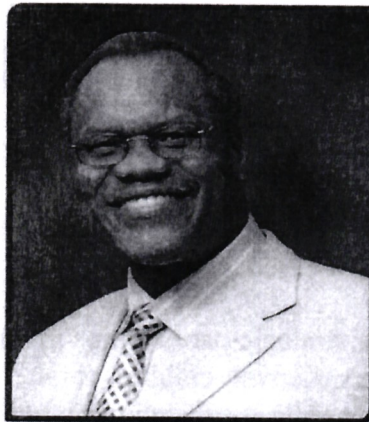
Sophia Githuku
MBA - HR
Diploma in HRM
Director, Human Resource &
Administration



Eng. Collins Juma
MBA - Strategic Mgt
CEO



Philip Mutai
LLM, Diploma in Law
Kenya School of Law
Director, Legal & regulatory
Affairs



CPA L. M. Ong'onge
MBA - Finance CPA(K) CPS(K)
Director, Finance & Strategy



Basett Buyukah
Post Graduate Diploma In
Communication
Director, Publicity & Advocacy



Ms Winfred Ndubai
MBA: Finance
Post Graduate Diploma : Financial Management
Ag. Director, Technical affairs

CHAIRPERSON’S STATEMENT FOR FINANCIAL YEAR 2017/2018



The Financial year 2017/2018 marked a watershed for the Kenya Nuclear Electricity Board. The organization took a huge leap forward on the long and eventful journey towards nuclear electricity generation.

During this period the organization made great strides towards facilitating the creation of a nuclear regulator for Kenya’s nuclear power programme. A regulatory framework is a key component of a successful programme. KNEB in collaboration with stakeholder organizations developed a draft nuclear regulatory Bill to be submitted to the cabinet for approval after which it will be submitted to the National Assembly for enactment. The Bill will establish an independent and robust nuclear regulatory body that will oversee safe application of nuclear technology in the country.

During this period the Board played an active role in funds mobilization from the National Treasury for example in the 2017/2018 the National Treasury approved the printed budget estimate of Ksh.401 million for KNEB but through the Board intervention the figure was revised upwards to Ksh.546 Million that enabled the organization implement the SRC policy on staff loan and mortgage that required that all staff be provided with car loans and mortgages among others.

Through the nurture and development of strategic partnerships in nuclear power cooperation - both home and abroad - KNEB sponsored six Kenyan children to attend a youth camp in Turkey on nuclear energy to aid the organization in public sensitization, information and education on nuclear electricity generation.

All-in all, the 2017/2018 financial year was a highly successful period in Kenya’s journey towards nuclear electricity generation by 2027. My gratitude goes to the Ministry of Energy and Petroleum, for wise counsel, guidance and support. To the other entities in the energy sector, we salute their passionate support in building synergy and reciprocity. We also bear a debt of gratitude to some of our key stakeholder such as parliament: National Assembly and Senate, National and County Governments, to name but a few. To the citizens of Kenya, we assure them that we are equal to the task of helping Kenya achieve the vision 2030 development agenda.

Teresiah Malokwe

.....
Teresiah Malokwe
Ag. CHAIRPERSON

REPORT OF THE CHIEF EXECUTIVE OFFICER FOR FINANCIAL YEAR 2017/2018



The Financial year 2017/2018 was an eventful year for Kenya Nuclear Electricity Board (KNEB). Indeed, the organization grew by leaps and bounds in its endeavor towards nuclear electricity generation in Kenya. An outstanding achievement was the successful conducting OF public participation exercise and stakeholder validation across all the counties and submitting the final report on the Strategic Environment Assessment (SEA) of Kenya's nuclear power programme to National Environmental Management Authority (NEMA) for approval. The study analyzed the impact of introducing nuclear electricity generation in the country and the benefits it will bring against Environmental law requirements which is critical and essential in the setting up and running a nuclear power plant.

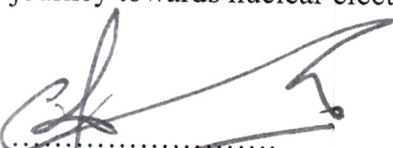
During the period KNEB implemented the ISO 9001:2015 Quality Management System in the organization, undertook audits by the Kenya Bureau of Standards (KEBS) as the certification body and got ISO certification for meeting all the requirement of ISO 9001:2015 standards.

It was also during this period that KNEB fully implemented its Risk management framework marking important steps towards risk management in the organization by establishing and implementing the organization risk framework necessary for decision making and improvement of service delivery through risk based thinking.

Within KNEB's mandate is identification of suitable site, potential locations for the construction of nuclear power plants in the country. During the financial year 2017/2018 the site selection team comprising: Kenya Power, Ministry of energy and petroleum, Kenya Electricity Generating Company, National Land Commission, Kenya Meteorological Department and university of Nairobi among others completed the identification of potential nuclear sites for building Kenya's nuclear power plants and ranked them based on their suitability.

During the financial year 2017/2018, KNEB continued to closely consult and collaborate with the bicameral Parliament - Senate and National Assembly - on the development of nuclear electricity in Kenya. The organization further reached out to the broader stakeholder web through county forums in areas as diverse as Kwale, Kilifi and Mombasa; Participated in 2018 Devolution conference, Agricultural Society of Kenya shows, nuclear talks in high schools and tertiary institutions and various other stakeholder engagements, including an Open Day in Mombasa, Kwale and Kilifi Central Business District (CBD); organized a study tour with Members of Parliament to nuclear operating countries of Russia and China and conducted industrial visits across the country.

Despite the challenge of enough office space and the death of two staff members, all in all the 2017/2018 financial year was a highly successful period for Kenya Nuclear Electricity Board in our journey towards nuclear electricity generation in the country in about a decade from now.

A handwritten signature in black ink, appearing to be 'Collins Juma', written over a dotted line.

Eng. Collins Juma
CHIEF EXECUTIVE OFFICE

CORPORATE GOVERNANCE STATEMENT

Corporate Governance comprises the rules, practices and processes by which KNEB is directed and controlled and involves balancing the interests of stakeholders who include, management, customers, suppliers, financiers, government and the community. It also provides the framework for attaining our objectives; and encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

KNEB has engrained corporate governance as the pivotal institutional framework, through which its strategic objectives of the Company are set, attained and its performance monitored. The Board has embraced this function to direct, control and be held to account by the shareholders. Governance dictates the modus operandi of engagement and interaction between the Organization's Board, management, stakeholders and regulators for the sustainable benefit of the shareholders. This Statement sets out the main practices in operation during the year under review.

Statement of Compliance

The Board is in compliance with the governance tenets of the recently developed "Code of Governance for Government Owned Entities (Mwongozo Code)" which are inherent in good Governance Guidelines. The Mwongozo Code offers a corporate governance code for all state corporations in which Government holds ownership.

As a law abiding corporate citizen, the Board is living the tenets of the Constitution of Kenya and complying with the provisions of relevant statutes such as the Public Procurement and Asset Disposal Act, 2015, Employment Act 2007 and Occupational Safety & Health Act 2007.

Separation of Functions

For the financial year 2017/2018, the board had a CEO serving on acting capacity till August 2017 when he was confirmed and continued to execute his duties not limited to recommending business plans and the budget to the Board, implementing approved corporate strategies and day to day administration of the Company.

The Board as currently constituted does not have a chairperson substantively appointed by the president of the republic of Kenya, hence the Board has always appointed one of the independent board member as chairperson in various meetings held within the period. The board through the unanimously appointed chairperson, has constantly carried out its function as provided for under the law.

Internal Controls & Risk Management

The Board has systems and processes to ensure requisite internal controls, physical security of assets and reporting of accurate and up to-date information. Whereas the Board has overall responsibility for the systems of internal control which are fully embedded in the operations of the Company, certain responsibilities, such as review of the effectiveness of the internal control systems are delegated to the Audit Committee of the Board. Internal controls comprise methods and procedures adopted by Management to provide reasonable assurance in safeguarding assets, prevention and detection of errors, accuracy and completeness of accounting records together with reliability of financial statements.

Implementation of Enterprise Risk Management was set up in line with the Treasury Circular No. 03 of 2009. In the FY 2017/2018, Kenya Nuclear embarked on the process of training risk champions so as to develop departmental risk registers. KNEB procured the services of Governance Optimized who trained the risk champions and did hand handling. As at the end of the FY all departments had developed draft risk registers that will be consolidated to form the organization's risk register which will be subsequently forwarded to management for adoption.

Board of Directors

The Board of KNEB is responsible for the overall management of KNEB. The Board comprises 8 non- executive members who are accountable to the Government and people of Kenya through the respective appointing ministries. The members of the Board and management have committed to work honestly and diligently and have put in place appropriate policies and strategies to ensure compliance with law and the highest standard of best practice and good governance and best practice and good governance and business ethics. The members operate in accordance with broad principles set in the Legal Notice No. 131 dated 16th November, 2012.

Members of the Board

The members of the Board are appointed by the respective Cabinet Secretaries for a term of three years and comprise Chairperson (held by independent Board members on rotation basis) and 9 other members. The Board meets at least four times a year, with additional meetings being held on a need basis. The Board has delegated authority for the day-to-day operations to the Chief Executive Officer who is also the Secretary to the Board. The members of the Board are provided with appropriate and timely information to enable them discharge their responsibility and maintain full and effective control over strategic, financial, operational and compliance issues.

Committees of the Board

The Board has established the following four standing committees to which it has delegated certain responsibilities. Members of the committees are shown below:

Finance & General Purpose Committee	Technical & Legal Committee
1.Ms. Teresia Mbaika - Chairperson	1.Mr. Stephen Karanja- Chairperson
2.Ms. Belinda Kiilu	2.Ms. Belinda Kiilu
3.Mr. Ernest Orito	3.Dr. Josephine Sinyo
4.Mr. John Omenge	4.Mr. Joseph Odhiambo
5.Mr. George Mothemba	5.Ms. Teresia Mbaika
Publicity & Advocacy Committee	Audit & Risk Committee
1.Mr.Ernest Orito- Chairperson	1.Dr. Josephine Sinyo- Chairperson
2.Mr.Joseph Odhiambo	2.Mr. Stephen Karanja
3.Mr.Stephen Karanja	3.Mr. Joseph Odhiambo
4.Ms Teresia Mbaika	4.Ms Belinda Kiilu
5.Dr. Josephine Sinyo	5.Mr. George Mothemba

Each Committee meets at least four times in a year under the terms of reference approved by the

Board. The main responsibilities of the committees are as follows: -

1. Finance & General Purpose Committee

The principal responsibility of the committee are developing and overseeing the implementation of the finance strategy and human resource strategy. The committee is also responsible for the approval of the annual procurement plan and annual budget and for ensuring prudent financial management. The Committee is also responsible for spearheading the development of the corporate strategic plan, monitoring implementation of the strategic and operation plans and coordinating the Performance contacting process.

2. Technical & Legal Committee Publicity & Advocacy Committee

The Technical Committee is responsible for overseeing Technical and Regulatory matters.

3. Publicity & Advocacy Committee

The Publicity & Advocacy Committee is responsible for overseeing the implementation of KNEB's communication strategy with its stakeholders. It also ensures that KNEB's public awareness programmes are effectively undertaken

4. Audit & Risk Committee

The Audit & Risk management Committees duties are based on six broad functions namely the Internal Control, Risk Management and compliance, financial reporting, internal audit, external audit, compliance with laws and regulations; and compliance with KNEBs Code of Conduct and ethical guidelines. The Committee assesses effectiveness of the Boards internal control and risk management and compliance framework, it reviews the impact of significant accounting and reporting issues such as professional and regulatory pronouncement; meets management and both external and internal auditors to review the financial statements and results of the audit process and assesses if generally accepted accounting principles have been consistently applied in the preparation of preliminary announcement & interim financial statements.

The Audit & Risk Committee was constituted in line with Treasury Circular No.16/2005 on establishment and operationalization of audit committees in the Public Service. The Committee comprised five non-executive directors and is chaired by a non-executive director.

Meetings held by the Board and Committees (1st July, 2017 to 30th June, 2018)

Board/Committee	Number of Meetings Held
Full Board	6
Finance & General Purpose Committee	8
Technical & Legal Committee	5
Publicity & Advocacy Committee	5
Audit & Risk Committee	6

Summary of Attendance in Meetings

Name	Board Meetings		Committee Meetings								Total Meetings	
	App.	Att.	F & GP		Tech. & Legal		Publicity & Advocacy		Audit & Risk		App.	Att.
Ms. Teresia Mbaika	6	6	8	8	5	4	5	5	-	-	24	23
Mr. Ernest Orito	6	6	8	8	-	-	5	5	-	-	19	19
Mr. Stephen Karanja	6	6	-	-	5	5	5	5	6	6	22	22
Dr. Josephine Sinyo	6	5	-	-	5	3	5	4	6	6	22	18
Mr. Joseph Odhiambo	6	6	-	-	5	5	5	5	6	6	22	22
Mr. John Omenge	6	4	8	6	5	2	-	-	-	-	19	12
Ms Belinda Kiilu	6	2	8	4	5	4	-	-	6	4	25	14
Mr. George Mothemba	6	5	8	3	0	0	-	-	6	1	20	9

Key:

App. – Applicable

Att. – Attended

Note: Applicable refer to the number of meetings member were eligible to attend during the period

ACCOUNTABILITY AND AUDIT

Directors' responsibilities in relation to financial statements

The State Corporation Act requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. The Directors are responsible for ensuring that suitable accounting policies are consistently applied supported by reasonable and prudent judgements and estimates and those applicable accounting standards are followed.

The Directors have responsibility of ensuring that the company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board and enable them to ensure that the financial statements comply with the State Corporations Act.

They also have general responsibility for the systems of internal control for safeguarding the assets of the Company and to prevent and detect fraud and other irregularities.

Communication with Stakeholders

The Board places a great deal of importance on open communication with its stakeholders. This is achieved through press releases, updates posted on the Company website www.nuclear.co.ke, and circulation of audited financial statements on an annual basis. Open forums are also organized with stakeholders to discuss progress on the implementation of Strategic plan.

Major Stakeholders

In the course of doing business, KNEB takes cognizance and fully engages with the following major stakeholders: The Government of Kenya through the Ministry of Energy & Petroleum, The National Treasury; International Atomic Energy Agency (IAEA) for necessary technical support. Others include the Kenya Power; Kenya Electricity Generating Company Limited (KenGen); Geothermal Development Company Limited (GDC); Rural Electrification Authority, (REA) Energy Regulatory Commission (ERC) and other electricity sub-sector players.

MANAGEMENT DISCUSSION AND ANALYSIS

Strategic Environmental Assessment.

i. Introduction

The Strategic Environmental Assessment (SEA) is legal requirement for all new programmes in Kenya, performed to assess the strategic and environmental viability of such programmes as well as provide several alternatives to the programme implementation.

The SEA project involves screening, scoping and analysis of state of the environment, determination of baseline environmental data and public engagement for effective decision making in sustainable development of nuclear power program.

ii. Activities conducted in FY 2017/2018;

- Carried out capacity building on carrying out Strategic Environmental & Social Assessments (SESA) and Environmental Impact & Social Assessments (EISA);
- Developed the SEA Scoping Roadmap;
- Obtained approval for the Scoping Report from the National Environment Management Authority;
- Reviewed NEMA's comments on the draft Scoping Report and
- Conducted 23 public participation county visits to collect views on the environmental issues for the Nuclear Power Programme in the coastal, western/Nyanza, north and south rift, and central Kenya regions.

Nuclear Policy and Legislation

The main purpose of this activity is to develop policy, legal and institutional framework for peaceful uses of nuclear technology in Kenya. The project involves addressing four key areas:

i. National Nuclear Policy:

The national nuclear energy policy shall address policy gaps in peaceful utilization of nuclear technology.

ii. National Nuclear Regulatory Law:

The enactment of draft Nuclear Regulatory Bill 2017 will address legal, institutional and regulatory gaps for safe peaceful use of nuclear for electricity generation, among other uses outlined in the Policy.

iii. Harmonization of National Laws with Nuclear Regulatory Law:

The outcome of this process will ensure smooth regulation of the sector by reducing compliance and regulatory challenges.

iv. Activities conducted in FY 2017/2018:

- Undertook an internal review of the draft Nuclear Energy Policy; convened a retreat for the

Technical Working Group (TWG) on Nuclear Policy stakeholders to review the initial draft of the Nuclear Energy Policy;

- Hosted a workshop for the TWG Sub-Committee to develop a work plan/action plan for further consolidation and review of the Nuclear Energy Policy

Nuclear Power Plant Siting

Introduction

This project intends to identify suitable site(s) for nuclear power plants, acquire, secure and develop the best site in preparation for construction of the nuclear power plant.

The activities of site selection involve site surveys, ranking of the sites, and selection of sites based on a set of national criteria, regulatory requirements and quality assurance mechanisms that are currently being developed.

The output of the project is a suitable site with internationally acceptable standards for nuclear power plants.

Activities conducted in FY 2017/2018:

- Completed redrafting of the Expressions of Interest (EOI) for Consultancy for the development of Terms of Reference for characterization sites for NPPs; and
- Initiated preparations for an IAEA Expert Review Mission on siting activities in Kenya by correspondence and meeting with the IAEA SEED Mission team leader to discuss the objectives and expectations of the Mission.

Resource Development for the Nuclear Power Programme Introduction

The project is aimed at planning, developing capacity and training Kenyans on nuclear related courses in preparation for construction and operation of Kenya's nuclear power plant(s).

A Nuclear Power Program is knowledge intensive. The NPP comprises three main institutions: Promoter, Operator and a regulator. These three organizations require personnel with various skills and professional competencies. KNEB has commenced the training of such personnel.

Activities conducted in FY 2017/2018:

- Carried out review of the Human Resource Development (HRD) Strategy;
- Carried out training on human resource modeling;
- Carried out human resource modeling;
- Developed the HRD database and established HRD administration framework;
- Developed the internal HRD Policy;
- Sponsored 7 postgraduate students at masters' level abroad; and
- Secured 30 short training courses and fellowships abroad.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

As a corporate citizen, the Kenya Nuclear Electricity Board continued with its commitment to upscale its Corporate Social Responsibilities countrywide. KNEB values and cherishes the rich tapestry variety and diversity of the country's social environment. In its quest to stay ahead of the pack, KNEB has been involved in numerous CSR projects across the country, which has a direct impact on various segments of the population.

During the financial year 2017/18, the Board supported various initiatives whose import was to benefit Kenyans at community, local, sectoral and /or national level. Some of the area of focus included youth and women empowerment, environmental conservation, charitable causes, county trade and investment forums and sponsoring of professional member organizations' annual conferences through partnerships and sponsorship.

During the financial year 2017/18, the Board revised its Corporate Social Responsibility policy to meet the emerging trends and explore the new areas, trends in order to enhance its Corporate Social Responsibilities activities.

In June 2018, KNEB distributed Sanitary towel to girls in primary and secondary schools in Kwale, Kilifi and Mombasa counties to reduce their chances of missing school during their period because they cannot afford sanitary products. This was in support to the Government agenda and policy of provision of free, sufficient and quality towels to every girl registered at school.

In the financial year 2017/2018, in a bid to empower youth, women through innovation KNEB sponsored a number of initiatives. In April 2018, KNEB in collaboration with Ministry of Education sponsored the 2018 Kenya Science and Engineering Fair (KSEF) Nationals competition; this was to promote science and innovation amongst high school students. In October 2017, the Board sponsored Kenya Youths to attend 19th Festival for Youth and Students in Sochi, Russia that brought together 20,000 youths from 150 countries discuss the role of youth in Peace, Solidarity and Social Justice by honoring the past and how to build the future.

In March 2018, KNEB in the bid to promote energy efficiency sponsored the 2017 Energy Management Awards (EMA) to a tune of three hundred thousand shillings. KNEB's consistent participation in EMA exhibits our enthusiasm in promoting energy efficiency across the country by addressing environmental pollution, waste reduction initiatives, recycling and enhancing energy efficiency.

In the financial year 2017/2018, KNEB partnered with professional bodies and other corporates to realize our CSR objectives of environmental conservation, HIV/AIDS awareness campaigns and sponsoring charitable causes /annual professional conferences for example Nyanza Golf Club charity Golf tournament, Law Society of Kenya Annual conference; legal aid week, conducted HIV/AIDS awareness at EPZ factories and partnered with Kenya Power staff regional HIV committee in their activities to educate Kenyans HIV/AIDS and about the goings-on of Kenya's energy sector among others.

During the financial year KNEB planned to engage more in environmental conservation initiatives like tree planting and education programmes but due to limited funding the Board was not able to do it for example planting 3000 tree seedling across the country. The future outlook of KNEB CSR activities seeks to focus more on environment conservation that include planting over 3000 trees in the country and Education through mentorship where the Board is targeting to carry out career talks in High schools and tertiary institution across the forty-seven counties by 2020.

KNEB is fully committed to supporting endeavours that better the lives of Kenyans. As a responsible Corporate citizen, KNEB in unswerving in scaling up its Corporate Social Responsibility programmes.

REPORT OF THE DIRECTORS

The Board of Directors submit their report together with the Audited Financial Statements for the year ended 30 June 2018, which disclose the state of affairs of the Board

Incorporation

Kenya Nuclear Electricity Board is a State Corporation established through a Legal Notice No. 131 dated 16 November 2012

Directorate

The Board of Directors who held office during the year and to the date of this report are set out on page 4

Principal Activities

The principal activities of KNEB are outlined in the Kenya Gazette Supplement No 170 dated 16th Nov 2012, this are to:

- a) Promote and expedite the development of nuclear electricity in Kenya;
- b) Develop policies, and propose legislation necessary for the successful implementation of a nuclear power program;
- c) Undertake public education and awareness on Kenya's nuclear power program;
- d) Identify, prepare and facilitate the implementation of a roadmap for a nuclear power program;
- e) Collaborate with relevant Government agencies, develop a comprehensive legal and regulatory framework for nuclear electricity generation in Kenya;
- f) Develop a human resource capacity to ensure Kenya has the requisite manpower to successfully establish and maintain a nuclear power program;
- g) Identify appropriate sites in Kenya for the construction of nuclear power plants and related amenities;
- h) Enter into collaborative programs related to nuclear electricity research and development with other international and national organizations;
- i) Establish a library and information center on nuclear science and technology, and
- j) Perform any other duties, which may be necessary for the execution of its mandate under this Order.

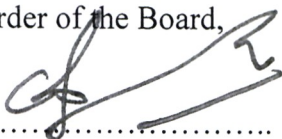
Results

The results of the entity for the year ended June 30,2018 are set out on page 1

Auditor

The Board Auditor, The Auditor-General, will continue to be in the office in accordance with Article 229 of the Constitution of Kenya and Public Audit Act 2015.

By order of the Board,



.....
Board Secretary Nairobi

Date.....06/05/2019.....

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 and the State Corporations Act, require the Directors to prepare financial statements in respect of the Board, which give a true and fair view of the state of affairs of the Board at the end of the financial year and the operating results of the Board for that year. The Directors are also required to ensure that the Board keeps proper accounting records that disclose with reasonable accuracy the financial position of the Board. The Directors are also responsible for safeguarding the assets of the Board.

The Directors are responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year ended on June 30, 2018. This responsibility includes:

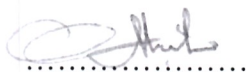
- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board;
- (iii) Designing, implementing 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 Board;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Board's financial statements give a true and fair view of the state of Board's transactions during the financial year ended June 30, 2018, and of the Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board's financial statements as well as the adequacy of the systems of internal financial control.

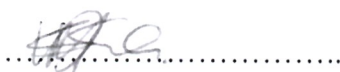
Nothing has come to the attention of the Directors to indicate that the Board will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Board's financial statements were approved by the Board on06/05/2019..... and signed on its behalf by:


.....

Director


.....

Director


.....

Director



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 NUCLEAR ELECTRICITY BOARD FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Nuclear Electricity Board set out on pages 1 to 25, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya, Section 35 of the Public Audit Act, 2015 and Section 19(3) of the Kenya Nuclear Electricity Board Order, 2012. 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 Nuclear Electricity Board as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Nuclear Electricity Board Order, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Nuclear Electricity Board 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.

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. There were no key audit matters to report in the year under review.

Report of the Auditor-General on the Financial Statements of Kenya Nuclear Electricity Board for the year ended 30 June 2018

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control which might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts which would be material in relation to the financial

statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

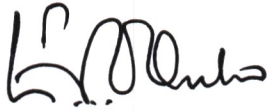
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Board's ability to continue as a going concern. 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 Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board 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

20 June 2019



STATEMENT OF FINANCIAL PERFORMANCE FOR YEAR ENDED 30 JUNE 2018

	Note	2017-2018	2016-2017
Revenue from non-exchange transactions		Kshs	Kshs
Transfers from other government entities	6	537,702,237	522,000,000
Other income	7	8,668,382	8,273,690
Total revenue from non-exchange transactions		546,370,619	530,273,690
Revenue from exchange transactions			
Finance income	8	742,260	2,000,744
Profit on disposal of motor vehicles		1,456,714	-
Total revenue from exchange transactions		2,198,974	2,000,744
Total revenue		548,569,593	532,274,434
Expenses			
Employee costs	9	222,421,545	199,124,934
Board Expenses	10	25,318,522	23,737,290
Depreciation Expense	11	26,326,777	13,236,631
Repairs and maintenance	12	9,552,744	3,009,400
Contracted services	13	-	228,000
General expenses	14	212,503,214	233,224,691
Grants and Subsidies	15	2,500,000	7,500,000
Finance costs	16	334,701	258,431
Total expenses		498,957,503	480,319,377
Surplus before Tax		49,612,090	51,955,057
Taxation		-	-
Surplus for the period		49,612,090	51,955,057

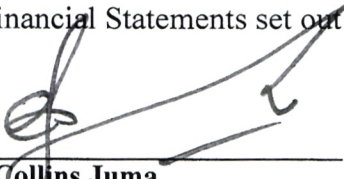
The notes set out on pages 6 to 25 form an integral part of the Financial Statements


Kenya Nuclear Electricity Board (KNEB)
Annual Reports and Financial Statements
For the year ended June 30, 2018


STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2018

		2017-2018	2016-2017
	Note	Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	17	45,365,841	109,049,909
Receivables from non-exchange transactions	18	116,845,896	67,260,129
Total Current Assets		162,211,736	176,310,037
Non-current assets			
Property, plant and equipment	19	144,720,086	101,291,688
Total non - current assets		144,720,086	101,291,688
Total assets		306,931,823	277,601,725
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	20	44,564,421	31,278,246
Total current liabilities		44,564,421	31,278,246
Non-current liabilities			
Non-current employee benefit obligation	21	28,499,836	62,068,002
Total non-current liabilities		28,499,836	62,068,002
Total liabilities		73,064,256	93,346,248
Net assets			
Fund Account		118,518,313	118,518,313
Accumulated Surplus		115,349,254	65,737,164
Total net assets		233,867,567	184,255,477
Total net assets and liabilities		306,931,823	277,601,725

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by;


 Eng. Collins Juma
 Chief Executive Officer
 Date.....06/05/2019.....


 CPA L.M. Ong'onge
 Director, Finance & Strategy
 ICPAK M/No.2761
 Date.....06/05/2019.....


 Teresia Malokwe
 Ag. Board Chairperson
 Date.....06/05/2019.....

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2018

	Fund Account	Accumulated Surplus	Total
	Kshs	Kshs	Kshs
At 1 July 2016	118,518,313	13,782,107	132,300,420
Surplus for the period	-	51,955,057	51,955,057
At 30 June 2017	118,518,313	65,737,164	184,255,477
At 1 July 2017	118,518,313	65,737,164	184,255,477
Surplus for the period	-	49,612,090	49,612,090
At 30 June 2018	118,518,313	115,349,254	233,867,567

Kenya Nuclear Electricity Board (KNEB)
Annual Reports and Financial Statements
For the year ended June 30, 2018

STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2018

	Note	2017-2018	2016-2017
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other government entities	6	537,702,237	522,000,000
Other income	7	8,668,382	8,273,690
Finance income	8	742,260	2,000,744
Total Receipts		547,112,879	532,274,434
Payments			
Employees Costs	9	222,421,545	199,124,934
Board Expenses	10	25,318,522	23,737,290
Repairs and Maintenance	12	9,552,744	3,009,400
Contracted Services	13	-	228,000
General Expenses	14	212,503,214	233,224,692
Grants and Subsidies	15	2,500,000	7,500,000
Finance cost	16	334,701	258,431
Total Payments		472,630,726	467,082,747
Net cash flows from operating activities		74,482,153	65,191,687
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	19	(70,598,462)	(87,081,372)
Proceeds from sale of property, plant and Equipment		2,300,000	-
(Increase)/Decrease in non-current receivables		(49,585,767)	167,878,330
(Increase)/(Decrease) in Payables		(20,281,992)	(4,035,706)
Net cash flows used in investing activities		(138,166,222)	76,761,252
Cash flows from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(63,684,068)	141,952,939
Cash and cash equivalents at 1JULY 2017	17	109,049,909	(32,903,030)
Cash and cash equivalents at 30 JUNE 2018	17	45,365,841	109,049,909

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

	Original Budget	Adjustments	Final Budget	Actual on	Performance
	Kshs	Kshs	Kshs	Comparable Basis	Difference
Revenue				Kshs	Kshs
Government Grants & Subsidies	392,402,237	145,300,000	537,702,237	537,702,237	-
Other Income	5,000,000	4,450,000	9,450,000	9,410,642	(39,358)
Total income	397,402,237	149,750,000	547,152,237	547,112,879	(39,358)
Expenses					
Employee Costs	199,102,237	22,208,000	221,310,237	222,421,545	(1,111,308)
Board Expenses	21,300,000	-	21,300,000	25,318,522	(4,018,522)
Finance cost	1,500,000	(1,160,000)	340,000	334,701	5,299
General Expenses	170,000,000	42,204,000	212,204,000	212,503,214	(299,214)
Grants and Subsidies	2,500,000	-	2,500,000	2,500,000	-
Repairs and Maintenance	3,000,000	6,500,000	9,500,000	9,552,744	(52,744)
Staff Mortgage	-	25,000,000	25,000,000	25,000,000	-
Staff Car loans	-	9,400,000	9,400,000	9,400,000	-
Acquisition of Assets	-	45,598,000	45,598,000	70,598,462	(25,000,462)
Total expenditure	397,402,237	149,750,000	547,152,237	577,629,189	(30,476,952)
Surplus (deficit)for the period	-	-	-	(30,516,310)	(30,516,310)

NOTES ON STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

1. Differences between Actual and Budget Amounts (10% Over/Under)

- a) The over expenditure of Kshs.4,018,522 (19%) on board expenses was due to the following:
- The State Corporations Advisory Committee issued a communication during the year under review, advising KNEB to carry out review of the organization structure, career progression, grading structure and staff complement.
 - Board had to conduct evaluation and renewal of senior management contracts.
 - The Board had to handle an unexpected senior staff disciplinary matter as per the Human Resource Policies.
 - The Board had to Provide input and approval on matters raised in the Energy bill 2017 relating to transition of KNEB to a new organization, new Mandate of the organization among others.
 - The Board had to carryout out site visits and stakeholders engagement within the potential nuclear power plant sites, following the finalization of siting report in 2016/2017 where potential nuclear sites were identified.
- b) The over expenditure of Kshs.25, 000,462 (55%) on acquisition of assets was due to acquisition of two Motor Vehicles by the Board for use by staff and the Board's chairperson at a cost of Ksh.24, 261,000 to ensure smooth running of the board's activities. The purchase of the motor vehicles was necessary to replace a lost motor vehicle through an accident. The board is in the process of getting authority from the Cabinet Secretary, State Department of Energy and National Treasury to regularize the excess expenditure.

2. Differences between Actual and Budget Amounts (10% Over/Under)

The increase of Kshs.149,750,000 between original budget and final budget was due to additional budgetary allocation through supplementary estimates.

3. Reconciliation of Actual Expenditure as per Statement of Comparison of Budget and Actual Amounts and Actual Expenditure as per Statement of Financial Performance

Details	Amount (Kshs)
Total Expenditure as per statement of comparison of budget and actual amounts	577,629,189
Add:	
Depreciation Expense	26,326,777
Total	603,955,966
Less:	
Staff Mortgage	(25,000,000)
Staff car Loans	(9,400,000)
Acquisition of Assets	(70,598,462)
Total Expenditure as per statement of financial performance	498,957,503

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Nuclear Electricity Project Committee was established under the aegis of the Ministry of Energy through The Kenya Gazette Notice No. 14188 of 19th November 2010. NEPC was transformed into a statutory body under the State Corporations Act (Cap 446) through Legal Notice No. 131 dated 16th November 2012. It was hereinafter renamed Kenya Nuclear Electricity Board (KNEB). Its raison d'etre is to realize Kenya's Vision 2030 by fast tracking the development of nuclear power in order to enhance the production of affordable and reliable electricity.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

The financial statements have been prepared in accordance with the Public Finance Management (PFM) Act, the State Corporations Act, Legal Notice No. 131 dated 16th November 2012 and International Public Sector Accounting Standards (IPSAS) (Accrual Basis). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published effective for the year ended June 2018

Standard	Impact
IPSAS 19 Employee Benefits	Applicable 1st January 2018 The objective to issue IPSAS19 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done on IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from defined benefit

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

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

iii. Early adoption of standards

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

i) Revenue from non-exchange transactions – IPSAS 23

Transfers from other government entities and International Atomic Energy Association

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

ii) Revenue from exchange transactions – IPSAS 9

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget Information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Board. As a result of the

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

adoption of the accrual basis for budgeting purposes, there are no basis, timing or Board differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxes – IAS 12

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Board operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

d) Property, Plant and Equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Board recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

e) Leases – IPSAS 13

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Board. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Board also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Board will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Board. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Intangible Assets – IPSAS 31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non- exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

g) Research and Development Costs

The Board expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Board can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Financial Instruments – IPSAS 29

(i) Financial assets - Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Board determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Board has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Board assesses at each reporting date whether there is objective evidence that a financial asset or a Board of financial assets is impaired. A financial asset or a Board of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Board of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a Board of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Financial liabilities - Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Board determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

i) Provisions – IPSAS 19

Provisions are recognized when the Board has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Board expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Board does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Board does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Board in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Nature and purpose of reserves

The Board creates and maintains reserves in terms of specific requirements. The reverse maintained by the Board is capital reserve, where funds are set aside to purchase fixed assets. By setting aside a reserve, the Board of Directors segregates funds from the general operations

k) Changes in accounting policies and estimates – IPSAS 3

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

l) Employee benefits – IPSAS 25

Retirement benefit plans

The Board provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an Board pays fixed contributions into a separate Board (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

m) Foreign currency transactions – IPSAS 4

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

n) Borrowing costs – IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Related parties – IPSAS 20

The Board regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Board, or vice versa. Members of key management are regarded as related parties and comprise the councilors, the executive mayor, mayoral committee members, the city manager, deputy city manager and senior managers.

p) Service concession arrangements – IPSAS 32

The Board analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Board recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Board also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

q) 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Budget Information

The original budget for FY 2017-2018 was approved by the National Assembly on 30 June 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of on the 2017-2018 budget following the governing body's approval.

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

TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

s) Comparative figures

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

t) Subsequent Events -IPSAS 14

There have been no events subsequent to the financial year-end with a significant impact on the financial statements for the year ended June 30, 2018

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY – IPSAS 1

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Board based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Board. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

TO THE FINANCIAL STATEMENTS (Continued)

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION
UNCERTAINTY (Continued)**

- The condition of the asset based on the assessment of experts employed by the Board
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision gratuity payable to employee at the end of contractual period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the Entity sending the grant	2017-2018			2016-2017
	Recurrent Exchequer	Development Exchequer	Total	
	Kshs	Kshs	Kshs	Kshs
State Department for Energy	116,452,500	421,249,737	537,702,237	522,000,000
Total	116,452,500	421,249,737	537,702,237	522,000,000

7. OTHER INCOME

Description	2017-2018	2016-2017
	Kshs	Kshs
Grant from International Atomic Energy Agency	8,668,382	8,273,690
Total	8,668,382	8,273,690

8. FINANCE INCOME

Description	2017-2018	2016-2017
	Kshs	Kshs
Interest on bank deposits	742,260	2,000,744
Total	742,260	2,000,744

9. EMPLOYEE COSTS

Description	2017-2018	2016-2017
	Kshs	Kshs
Salaries and allowances	174,307,747	156,694,755
Gratuity	34,107,173	30,535,600
Medical Expenses	10,561,773	8,435,202
Group Life	3,139,261	2,710,125
Interns	305,591	749,252
Total	222,421,545	199,124,934

10. BOARD EXPENSES

Description	2017-2018	2016-2017
	Kshs	Kshs
Sitting Allowances	13,959,171	17,732,465
Travelling Expenses	9,797,653	3,752,721
Directors Fees	1,230,000	1,800,000
Medical expenses(Insurance)	331,698	452,104
Total	25,318,522	23,737,290

11. DEPRECIATION EXPENSE

Description	2017-2018	2016-2017
	Kshs	Kshs
Office Equipment	632,982	448,917
Furniture and Fitting	1,042,526	789,560
Motor Vehicle	6,583,097	971,558
Computers & Accessories	18,068,173	11,026,596
Total	26,326,777	13,236,631

12. REPAIRS AND MAINTENANCE

Description	2017-2018	2016-2017
	Kshs	Kshs
Property and Equipment	7,263,818	1,542,689
Vehicles	2,288,926	1,466,711
Total	9,552,744	3,009,400

13. CONTRACTED SERVICES

Description	2017-2018	2016-2017
	Kshs	Kshs
Baseline surveys	-	228,000
Total	-	228,000

14. GENERAL EXPENSES

Description	2017-2018	2016-2017
	Kshs	Kshs
Advertising	137,000	10,365,579
Audit fees	348,000	300,000
Conferences and delegations	9,599,325	14,363,203
Cleaning Services	887,871	865,665
Water and Electricity	2,300	333,489
Computer Consumables	2,371,226	4,184,710

Kenya Nuclear Electricity Board (KNEB)
Annual Reports and Financial Statements
For the year ended June 30, 2018

Description	2017-2018	2016-2017
	Kshs	Kshs
Travelling Expenses	15,715,425	44,873,565
Fuel and oil	1,685,304	1,374,462
Consultancy	5,654,637	337,449
Licenses and Fees	2,656,400	-
Office refreshments	2,275,593	5,674,059
Postage	50,780	53,592
Printing and stationery	4,303,102	8,531,661
Overseas Training	24,296,257	4,094,857
Nuclear Capacity Building	29,429,818	35,384,836
National Liaison Office	16,135,595	17,298,336
Resource Persons Allowance	480,000	434,000
Library	118,200	537,530
Security costs	795,502	802,200
Legal and Regulatory-TWG activities	-	4,065,285
Publicity and Advocacy	48,937,974	42,989,832
Membership and Subscription	2,062,885	968,427
Office supplies	6,511,003	6,072,402
Telephone and Internet	3,523,197	3,535,200
Local Training	15,695,370	8,952,462
Insurance	348,602	380,225
Hotel Fares & Accommodation	10,865,632	11,411,851
Staff Welfare	721,060	-
Risk Framework	6,895,154	5,039,814
Total	212,503,214	233,224,691

15. GRANTS AND SUBSIDIES

Description	2017-2018	2016-2017
	Kshs	Kshs
Sponsorship -KAM	-	300,000
Royal Golf Club	1,000,000	500,000
Young Nuclear Generation	-	500,000
Institute of Risk Management	-	5,800,000
Law Society of Kenya	1,500,000	400,000
Total	2,500,000	7,500,000

16. FINANCE COSTS

Description	2017-2018	2016-2017
	Kshs	Kshs
Bank Charges	334,701	258,431
Total finance costs	334,701	258,431

17. CASH AND CASH EQUIVALENTS

Description	2017-2018	2016-2017
	Kshs	Kshs
Cash and Bank	45,165,885	108,849,952
Cash on hand and Transit	199,956	199,957
Total cash and cash equivalents	45,365,841	109,049,909

17 (A) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Financial institution	Account Number	2017-2018	2016-2017
		Kshs	Kshs
a) Current account			
Kenya Commercial bank	1139780085	(12,984,884)	44,062,435
Co-operative Bank	01136308333200	23,703,209	63,309,832
CFC Stanbic	100002778291	-	1,335,644
Chase Bank	0012078702001	-	13,502
NIC Bank	1001126217	47,559	53,279
Family Bank	031000012597	-	75,260
National Bank of Kenya	01071206104000	-	-
Sub-total		10,765,885	
b) Staff Car Loan/Mortgage			
Development Bank of Kenya	3201402009	25,000,000	-
Stima Sacco	801003718501	9,400,000	-
Sub -total		34,400,000	-
c) Others (specify)			
Cash in hand		199,956	199,957
Sub- total			199,957
Grand total		45,365,841	109,049,909

18. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	Kshs	Kshs
Capacity Building -Kenya Power	-	1,049,302
Treasury Receivable	88,749,962	60,000,000
Staff car loans	19,900,000	-
Staff Advances	3,374,632	
Staff insurance Advances	821,302	2,210,827
KPLC Medical Prepayments	4,000,000	4,000,000
Total	116,845,896	67,260,129

Kenya Nuclear Electricity Board (KNEB)
Annual Reports and Financial Statements
For the year ended June 30, 2018

19. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Furniture and fittings	Computers	Office Equipment & Buildings	Work in Progress	Total
	25% Kshs	12.50% Kshs	33.33% Kshs	12.50% Kshs	Kshs	Kshs
Depreciation Rates						
Cost						
At 1 July 2016	7,450,540	7,395,061	43,301,206	4,321,263	-	62,468,070
Transfers/adjustments	-	1,980,500	21,318,795	2,163,264	61,618,813	87,081,372
At 30th June 2017	7,450,540	9,375,561	64,620,001	6,484,527	61,618,813	149,549,442
Additions	24,261,000	2,813,288	26,508,590	1,582,759	15,432,825	70,598,462
Transfers/adjustments	(5,330,400)	-	-	-	-	(5,330,400)
At 30th June 2018	26,381,140	12,188,849	91,128,591	8,067,286	77,051,638	214,817,504
Depreciation and impairment						
At 1 July 2016	3,564,310	3,059,083	25,843,219	2,554,512	-	35,021,124
Depreciation	971,558	789,560	11,026,596	448,917	-	13,236,631
Transfers/adjustments	(4,487,114)	-	-	-	-	(4,487,114)
At 30 June 2017	48,754	3,848,643	36,869,815	3,003,429	-	43,770,641
Depreciation charge for year	6,583,097	1,042,526	18,068,173	632,982	-	26,326,777
At 30th June 2018	6,631,851	4,891,169	54,937,988	3,636,411	-	70,097,418
Net book values						
At 30th June 2018	19,749,290	7,297,681	36,190,604	4,430,875	77,051,638	144,720,086
At 30th June 2017	7,401,786	5,526,918	27,750,186	3,481,098	61,618,813	105,778,801

Work-In-Progress (WIP) transfers/additions consist of the following:

	2017/2018	2016/2017
	Kshs	Kshs
Strategic Environmental Assessment	4,553,700	49,174,139
Nuclear Power Siting	10,879,125	12,444,674
Total	15,432,825	61,618,813

20. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	Kshs	Kshs
Trade Payables	26,925,307	21,462,664
Directors Fees Payable	2,368,411	2,668,411
Audit Fees Payable	504,000	1,200,000
Payroll Liabilities	4,512,087	112,462
Medical Liabilities	10,254,616	8,503,119
Total	44,564,421	33,946,656

21. NON-CURRENT EMPLOYEE BENEFIT OBLIGATION

Description	2017-2018	2016-2017
	Kshs	Kshs
Employee Gratuity	28,499,836	59,399,591
Total	73,064,256	93,346,247

**Kenya Nuclear Electricity Board (KNEB)
Annual Reports and Financial Statements
For the year ended June 30, 2018**

APPENDIX I: INTER-ENTITY TRANSFERS

ENTITY NAME:		KENYA NUCLEAR ELECTRICITY BOARD		
Breakdown of Transfers from the State Department of Energy				
FY17/18				
a.	Recurrent Grants	Bank statement Date	Amount(Kshs)	Financial Year
		01/09/2017	22,817,500.00	2017/2018
		15/12/2017	22,817,500.00	2017/2018
		11/04/2018	70,817,500.00	2017/2018
	Total		116,452,500.00	
b.	Development Grants	Bank statement Date	Amount(Kshs)	Financial Year
		18/10/2017	77,499,925.00	2017/2018
		30/01/2018	32,500,000.00	2017/2018
		31/01/2018	44,999,925.00	2017/2018
		26/02/2018	50,000,000.00	2017/2018
		02/03/2018	50,000,000.00	2017/2018
		04/04/2018	44,999,925.00	2017/2018
		04/04/2018	32,500,000.00	2017/2018
		03/07/2018	22,499,962.00	2017/2018
		03/07/2018	16,250,000.00	2017/2018
		10/07/2018	50,000,000.00	2017/2018
	Total		421,249,737.00	

The above amounts have been communicated to and reconciled with the Ministry of Energy

Finance Manager
Kenya Nuclear Electricity Board

f Head of Accounting Unit
Ministry of Energy

Sign *[Signature]*

Sign *[Signature]*

Date *06/05/2019*

Date *20/5/2019*

Kenya Nuclear Electricity Board (KNEB)
Annual Reports and Financial Statements
For the year ended June 30, 2018

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of MDA	Date Received as Per Bank Statement	Nature: Recurrent/ Development	Total Amount Kshs	Where Recorded/Recognized		Total Transfers During the Year Kshs
				Statement of Financial Performance Kshs	Receivables Kshs	
State Department for Energy	01/09/2017	Recurrent	22,817,500	22,817,500	-	22,817,500
State Department for Energy	15/12/2017	Recurrent	22,817,500	22,817,500	-	22,817,500
State Department for Energy	11/04/2018	Recurrent	70,817,500	70,817,500	-	70,817,500
State Department for Energy	18/10/2017	Development	77,499,925	77,499,925	-	77,499,925
State Department for Energy	30/01/2018	Development	32,500,000	32,500,000	-	32,500,000
State Department for Energy	31/01/2018	Development	44,999,925	44,999,925	-	44,999,925
State Department for Energy	26/02/2018	Development	50,000,000	50,000,000	-	50,000,000
State Department for Energy	02/03/2018	Development	50,000,000	50,000,000	-	50,000,000
State Department for Energy	04/04/2018	Development	44,999,925	44,999,925	-	44,999,925
State Department for Energy	04/04/2018	Development	32,500,000	32,500,000	-	32,500,000
State Department for Energy	03/07/2018	Development	22,499,962	-	22,499,962	22,499,962
State Department for Energy	03/07/2018	Development	16,250,000	-	16,250,000	16,250,000
State Department for Energy	10/07/2018	Development	50,000,000	-	50,000,000	50,000,000
Total			537,702,237	448,952,275	88,749,962	537,702,237

