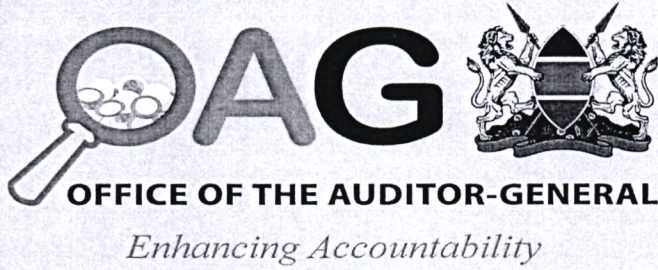



REPUBLIC OF KENYA



REPORT

 THE NATIONAL ASSEMBLY	
P	
DATE: 04 JUL 2023	
DAY: TUESDAY	
TABLED BY:	Hon Owen Baya, CBS MP Deputy leader, majority
CLERK-AT THE TABLE:	Inzofu Mwale

THE AUDITOR-GENERAL

ON

**ENERGY AND PETROLEUM
REGULATORY AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2022**

31 MAY 2023



ENERGY AND PETROLEUM REGULATORY AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDING 30TH JUNE 2022

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

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

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Energy & Petroleum Regulatory Authority

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1. Key Entity Information And Management

a) Background information

The Energy Regulatory Commission was established under the Energy Act, 2006. In March 2019, the Energy Act 2019 and the Petroleum Act 2019 were enacted. The Energy Act 2019 provides for the establishment of the Energy and Petroleum Regulatory Authority as the successor to the Energy Regulatory Commission. The Authority is domiciled in Kenya and has branches in Mombasa, Kisumu, Eldoret, Nakuru, Isiolo, and Lodwar.

b) Principal activities

The principal activity/mission of the EPRA is to regulate the energy sector with responsibility for economic and technical regulation of electric power, renewable energy, and mid & downstream petroleum sub sectors. Its functions include tariff review and setting, licencing, enforcement, dispute settlement and approval of power purchase and network services contracts.

c) Key management

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

i) The Board of Directors

ii) The Director General

iii) Management

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibilities were:

Designation	Name
Director General	Mr. Daniel Kiptoo Bargoria
Board Secretary & Director Legal Services	Ms. Mueni Mutung'a
Ag. Director, Corporate Services	CPA. James Kilonzo
Director, Electricity & Renewable Energy	Dr. Eng. Joseph Oketch
Director, Petroleum & Gas	Eng. Edward Kinyua
Director, Public Education, Advocacy & Consumer Protection	Mr. Cyprian Nyakundi
Ag. Director, Economic Regulation & Strategy	Dr. John Mutwii Mutua
Deputy Director, Supply Chain Management	Ms. Loise Thuge
Ag. Director, Internal Audit & Risk Assurance	CPA. Everlyne Orange

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

1. Key Entity Information and Management

e) Fiduciary Oversight Arrangements

The Authority is chaired by a non-Executive Chairman Hon. Justice(Prof) Jackton B. Ojwang (Chairman) appointed by the President. All Board members have extensive business and administrative experience in private and/or public sectors that is applied in the management of the EPRA. Authority meetings are held regularly to review EPRA's performance against set targets and business plans as well as to formulate and implement strategy. Various committees whose chairpersons report to the Board supplement the functions of the Authority.

Board Finance and Administration Committee

The Authority's Finance and Administration Committee is chaired by a non-Executive Board members and meets at least once on quarterly basis. The members are Mr. Daniel Ndonge (Chairman), Mr. Albert Mwendwa, Mr. George Mwakule, Eng. Mercy Wambugu and the Director General. The Committee's responsibilities are to ensure sound financial reporting, internal system controls, business plans and budgets, procurement, ICT, Public Relations, administration and staff matters.

Board Audit & Risk Committee

EPRA has established an Audit & Risk Committee of the Board which has an approved Audit & Risk Committee Charter that provides the terms of reference for its operations. The Audit Committee is chaired by a non-executive Director and the members are non-Executive Directors. The members are Mr Moses Mutuli (Chairman), Mr. Barnabus Ng'eno, Mr. James Ng'ang'a, and Mr. Albert Mwenda. The purpose of the Committee is to assist the board in their oversight responsibilities regarding:

- i) The effectiveness of the process of corporate governance.
- ii) The integrity of the financial statements and financial reporting.
- iii) The adequacy of the internal control system and risk management system.
- iv) The performance of the internal audit function.
- v) The adequacy of management response to issues identified by external audit.
- vi) Compliance with legislation, regulatory requirements and internal policies, procedures and code of conduct.
- v) The effectiveness of the performance management framework and performance reporting.

The Directorate of Internal Audit & Risk Assurance provides secretarial services to the Committee in line with the Internal Audit Charter and public financial management laws and regulations.

Board Technical Committee

The Technical Committee is chaired by a non-Executive director and meets at least on quarterly basis. The members are Eng. Mercy Wambugu (Chairman), Mr. Barnabus Ng'eno, Mr. James Ng'ang'a, Mr Moses Mutuli, Mr. Daniel Ndonge, Mr. Jared Masini Ichwara and the Director General. The Committee's responsibilities are to provide strategic technical direction of EPRA and to approve technical plans, activities, reports and budgets.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

1. Key Entity Information and Management

f) Authority headquarters

Eagle Africa Centre
Longonot Road, Upperhill
P.O Box 42681-00100
Nairobi

g) Authority contacts

Telephone (254) 20 2847200
Email: info@epra.go.ke
website: www.epra.go.ke

h) Authority bankers

1. KCB Bank

Moi Avenue Branch
P.O Box 48400-00100
Nairobi, Kenya

2. National Bank of Kenya

Harambee Avenue Branch
P.O Box 41862-00100
Nairobi, Kenya

3. NCBA Bank

Upperhill Branch
P.O Box 30437-00100
Nairobi, Kenya

i) Independent Auditors

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

al legal adviser

Energy & Petroleum Regulatory Authority
Annual Report And Financial Statements for the year ended 30 June 2022




1. Key Entity Information and Management

The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O Box 40112-City Square 00200
Nairobi, Kenya

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022




2. Board Members

 <p>Hon. (Prof) Jackton Boma Ojwang Board Chairman</p>	<p>Hon. Justice (Prof) Jackton B. Ojwang, was appointed Chairman of EPRA's Board of Directors for a four-year term with effect from 12th May 2020. Prof. Ojwang is a retired judge of the Supreme Court of Kenya with a span of 45 years' experience in the legal profession.</p> <p>Prof. Ojwang has had an illustrious 17-year career in the Judiciary after having been first appointed a high court Judge in 2003 and then elevated to the Supreme Court in 2011 as one of the key seven Judges of the newly created apex court.</p> <p>He holds Bachelor's and Master's degrees in Law from the University of Nairobi and a PhD in Comparative Constitutional Law from Downing College, Cambridge. In 2015, he earned a Doctor of Laws degree (LLD) from the University of Nairobi making him the first sitting judge to receive the Degree. He is an accomplished scholar and who has authored numerous academic papers and other scholarly works. He has also taught at reputable universities around the world including the University of Nairobi where he served for 27 years. He has also been a visiting Associate Professor of Law at the J. Reuben Clark Brigham Young University Law School in the United States.</p> <p>Prof. Ojwang was awarded the University of Nairobi's Staff Merit Award in recognition of his outstanding contribution towards the University's mission. He was also bestowed the coveted East African Law Society Senior Lawyer of Year Award in 2013 for his remarkable legal and judicial career. Up to February 2020, he sat on the Council of Legal Education Board where he chairs the Quality Assurance & Compliance Committee.</p> <p>Date of Birth: 10th February, 1950</p>
 <p>Maj. Gen (Rtd) Dr. Gordon O. Kihalangwa, CBS, 'ndc' (K), 'ensp' (RSA), 'psc' (K)</p> <p>Principal Secretary, Ministry of Energy</p>	<p>Maj. Gen (Rtd) Dr. Gordon O. Kihalangwa, CBS joins the Ministry of Energy as the Principal Secretary from the State Department for Public Works. Before his posting in the Ministry of Energy, he served as the Director for Immigration services from 2014 until March 2018 when he was appointed as the Principal Secretary, State Department for Immigration and Citizen Services, in the Ministry of Interior and Coordination of National Government. He also had a short stint as Principal Secretary, Ministry of Defence in August 2019, he was reassigned in the same capacity to the State Department for Public Works in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works in 2019.</p> <p>Prior to joining the Civil Service, he worked in the Military which he joined as a Cadet Officer close to 40 years ago. He diligently served and worked his way through the ranks in the military and rose to the rank of Major General and was appointed to the position of Assistant Chief of General Staff in-charge of Personnel and Logistics. He retired as a Major General in 2014 after close to 33 years of Service.</p> <p>Date of Birth: 13th May, 1956</p>
 <p>Mr. Andrew Kamau, CBS Principal Secretary, State Department for Petroleum</p>	<p>Mr Kamau has vast experience in the oil and gas sector spanning more than twenty-five (25) years.</p> <p>Prior to his appointment, he worked for multinationals in East Africa and major trading organisations in Europe and South Africa in the energy and mining sector. He was awarded the dealmaker of the year 2005 by Global Pacific partners.</p> <p>Mr. Kamau has advised on various petroleum upstream, mid/downstream ventures in countries in the region. He has extensive experience in the mining and Oil & Gas exploration sectors, having been a director of the oldest Johannesburg Stock Exchange listed mining company, Sallies Ltd, Drillex Ltd, a mineral exploration drilling company with drilling rigs in South Africa, Mozambique and Zambia. In addition, he has been a director of Gulf of Guinea Petroleum Company, a junior oil exploration company with acreage in Republic of Congo and Gabon.</p> <p>Date of Birth: 18th November, 1966</p>

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022




2. Board Members

 <p>Mr. James Mbugua Alternative to the PS Ministry of Energy and Petroleum.</p>	<p>Mr. Mbugua is currently the Principal Superintending Geologist and Acting Secretary in the Directorate of Petroleum at the State Department of Petroleum and Mining. His directorate is responsible for overseeing the exploration of Oil and Gas fields, determination of their commerciality, licensing and ensuring compliance with environmental protection policies. He has extensive experience, spanning over 25 years, and has been involved in the exploration of geothermal, coal, oil and gas in Kenya.</p> <p>Mr. Mbugua holds a Bachelor of Science Degree in Geology from the University of Nairobi and a Master of Science Degree in Structural Geology from the University of Leeds, UK. He also holds a Post Graduate Diploma in Geothermal Technology from Auckland University, New Zealand and a Certificate in Geothermal Energy and Environmental Sciences from Kyushu University, Japan.</p> <p>He is a member of the Geological Society of Kenya (GSK) and the Geologist Registration Board (GRB)</p> <p>Retired 30th June, 2022</p> <p>Date of Birth: 30th June 1962</p>
 <p>Mr. Albert Mvenda Representative National Treasury</p>	<p>Mr. Albert Mvenda is the Director General, Budget, Fiscal and Economic Affairs. He holds a Masters degree in Public and Economic Policy from the London School of Economics and Political Science (LSE), UK as well as a Masters of Business Administration (Finance) from the University of Nairobi (UON). He also holds a Bachelor of Arts degree in Economics from the University of Nairobi (UON).</p> <p>He has over 20 years of experience in central government and private sector organizations. Albert was appointed as an Advisor to the National Treasury of the Government of Kenya in 2011. In this capacity, he advised the National Treasury on public finance management reforms as well as fiscal decentralization.</p> <p>Prior to his current appointment he served as the Director of the Intergovernmental Fiscal Relations Department of the National Treasury which he helped to establish. He has made significant contributions in the recent development of Kenya's policy and legislative framework for public finance management, including the management of fiscal relations between the two levels of government. He was appointed Board member of the Authority on 10th August, 2020.</p> <p>Date of Birth: 10th May 1971</p>
 <p>CPA. Moses Gitari Alternate to the PS, Ministry of Energy</p>	<p>CPA Moses Gitari is the Head of Accounting Unit, State Department for Energy and the Alternate Director on the EPRA Board. He holds an MBA in Strategic Management from Nairobi University and BBA in Accounting and Finance from KEMU. CPA Gitari is a practicing Accountant and a member of Institute of Certified Public Accountant of Kenya (ICPAK). He has vast experience in Accounting Systems Implementation and Business process re-engineering.</p> <p>He has previously worked in the Ministry of Health as an Accountant and at the National Treasury IFMIS Department as the Head of Business process re-engineering.</p> <p>Retired on 23rd August, 2021</p> <p>Date of Birth: 22nd July, 1971</p>

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022



2. Board Members

 <p>Mr. Wanjuki Muchemi CBS, FCI, Arb Board Member</p>	<p>Mr. Muchemi is a senior legal practitioner with a wealth of experience in International Commercial Law, Arbitration, Alternative Dispute Resolution, Multilateral and Bilateral Finance negotiations. He is currently serving as a non- Executive Director in the Boards of several listed and private companies.</p> <p>Previously, Mr. Muchemi served as the Solicitor General of the Republic of Kenya and the Principal Assistant to the Attorney General. During his tenure, he was awarded the Chief of the Order of the Burning Spear (CBS) (First Class) by His Excellency, President Mwai Kibaki, for his dedicated service. In addition, he previously served as a Director in several State Corporations as well as at the Centre for Corporate Governance for 10 years.</p> <p>He holds a Master of Business Administration (MBA) degree in Strategic Management and a Bachelor of Laws (LL.B. Hons.) degree from University of Nairobi. He is an Advocate of the High Court of Kenya, Fellow of The Chartered Institute of Arbitrators, London, U.K. (FCI Arb.), Member of The Institute of Certified Public Secretaries of Kenya (CPS (K)), and The Law Society of Kenya.</p> <p>Retired on April 19th, 2022</p> <p>Date of Birth: 30th November 1951</p>
 <p>Prof. George Achoki Board Member</p>	<p>Professor George O. Achoki has experience in Management, academia and board directorship spanning over twenty years. Professor Achoki's career life started in 1997 at Manpower Services (K) Limited where he worked as a Management Consultant. He had a one-year stint as a senior lecturer at Kenyatta University where he taught finance and accounting. He is currently an associate Professor of Accounting and Finance at United States International University (USIU) where he has taught for over 20 years.</p> <p>Professor Achoki holds a Bachelor's degree in Commerce, a Master's degree, Commerce in Accounting and Statistics and a Doctor of Philosophy in Human Resource Accounting, all from Sukhadia University, India.</p> <p>He has published in the International Journal of Economics and Finance, the American Journal of Finance, and the Journal of Business and Management among others. Between 2016-2018, he served as a Council Member at the Export Promotion Council where he Chaired the Strategy, Product Development and Promotion and the Finance and Resource Mobilization Committees.</p> <p>Retired on 7th February, 2022</p> <p>Date of Birth: 24th April, 1966</p>
 <p>Dr. Sellah J. Kebenei Board Member</p>	<p>Dr. Kebenei, a senior lecturer (academician) at Kabarak University, has conducted extensive research in the field of Organic and Environmental Chemistry.</p> <p>She began her academic career at the University of Nairobi in 1981 where she graduated with a Bachelor of Science Degree (BSc), with a Major in Chemistry. She subsequently did Master of Philosophy (M.Phil.) Degree in Chemistry at the Moi University, Eldoret and graduated in 2003. She holds a Doctor of Philosophy Degree in Chemistry (PhD) from the same university (2009).</p> <p>From 2006 to 2015, she served as Head of Environmental and Life Science Department at the Kabarak University. Since 2016 to date, she has served as Head of Physical and Biological Sciences Department at the same University. She served as acting Dean for the School of</p>

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022




2. Board Members

	<p>Science, Engineering and Technology (2014) and as Director of the Institute of Post-Graduate Studies and Research (2016).</p> <p>She was coordinator for the development of the School of Medicine and Health Science from 2009 to 2014, which resulted in the launching of Nursing and Clinical Medicine Degree program.</p> <p>Retired on 7th February, 2022</p> <p>Date of Birth: 28th February, 1961</p>
 <p>Mr. Barnabas Ngeno Representative Council of Governors.</p>	<p>Hon. Barnabas Ngeno has vast experience in housing, lands and urban governance. He is currently serving as the County Executive Committee Member for Lands, Housing and Physical Planning in Kericho County. Hon. Ngeno is also the Chairperson of Lands, Housing, Physical Planning, Housing, Urban Development and Energy Committee at the Council of Governors. Hon. Ngeno also serves as the National Program Technical Committee Co-Chair for of Kenya Urban Support Program (KUSP), and is a member of the program's National Steering Committee. KUSP is a \$300 Million World Bank fund that supports infrastructural development in 45 counties.</p> <p>Hon. Ngeno has led the sector technical team during a critical moment of transition into the new constitutional dispensation. His team has overseen the successful development of the policy, legislative and regulatory framework that currently governs the expansive sector.</p> <p>Hon. Barnabas Ngeno is the Council of Governors' representative in the board. He has a Bachelor's Degree in Business Management from Moi University, and is an MBA Finalist at Kenyatta University. He is the inaugural Chairperson and founder of the Institute of Corporate Governance.</p> <p>Date of Birth: 9th May 1982</p>
 <p>Eng. Mercy Wambugu Board Member</p>	<p>Mercy is an Independent Consultant with a special interest in the oil and energy sector. She is passionate about helping organizations achieve operational excellence through professional advice and hands-on support, working mostly in association with other consultants (2013 to-date). Her clients include both public and private organizations with an interest in the oil sector.</p> <p>Mercy has extensive experience in the corporate world including a 27-year career-span with the Shell Group (1986-2013) with core competences in petroleum downstream operations as well as generic management functions such as leading/managing teams, budgeting/financial management and project/change management. In her last role with Shell, she worked as a member of the project team that managed Shell's divestment from its downstream business in Africa and transition to Vivo Energy BV. Prior to that she worked as the oil terminal operations advisor for Africa and held various operational roles within the Kenya Shell. Earlier in her career, she handled public sector engineering projects under the Ministry of Public Works (1983-1986).</p> <p>Appointed: 14th April 2022</p> <p>Date of Birth: 27th May 1961</p>

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022




2. Board Members

 <p>Mr. Daniel Ndonge Board Member</p>	<p>Mr. Daniel Ndonge is a chartered accountant by profession, having worked with Deloitte & Touche for over 30 years, 20 of which he was the Managing/Senior Partner. He holds a Bachelor of Commerce degree from the University of Nairobi. He is a fellow of the Institute of Chartered Accountants in England and Wales, the Institute of Certified Public Accountants of Kenya and the Institute of Certified Public Secretaries of Kenya. He sits on the boards of several companies, two (2) of which are listed on the Nairobi Securities Exchange</p> <p>Appointed: 14th April 2022</p> <p>Date of Birth: 24th August 1949</p>
 <p>Mr. Moses Mutuli Board Member</p>	<p>Moses is currently the General Manager, Life Insurance East Africa, for Sanlam Pan Africa. For his role, he serves in the Boards of Sanlam in Uganda, Tanzania, Rwanda and Burundi and in addition is a Director at Hubris Holdings Ltd in Kenya.</p> <p>Moses is a qualified actuary and is a Fellow of the Institute of Actuaries UK (FIA) and Fellow of The Actuarial Society of Kenya – TASK (TheASK). He is the immediate past chairman of TASK. He has over 18yrs experience in insurance and actuarial consulting gained in UK, SA and Kenya.</p> <p>Moses is a Rhodes Scholar and holds an MBA and MSc in Applied Statistics both gained from University of Oxford (UK) and BSc Mathematics from University of Nairobi.</p> <p>Appointed: 14th April 2022</p> <p>Date of Birth: 2nd April 1977</p>
 <p>Mr. George Mwakule Board Member</p>	<p>Mr. George Mwakule is an Information Technology professional with vast experience in the corporate world including 21 years with Coca-Cola in Africa, Middle East and Turkey. He managed multi-country infrastructure services delivery, led information technology projects and systems integration within The Coca-Cola Company and its franchise bottling partners. His early corporate career was at Barclays Bank of Kenya where he led transformative technology projects in data centers, cheque processing and office automation. He also worked at Kenya Posts & Telecommunication Corporation as an Executive Engineer and implemented several telephone and data transmission systems.</p> <p>He holds a Bachelor of Science Degree in Electrical Engineering from the University of Nairobi.</p> <p>Appointed: 14th April 2022</p> <p>Date of Birth: 9th April 1963</p>

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022






2. Board Members

 <p>Mr. Masini J. Ichwara Board Member</p>	<p>Mr. Masini J. Ichwara is currently the Director of Planning in the Central Planning and Programme Monitoring Unit at the Ministry of Energy. He previously served at the same level at the Ministry of Industrialization, Trade and Enterprise Development, State Department for Industrialization.</p> <p>Mr. Ichwara has comprehensive national and international development level experience spanning over 25 years having worked for UNDP-Somalia as a Research Officer, UNDP-Kenya as a Monitoring and Evaluation Specialist and as a consultant for UNFPA, UNICEF and UNWomen. He previously worked for the Kenya National Bureau of Statistics and the Monitoring and Evaluation Directorate at National Treasury and Planning.</p> <p>Appointed: 17th April 2022</p> <p>Date of Birth: 12th December, 1969</p>
 <p>Mr. Daniel Kiptoo Director General</p>	<p>Mr. Daniel Kiptoo was appointed as the EPRA Acting Director General on 14th December 2020 and subsequently confirmed as Director General of the Authority on 1st July 2021. Prior to his appointment, he was the Legal Advisor in the State Department of Petroleum and the Chairman of the Government's First Oil Committee charged with delivery of First Oil for Kenya. The committee brought together technical officers from different Government Ministries and agencies. Mr. Kiptoo is a qualified lawyer with experience in the Energy and Petroleum sectors with a specific focus in policy formulation, regulation and project & structured financing. He is one of the drafters of the Energy Act (2019) and Petroleum Act (2019).</p> <p>He is a Certified Public Secretary in Kenya (CPS), Chartered Secretary of the Institute of Chartered Secretaries and Administrators UK (ICSA) and is a member of the Association of International Petroleum Negotiators (AIPN). He holds a master's degree in Petroleum Law and Policy from University of Dundee. Prior to his role as Legal Advisor in the State Department of Petroleum, he worked with the Energy and Petroleum Regulatory Authority (EPRA) as a Technical Officer and in the private sector with an Africa centric Oil & Gas risk consultancy as the Oil & Gas and Legal Affairs Director.</p> <p>Date of Birth: 17th February, 1984</p>
 <p>Ms. Mueni Mutunga Board Secretary</p>	<p>Mueni holds a Master's in Business Administration and a Bachelor of Laws degree both from the university of Nairobi, and a diploma in legal practice from the Kenya School of Law. She is an advocate of the High Court of Kenya, a member of the Institute of Directors, the Institute of Certified Secretaries of Kenya and Chartered Institute of Arbitrators. She has also trained extensively in Good Corporate Governance</p> <p>She started her career as an advocate and worked as an associate with the law firm of Robson Harris & Co advocates. She later moved to Total Kenya Ltd where she worked as a legal officer. Thereafter she worked as the Corporation Secretary and Head of Legal services at Kenya Wildlife Service prior to taking up her current appointment as the Board Secretary and Director Legal Services.</p> <p>Date of Birth: 28th February, 1964</p>

Energy & Petroleum Regulatory Authority

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3. Management Team

 <p>Mr. Daniel Kiptoo Bargoria, OGW LL. M, LL. B(Hons), CPS (K), Dip. Law</p>	<p>Director General: Board Member and Chief Executive Officer of the Authority.</p>
 <p>Dr. John Mutwii Mutua PhD (Economics)</p>	<p>Ag. Director, Economic Regulation: Heading the Economic Regulation & Strategy function of the Authority.</p>
 <p>Ms. Mueni Mutung'a MBA, LL. B (Hons), CPS (K), Dip. Law (KSL)</p>	<p>Board Secretary & Director Legal Services: Secretary to the Board and Head of the Legal function of the Authority.</p>
 <p>Dr. Eng. Joseph Oketch MBA, BSc (Elec. Eng.), C. Eng., MIEK</p>	<p>Director, Electricity & Renewable Energy: Heading the Electricity & Renewable Energy subsector regulation function of the Authority.</p>
 <p>Eng. Edward Kinyua Msc (Energy Management), B.Tech (Mech. & Prod. Eng)</p>	<p>Director, Petroleum & Gas: Heading the Downstream Petroleum & Gas Regulation function of the Authority.</p>

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022





3. Management Team

 <p>Mr. Cyprian Nyakundi MBA, Bcom, CPA(K)</p>	<p>Director, Public Education, Advocacy & Consumer Protection: Heading the Public Education, Advocacy & Consumer Protection function of the Authority.</p>
 <p>CPA. James Kilonzo MBA, Bcom, CPA(K), CISA</p>	<p>Ag. Director, Corporate Services: Heading the Corporate Services functions of the Authority (Finance & Accounts, HR & Admin, Corporate Communications & ICT)</p>
 <p>CPA. Everlyne Orenge MBA, Bcom, CPA (K)</p>	<p>Ag. Director, Directorate of Internal Audit and Risk Assurance: Heading the Internal Audit and Risk Assurance function of the Authority.</p>
 <p>Ms. Loise Thuge Msc, BA MCIPS(UK), MKISM</p>	<p>Deputy Director, Supply Chain Management: Heading the supplies and procurement functions of the Authority.</p>

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

3. Management Team

 <p>Mr. Cyprian Nyakundi MBA, Bcom, CPA(K)</p>	<p>Director, Public Education, Advocacy & Consumer Protection: Heading the Public Education, Advocacy & Consumer Protection function of the Authority.</p>
 <p>CPA. James Kilonzo MBA, Bcom, CPA(K), CISA</p>	<p>Ag. Director, Corporate Services: Heading the Corporate Services functions of the Authority (Finance & Accounts, HR & Admin, Corporate Communications & ICT)</p>
 <p>CPA. Everlyne Orenge MBA, Bcom, CPA (K)</p>	<p>Ag. Director, Directorate of Internal Audit and Risk Assurance: Heading the Internal Audit and Risk Assurance function of the Authority.</p>
 <p>Ms. Loise Thuge Msc, BA MCIPS(UK), MKISM</p>	<p>Deputy Director, Supply Chain Management: Heading the supplies and procurement functions of the Authority.</p>

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

6. Statement of Performance against Predetermined Objectives For F/Y 2021/22

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

EPRA has (4) strategic pillars and objectives within its Strategic Plan for the FY 2021/2021-2022 - 2023/2024/. These strategic pillars are as follows:

Pillar 1	Sustainable Development
Pillar 2	Innovation and Data Management
Pillar 3	Consumer Protection
Pillar 4	Institutional Capabilities

EPRA develops its annual work plans based on the above 4 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The EPRA achieved its performance targets set for the FY 2021/2022 period for its 4 strategic pillars, as indicated below:

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

Statement of Performance Against Predetermined Objectives For F/Y 2021/22

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1- Sustainable Development	To promote energy sector growth and development	a)Regulatory Impact Assessment study reports b) Stakeholder/public participation in development/review of regulations, standards and codes c)Energy efficiency and conservation measures d)Number of licenses/permits issued e)Turn-around time for processing licenses/permits	a)Develop regulations b)Undertake energy efficiency capacity building c)Process applications for Petroleum Business Licenses, Energy Auditors, Solar PV technicians, Energy Audit Firms, Solar PV contractors, electrical worker, electrical contractors and Power Purchase Agreements	a)Developed 6 draft regulations on Petroleum & Gas b) The framework for green certificates developed as part of the draft Energy (Energy Management) Regulations, 2021 forwarded to the Cabinet Secretary for gazette c) Conducted 5 capacity building fora on energy efficiency d) Processed 19,227 petroleum and LPG business license applications within an average of 9.3 days e) Licensed 667 electrical workers and 324 electrical contractors within an average of 58 days and 17 days respectively f) Received and approved 4 PPAs within an average of 48 days g) Gazetted 15% reduction in electricity tariff h) Designated KETRACO as system operator

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

Statement of Performance Against Predetermined Objectives For F/Y 2021/22

<p>Pillar 2- Innovation and Data Management</p>	<p>To strengthen energy and petroleum sector research, data management and information dissemination</p>	<p>a) Research week b) Energy statistic reports c) No. of innovation events d) Staff sensitization</p>	<p>a) Undertake research and innovation week b) Undertake regulatory research on topical issues c) Analyse and report on electricity, energy efficiency renewable energy and petroleum statistics d) Implement the knowledge management policy</p>	<p>a) Research and Innovation week undertaken on 28th and 29th June 2022 b) Energy and Petroleum Statistics Report, 2021 was launched by the Cabinet Secretary MOE on 28th February 2022 c) Assumptions of electricity demand and supply forecast were reviewed which took into consideration recommendations of the report of the Presidential Taskforce on review of Power Purchase Agreements. d) The Power Market Study Report was approved and adopted by the Board; e) Finalized the Petroleum Demand forecasting tool with KIPPRA, and undertook a 20 year forecast of selected petroleum products f) 5 electricity transmission projects and 5 electricity generation projects were monitored g) Training of Knowledge Management champions was conducted in September 2021.</p>
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Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

Statement of Performance Against Predetermined Objectives For F/Y 2021/22

Pillar 3-Consumer Protection	To enhance regulatory awareness, compliance and safety (Consumer Protection)	<p>a) Number of stakeholder sensitization forums on energy related issues</p> <p>b) No. of public safety campaigns conducted</p> <p>c) Report on outcome of inspections undertaken (compliant vs non-compliant)</p> <p>d) number of operational partnerships and collaborations</p>	<p>a) Organize public awareness/ sensitization forums</p> <p>b) Design and implement public safety campaigns</p> <p>c) Undertake inspections of petroleum, LPG, Renewable Energy and Electricity facilities, to enforce compliance with Energy Act 2019 and Petroleum Act 2019</p> <p>d) Implement strategic partnership & collaboration</p>	<p>a) Coordinated 25 public awareness workshops</p> <p>b) Conducted stakeholder awareness and education campaigns on the Authority's social media platforms i.e. LPG safety tips, renewable energy, energy efficiency and electrical safety campaign and Road Safety Campaign</p> <p>c) Undertook 3,671 surveillance inspections</p> <p>d) A total of 5,426 tests were conducted at 21,272 tests were conducted at 4,624 petroleum sites. From the tests, 98.88% of the sites were found to be compliant. However, tests from 52 sites turned out to be non-compliant</p> <p>e) Established MOU with the Kenya National Library Service (KNLS)</p>
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Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

7. Corporate Governance Statement

1. Introduction

The Board of Directors acknowledge the need to conduct the business and operations of the Authority with integrity and in accordance with generally accepted corporate practice and internationally developed principles of corporate governance. The Board recognize corporate governance as an essential element towards achieving the Authority's regulatory mandate provided in both the Energy Act, 2019 and Petroleum Act, 2019. The Board members adhere to good corporate governance by embracing the following principles:

- Observation of high standards of ethical and moral behaviour;
- Act in the best interests of the Authority;
- Ensure fair staff remuneration and promotion
- Promotion of legitimate interests of all stakeholders;
- Ensure that the organization acts as a good corporate citizen.

The Board members will continue to focus their attention on maintaining the highest standards of corporate governance and business ethics in the Authority's operations.

2. Board members

2.1 Board Composition, Appointment and Size

The Board of Directors of the Authority as provided under section 12 of the Energy Act, 2019 consist of the Chairman, the Principal Secretary in the Ministry of Energy or his representative, the Principal Secretary in the Ministry of Petroleum and Mining or his representative, the Principal Secretary in the National Treasury or his representative, one County Executive Committee member or his representative nominated by the Council of County Governors, the Director General and five other members who represent the private sector. The Chairman and the five members from the private sector are appointed by the President and the Cabinet Secretary respectively. The Chairman (Hon. Justice (Prof) Jackson B. Ojwang) is Non-Executive. The Chairman's term is four years and that of the other Board members is three years and the respective terms are renewable once for the same duration. The Director General is the Chief Executive of the Authority appointed by the Cabinet Secretary through competitive selection for a term of three-year renewable once. The Director General is an ex officio member of the Board with no voting rights at the Board meetings.

The Board is well composed in terms of diversity in skills, knowledge of business and administrative experience acquired from both private and public sectors that is essential in the effective management of the Authority's operations.

The appointment of the Board members can be terminated in accordance with the provisions of Second Schedule of the Energy Act, 2019 or through voluntary resignation.

2.2 Independence and Separation of Roles and Responsibilities

The Board members exercise independent judgment in discharging their duties. The Board sets the strategic plan of the organization, oversees implementation of policies, evaluates the performance and reports to the stakeholders.

The Chairman of the Board is primarily responsible for the activities of the Board and its Committees. The Chairman in consultation with the Director General sets the agenda for Board meetings, chairs the meetings and ensure effective communication to stakeholders. The Chairman acts as the spokesperson for the Authority and is the principal contact for the Director General. The Director-General who is the Chief Executive of the Authority, is responsible for the day-to-day management of the Authority subject to the Board's direction.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

7. Corporate Governance Statement

2.3 Board Responsibilities

The Board's responsibility is to promote the long-term success of the organization. The Board provides leadership, strategic direction and exercises effective control of the Authority. The Board members assume collective responsibilities though their duties are discharged through the Board or its Committees

2.4 Board and Committee Meetings

The Energy Act 2019 provides that Board meetings will be held at least four times a year, and not more than four months shall lapse between the date of one meeting and the next meeting. A schedule of dates of the meetings is agreed upon by Board members and set out in the Board Work Plan. Notices of the location and the timing of meetings are issued seven days prior to the meetings. The Work Plan is adjusted when deemed necessary by the Board.

The Committees conduct their business within the rules and procedures set by the Board. The matters deliberated by the Committees are consequently presented to the Board by the respective Chairman during the next Board meeting for adoption.

The Committees are designed to ensure the Board runs efficiently and effectively and in a manner that embraces corporate governance. The Committees enable the Board to effectively discharge its responsibility by delving into issues that require greater attention than would be possible during regular Board meetings. The Board has three Committees; Technical, Finance and Administration and Audit and Risk.

2.5 Finance and Administration Committee

The Finance and Administration Committee is responsible for ensuring overall sound financial reporting, establishing internal system of controls, business plans and budgets, procurement, ICT, public relations, administration and staff affairs. During the year, members were; Mr. Daniel Ndonye (Chairman), Mr. Albert Mwendwa, Mr. George Mwakule, Eng. Mercy Wambugu and Director General.

2.6 Technical Committee

The Technical Committee's responsibilities are to provide technical and strategic direction to the Authority and approve technical plans, activities, reports and budgets. During the year, the Committee members were; Eng. Mercy Wambugu (Chairman), Mr. Barnabus Ng'eno, Mr. James Ng'ang'a, Mr. Moses Mutuli, Mr. Daniel Ndonye, Mr. Jared Masini Ichwara, and Director General.

2.7 Audit & Risk Committee

The responsibilities of the Audit and Risk Committee are to; review the financial information of the Authority, monitor the effectiveness of management information and internal control systems, deliberate on significant findings arising from both internal and external audits, and reviewing the overall risks facing the Authority. During the year the Committee members were; Mr. Moses Mutuli (Chairman), Mr. Barnabus Ng'eno, Mr. James Ng'ang'a and Mr. Albert Mwendwa.

2.8 Board Charter and Work Plan

The Authority has formulated a Charter, which defines the role and responsibilities of the board in executing their strategic oversight function of the organization. The board members prepare an annual Work Plan. The Plan sets out the specific activities to be undertaken by the Board members towards fulfilling their mandate.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

7. Corporate Governance Statement

2.9 Directors Induction and Skills Development

The Authority provides new directors with an effective induction programme in order to familiarize them with their responsibilities as Board members and with general principles of corporate governance. The programme also provides the members with an orientation of the organization, strategic plan, financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics. The Authority ensures that a competence needs assessment is carried out periodically and an Annual Development Plan prepared to address identified gaps. The Authority ensures that its members are up-to-date with continuous professional development in their respective professional bodies.

2.10 Board Effectiveness and Evaluation

The Board, its composition and performance evaluation is central to corporate governance. Further, Article 1.12 of Mwongozo requires Boards to undertake performance evaluation. It is in this regard that the Authority under the guidance of a representative of the State Corporation Advisory Committee (SCAC) conducts Board performance evaluation.

The Authority conducts an annual evaluation to appraise its performance. This evaluation is carried out in accordance with the Evaluation Tool. The Board evaluation provides an opportunity for Board members to identify strengths, collective skill gaps and individual areas of improvement. The Authority also reviews the performance of each committee against the set Terms of Reference.

The Evaluation is undertaken at three levels:

- ◆ Peer Review
- ◆ Self-evaluation
- ◆ Board evaluation

The results are analyzed and a mean score rate for each of the levels determined. Through this exercise, the Board identifies areas of strength and weaknesses and the Board is committed to addressing areas of challenges that are identified.

2.11 Remuneration of the Board of Directors

The remuneration of the Chairman and the other Board members is determined by SCAC as provided in the State Corporations Act. The members are paid taxable sitting allowance. The Chairperson is paid a monthly fee and honoraria and the other members are paid monthly fee. The Board members are entitled to daily subsistence allowances while attending official duties. The members are reimbursed their transport expenses at the prevailing AA rates. The Board members are also provided with outpatient, inpatient medical and personal accident covers.

2.12 Ethical Leadership and Corporate Citizenship

The Board members are required to act in the best interest of Authority and uphold their fiduciary responsibilities and duty of care. This involves not disclosing confidential information, avoiding real and perceived conflicts of interest, and favouring the interests of Authority over other interests. The Directors on appointment are sensitized on the requirements of the Mwongozo Code of Governance and have expressly committed to adhere to it.

Both the Board members and employees of the Authority are expected to act honestly and in good faith so as to create a culture built on principles of integrity, accountability and transparency. The Authority has developed a Code of Conduct and Ethics to guide the Directors and the employees when undertaking their duties. All the Board members and employees sign a declaration of interest form indicating they will disclose any interest that may conflict with the interest of the organization. The Board members declare their interest at every Board or Committee meeting. The Board members and employees declare their wealth status as per the Public Service Commission requirements. The organization maintains a Register of Gifts as per the requirements of the Public Officer Ethics Act, 2003 and this register is continuously updated.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

Corporate Governance Statement

13 Succession Plan

Succession planning is an ongoing process of systematically identifying, assessing and developing talent and capacity to ensure continuity in specific positions within the organization. The Plan is designed to identify and prepare candidates for positions that become vacant due to retirement, resignation or death. The Energy Act requires that the Board members are appointed at different times so that the respective expiry dates of their terms of office falls at different times.

Government

The Mwongozo Code requires all State Corporations to comply with governance parameters as set out in the Constitution, applicable laws and best practices. It sets out the modalities of compliance on governance matters within State Corporations. State Corporations are required to conduct a governance audit annually with an objective of establishing their level of compliance with relevant regulatory requirements and sound governance practices.

This makes it necessary for the Authority to carry out periodic governance audits to ensure that their structures, policies, systems and practices are in conformity with the Constitution and relevant regulatory requirements as well as the highest standards of good governance and identify areas for improvement.

Within the financial year 2019-2020, the Authority engaged a consultant, M/s Munyao, Muthama and Kashindi Advocates to undertake a Governance Audit of the Authority. The implementation of the recommendations following the Governance audit was undertaken during the financial year 2021-2022.

The audit exercise enabled the Authority to minimize governance risks and ensure it conducts and operates in accordance with the Constitution, all relevant laws and best practices anchored in principles of good governance, accountability and transparency. In addition, the audit ascertained the Authority's compliance and enforcement levels.

Legal Audit

The Mwongozo Code of Governance for State Corporations (Mwongozo Code) requires all State Corporations to conduct a legal compliance audit at least once every two years to check on their level of compliance with the Constitution of Kenya 2010, applicable laws, regulations, policies, guidelines and circulars.

Within the financial year 2020-2021, the Authority engaged a consultant, M/s Munyao, Muthama and Kashindi (MMK) Advocates in association with KPMG to conduct a legal compliance audit as required by the Mwongozo Code. The legal compliance audit covered the 2018/2019 and 2019/2020 financial years. The undertaking of the legal compliance audit was completed within the financial year 2021-2022.

14 Delegation of Responsibilities

The preparation of Authority's financial statements is a role that has been delegated to management. These financial statements have been prepared in accordance with internationally accepted accounting principles based on appropriate accounting policies consistently applied and supported by reasonable judgment and estimates. Management ensures that adequate internal financial control systems are developed to provide reasonable certainty in respect of;

the completeness and accuracy of accounting records

the integrity and reliability of Authority's annual financial statements and

the safeguarding of Authority's assets

Responsibility for the integrity, reliability and objectivity of the Authority's financial statements lies with the Board. Auditors are responsible for independently examining and expressing an opinion on the reasonableness of the statements based on their audit.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

7. Corporate Governance Statement

2.16 Statement of Risk Management and Internal Control

The Board has recognized its responsibility to manage both internal and external risks as a key component of good corporate governance and is committed to embedding risk management into the daily operations of the Authority; from the setting of objectives, to financial planning towards achieving the set objectives, through to departmental processes established to aid provision of services by the Authority. It is believed that effective risk management will help the Authority to achieve its corporate objectives and provide better services. The Authority has developed and is implementing an Institutional Risk Management Policy Framework (IRMPF).

2.17 Responsibility

Risk management is one of the most important activities of the Authority. The Authority through the Audit and Risk Committee has a responsibility for overseeing risk management within Authority by ensuring that appropriate risk management strategies and policies are in place, and that processes established are adequate and effective. The Board defines the Authority's overall level of risk tolerance and ensures that there are adequate tools and resources for managing risks. The Board has assigned responsibility for risk management to the Director General; hence management ensures that sound risk management processes are implemented and functioning effectively. The costs and resources employed in risk management are proportional to obtainable benefits.

2.18 Internal Controls

Internal controls are designed to support the Authority in achieving its objectives. The risks related to the achievement of objectives need to be identified and evaluated in order to manage them. Thus, identification and assessment of risks is a prerequisite for internal control in EPRA. The continuity of operations is ensured by safeguarding critical functions and essential resources.

Energy & Petroleum Regulatory Authority
Annual Report And Financial Statements for the year ended 30 June 2022

3. Corporate Governance Statement

Number of Scheduled meetings and attendance

The attendance of the meetings during the year is as summarized below

Board of Directors	Classification	Board Meeting Total No. of Meetings (13)	Finance & Administration Committee - Total No. of Meetings (8)	Technical Committee - Total No. of Meetings (6)	Audit & Risk Committee - Total No. of Meetings (6)	Pension Board Meetings (5)
Hon. Justice Jackton Ojwang	Board Chairman	13/13	N/A	N/A	N/A	N/A
Mr. Wanjuki Muchemi	Member	11/12	4/5	5/5	3/3	N/A
Prof. George Achoki	Member	9/10	3/5	3/4	N/A	3/4
Dr. Sellah Kebenei	Member	10/10	3/5	N/A	N/A	4/4
Mr. Albert Mwenda	Rep. National Treasury	7/13	3/8	N/A	4/6	N/A
Mr. Moses Gitari	Rep. MOE	4/5	N/A	N/A	1/1	N/A
Mr. Timothy Gakuu	Rep. MOE	4/6	2/2	2/2	N/A	N/A
Mr. Masini Ichwara	Rep. MOE	3/3	N/A	1/1	N/A	2/2
Mr. James Mbugua	Rep. MOPM	8/13	3/3	5/6	3/6	N/A
Mr. Barnabus Ngeno	Rep. Council of Governors	12/13	N/A	6/6	4/6	N/A
Mr. Hassan Mohamud Haji	Member	5/5	N/A	2/2	N/A	N/A
Mr. Daniel Ndonge	Member	2/2	2/2	1/1	N/A	N/A
Mr. George Mwakule	Member	2/2	2/2	N/A	N/A	1/1
Eng. Mercy Wambugu	Member	2/2	2/2	1/1	N/A	N/A
Mr. Moses Mutuli	Member	2/2	N/A	1/1	1/1	N/A
Mr Daniel Kiptoo Bargoria	Director General	12/13	7/8	5/6	N/A	2/4

Energy & Petroleum Regulatory Authority

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8. Management discussion and Analysis

Section A: Operational and Financial Performance

Economic Regulation

The year ending June 2022 saw Kenya's total installed capacity rise to 3076MW, comprising of 838MW hydroelectric power generators, 949MW of Geothermal, and 646MW of Thermal, 436MW of Wind, 170MW of Solar and 2MW from Biomass. Notable during the year was the addition of two Independent power producers into the National Grid, namely; 100MW Kipeto Wind Power Plant, 40 Selenkei Solar plant, 40MW Cedate Solar power plants, and 80MW Olkaria 1 Unit 6 Geothermal power plant.

In addition, there is also 35MW from isolated mini-grids bringing the total installed capacity to 3076MW. This was against the maximum demand of 2056.98MW and the energy peak demand of 36,338MWh recorded in June 2022. The contribution of each technology to the interconnected system is illustrated in table 1.

Table 1 Generation Capacity as at June 2022

Technology	July 2021		June 2022		%(effective)
	Installed Capacity MW	Effective Capacity MW	Installed MW	Effective*/Contracted (MW)	
Hydro	838.1	809.1	838	809	27.68%
Geothermal	863.1	805.1	949	871	29.80%
Thermal (MSD)	660.3	640.4	586	566	19.37%
Thermal (GT)	60	56	60	56	1.92%
Biomass	2	2	2	2	0.07%
Solar	90.3	90.3	170	170	5.82%
Wind	435.5	384.5	436	426	14.55%
Off-Grid	34.4	23.2	34	23	0.80%
Total	2984	2811	3,076	2,924	100%

Energy Planning

Least Cost Power Development Plan

During the financial year 2021/2022, the Energy and Petroleum Regulatory Authority prepared the transitional Least Cost Power Development 2022-2041 as envisaged in Part II section 5(1) of the Energy Act 2019. The LCPDP will feed into the Integrated National Energy Master Plan as outlined in the Energy Act 2019. It is a revision of the 2020-2040 LCPDP to incorporate the recommendations of the Presidential Taskforce on Power Purchase Agreements (PPAs). From simulations the following can be deduced:

- 1). The energy purchased forecasted under the reference scenario is expected to grow from 12,416GWh in 2021 to 34,321GWh 2041. This represents an average growth rate of 5.22%. The vision and the low scenarios forecast an average growth rate of 7.97% and 4.50% respectively.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

3. Management discussion and Analysis

- 2). Total electricity sales under the reference scenario grows at an annual average of 5.67% from 9,440GWh in 2021 to 28,433GWh in 2041. The growth rate peaks at 6% in 2030 due to the assumption of increased connectivity and achieving the target of 0% suppressed demand in the same year. Under the vision and low scenarios total sales grow at annual averages of 3.24% and 4.99% respectively.
- 3). System peak demand is forecasted to grow at an average of 5.34% from 2,036MW recorded in 2021 (base year) to 5,757MW in 2041 under the reference scenario. The vision and low scenarios project the peak demand to reach 9,731MW and 5,035MW in 2041, an average growth of 8.14% and 4.64% respectively.
- 4). The total interconnected effective capacity grows from 2,919 MW in 2021 to 3,765 MW in the medium term (2026) and reaches 8,830 MW by the end of the planning horizon. From the results, geothermal capacity contributes the highest to the total firm capacity at an annual average of 32% over the planning period while contribution from nuclear capacity and peaking capacity from pumped hydro storage comes in towards the end of the plan.
- 5). In the planning period, the annual average vented steam is at 17% of the potential maximum geothermal generation in the medium term and reduces slightly to 16% in the long term. This is due to the high share of inflexible generation in the system.
- 5). In the medium term, the plan projects the network to expand by 6,218 km in circuit length and 12,089MVA in substation capacity at a total investment cost of MUSD 3,328. Long term projections indicate an increase of 12,672 km in circuit length of transmission lines and 18,497MVA substation capacity at a total investment cost of MUSD 5,998.
- 7). The overall cost of the system is projected to increase from US\$ 1.17 billion in 2022 to US\$ 3.03billion in 2041. The expansion plan projects the end user retail tariff to evolve from KShs. 23.44/kWh in 2022 to KShs. 22.96/kWh in 2032. The generation unit cost over the planning averages KShs 11.28/kWh.

Study on Ancillary Service Requirements in the Power Sector.

- 1). The Energy & Petroleum Regulatory Authority has procured a consultant to undertake a study on Ancillary Service Requirements in the power sector to address the growing need for restructuring the network to accommodate the large number of renewable energy technologies being introduced in the power system in recent times. The objectives of the study include; reviewing current ancillary services in the Kenyan power subsector and their applications with regard to, how they are currently procured; how they are impacted by the rise of distributed variable renewable energy generation; how they relate to the rest of the electricity system and current regulations (grid codes, PPA frameworks).
- 2). The consultancy will analyse and advise on the future need of ancillary services considering the local and regional power market development and offer recommendations on policy and regulatory frameworks, ancillary services procurement mechanisms, tariffs and market set up including draft agreements/contracts where applicable.

Energy Pricing

The Authority is mandated under Sections 11(c) and 163(1) of the Energy Act, 2019 to review and approve bulk tariffs and network tariffs.

Bulk Electricity Tariffs/Prices

The Energy Act, 2019 mandates the Energy & Petroleum Regulatory Authority to process Power Purchase Agreements within 30 days of their receipt.

During the financial year 2021/22, the Authority received and approved four (4) Power Purchase Agreements (PPA) as follows:

Electricity Supply Agreement(ESA) between KPLC and Ethiopia Electric Utility(EEU) for cross border supply at Moyale within 25 days

PPA between KPLC and KENGEN for the 56MW Muhoroni Gas Turbine Power plant within 56 days

8. Management discussion and Analysis

The PPA between KPLC and KENGEN for the 30MW Olkaria 1 Geothermal Power plant within 56 days

The Energy Exchange Agreement (EEA) between KPLC and Uganda Electricity Transmission Company Limited (UETCL) within 56 days

Mini-grid Tariffs

During the financial year under review, the Authority received and approved various mini-grid applications for tariff approval as shown below:

JKUAT Seed Project, minigrid project in Olderkesi, Narok County

Renewvia Energy for mini-grid sites namely: Lorengelup, Locheremoit, Kangitan Kori & Nakukulas in Turkana County

Dream EP Global Kenya Ltd Minigrid project, Homabay County

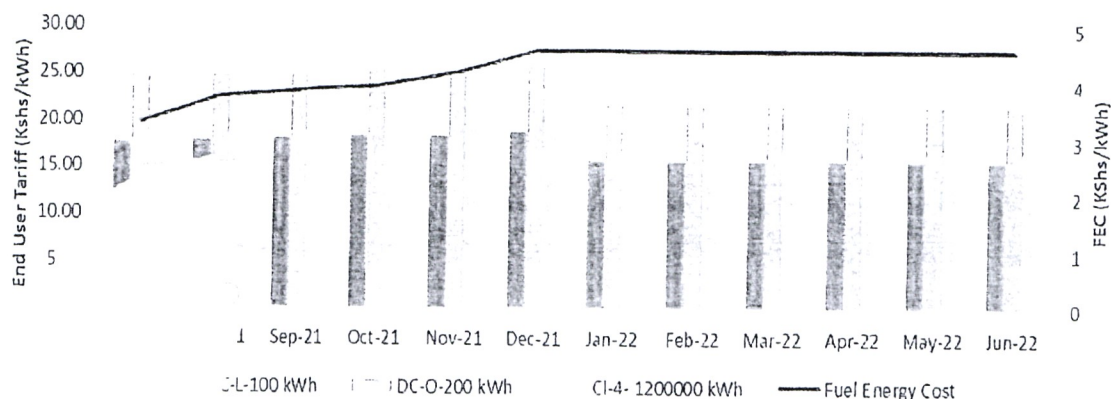
Retail Electricity Prices

During the financial year under review, the Dream EP Global Kenya Ltd Minigrid project, Homabay County Retail Electricity Prices Authority reviewed the energy charge rates in order to implement the Presidential directive of 15% reduction in end user prices applicable from January 2022 to December 2022. Further, the applicable pass through costs have been maintained as the December 2021 pass through costs to sustain this Presidential Directive.

The approved Fuel Energy Cost (FEC) increased from Ksh 3.31/kWh in July 2021 to Ksh 4.63/kWh in June 2022 as thermal generation decreased from 11.5% to 7.7% over the same period. Hydropower generation decreased over the period from 26.8% to 24.6% due to declined hydrology. WARMA levy was therefore reflected at KShs 0.0193/kWh and 0.0174/kWh in July 2021 and June 2022 respectively.

FERFA decreased over the financial year and was reflected in consumer bills at KShs +1.1612/kWh in July 2021 and KShs +0.7314/kWh in June 2022. Inflation adjustment was maintained on end-user tariffs at KShs 0.47 /kWh.

A trend analysis of the end user tariff for select customer categories is as shown in figure 1.



in accordance with section 11 (b) of the Energy Act 2019, the Energy & Petroleum Regulatory Authority has the powers set, contracts, tariffs and charges for common user petroleum logistics facilities and petroleum products. Or authority, on 14th of every month publishes prices for selected petroleum products which includes Premium Automotive Gas Oil (AGO) and Dual-Purpose Kerosene (DPK).

Energy & Petroleum Regulatory Authority

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8. Management discussion and Analysis

During the financial year 2021/22, the applicable prices of PMS, AGO and DPK were largely subsidized and published at significantly lower prices than their actual prices. This was done in order to cushion citizenry from the recent escalating prices of petroleum. The Government utilized the funds collected through the Petroleum Development Levy.

As at June 2022, the breakdown of the petroleum pump prices is as shown in figure 1.

		KShs/Litre	KShs/Litre	KShs/L
Landed Cost (a)	Weighted Average cost for all imports	<u>104.05</u>	<u>117.46</u>	<u>106.60</u>
Pipeline Transport (Msa-Nrb)	Pipeline (80% PMS, AGO & IK)	2.07	2.07	2.07
Road Transport (Msa-Nrb) - Bridging	Road (0% PMS, AGO & IK)	0.00	0.00	0.00
Pipeline Losses	Pipeline (0.25%)	0.06	0.06	0.05
Depot Losses	0.5% PMS; 0.3% For DPK & AGO	0.78	0.48	0.43
Delivery within 40kms of Nrb	Delivery to petrol stations	0.54	0.54	0.54
Storage and distribution (b)		<u>3.45</u>	<u>3.15</u>	<u>3.09</u>
Oil marketing companies margins (c)		<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Price Stabilization Deficit (d)		<u>(11.27)</u>	<u>(32.26)</u>	<u>(26.93)</u>
Excise Duty	Tax	21.95	11.37	11.37
Road Maintenance Levy	Levy	18.00	18.00	0.00
Petroleum Development Levy	Levy	5.40	5.40	0.40
Petroleum Regulatory Levy	Levy	0.25	0.25	0.25
Railway Development Levy	Levy	1.98	2.27	2.05
Anti-adulteration Levy	Levy	0.00	0.00	18.00
Merchant Shipping Levy	Levy	0.03	0.03	0.03
Import Declaration Fee	Levy	3.49	3.96	3.60
Value Added Tax (VAT)	Tax	11.79	10.37	9.48
Taxes and levies (e)		<u>62.89</u>	<u>51.65</u>	<u>45.18</u>
Applicable Retail Prices in Nairobi (a) + (b) + (c) + (d) + (e)		<u>159.12</u>	<u>140.00</u>	<u>127.94</u>

Regulatory Research and Policy Analysis

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

8. Management discussion and Analysis

EPRA Energy and Petroleum Statistics Report 2022

Pursuant to Section 10(jj) of the Energy Act, 2019, the Energy and Petroleum Regulatory Authority is mandated to collect and maintain energy data. During the financial year 2020/2021, the authority undertook the collection, collation, analysis and maintenance the energy data and statistics which was used in the preparation of the bi-annual and the annual Energy and Petroleum Statistics Reports.

Research Papers

During the financial year 2021/2022, the Authority undertook a baseline study on bioenergy usage in Kenya to establish the status and form a basis for the development of a regulatory framework in Kenya.

The findings which were presented during the research and innovation day revealed the low uptake of bioenergy standards and therefore the need to create awareness among bioenergy practitioners as well as the need to develop regulations to aid in the enforcement of standards. The paper recommends the need for a comprehensive study.

Research and Innovation Week

One of the key strategic priorities of the Energy and Petroleum Regulatory Authority is strengthening Energy and Petroleum Sector Research, data management, and information technology. In line with this, the Authority held the Second Research and Innovation week during the 4th quarter of the financial year 2021/2022.

The two-day physical conference drew participation from both the Authority's internal and external stakeholders. The external stakeholders included: the energy sector stakeholders, members of the academia, and members of the public. At the conference nine research papers were presented; five papers from the Authority's staff and four from the external stakeholders.

The conference involved external judges from both the public and private sectors. The judges assessed the quality of the research work presented and proposed relevant areas of improvement. This was aimed at enhancing research quality and objectivity.

Performance and Competition monitoring in the Energy Sector

The Energy and Petroleum Regulatory Authority (EPRA) undertakes an assessment of the performance and state of competition in the Energy Sector annually. This is in a bid to provide an in-depth analysis of the trends in energy sector growth and development in terms of the Key Performance Indicators (KPIs) which include; competition, infrastructural development, governance, and regulatory environment and their combined outcome as based on impact to consumers.

Information paper for the financial year 2021/2022 analyzed the impacts of emerging trends both exogenous and endogenous that have had an impact on the Energy and Petroleum Sectors in Kenya. This includes the Russia-Ukraine ongoing war that has interrupted international trading activities due to the sanctions imposed by the European Union and America on Russia (especially crude oil) from Russia, the impacts of the COVID-19 pandemic in the energy sector as well as the Authority's commitments with global environmental commitments.

In the electricity subsector, the paper established the rate of competition in electricity generation to be 0.94 in comparison to the EPRA required threshold of 0.1. The paper, therefore, recommends the need to create a conducive environment to attract new entrants into the renewable energy generation market by expediting the review process of license agreements.

In the oil and gas subsector, competition is moderate as the HHI at 0.1027 due to 53% of the market being controlled by four companies; such, the paper recommends increased participation amongst Oil Marketing Companies, through the continued engagement of the regulator.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

8. Management discussion and Analysis

Petroleum and Gas

The Authority has the mandate to implement the functions as listed under the Petroleum Act No. 2 of 2019 ("the Petroleum Act"), namely regulation of the up-, mid- and downstream sub-sectors.

1. Construction permits issued.

During the FY 2021-22, the Authority reviewed a total of 642 construction permit applications. The Authority approved 79 applications which were materially complete and met the requirements for granting of construction permit. In the same period, 563 were rejected because they did not meet these requirements. The performance in the period is illustrated in Table below i.

Table i: *Applications for construction permits received and the average performance*

Application category	Approved with conditions	Deferred	Average No. of days to process	Total
2019/20	95	214	13.02	309
2020/21	86	517	8.86	603
2021/22	79	563	8.96	642
Total No. of applications in 2019/20 to 2021/22				1,765

8. Management discussion and Analysis

Product	Published July 2022	Actual July 2022	Subsidy	Published August 2022	Actual August 2022	Subsidy	Published September 2022	Actual September 2022	Subsidy
	(Kshs/ltr)	(Kshs/ltr)	(Kshs/ltr)	(Kshs/ltr)	(Kshs/ltr)	(Kshs/ltr)	(Kshs/ltr)	(Kshs/ltr)	(Kshs/ltr)
PMS	159.12	209.78	50.66	159.12	214.03	54.91	179.3	179.3	0
AGO	140	193.7	53.7	140	206.17	66.17	165	185.82	20.82
DPK	127.94	181.16	53.22	127.94	202.11	74.17	147.94	174.19	26.25

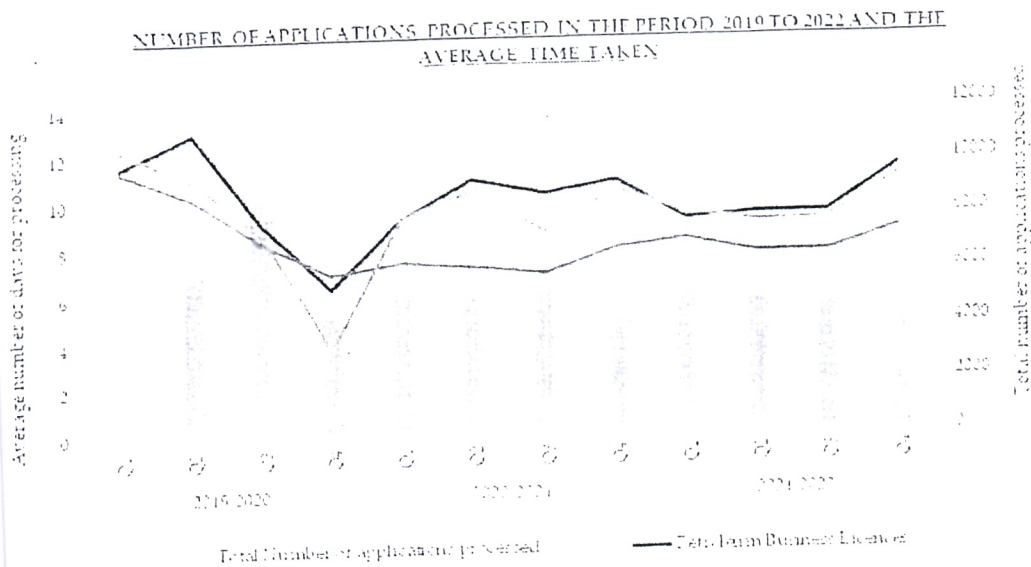


Figure ii: Graph showing trend of applications received and the average performance for the financial years 2019/2020 to 2021/2022

3. Technical audits of petroleum facilities

During the FY 2021-22, the Authority carried out a total of 984 technical audits of petroleum facilities. The facilities included bulk storage facilities, LPG storage & refilling plants, pipelines and retail sites. From the audits, 763 facilities had compliance score-rating of over 50% while 221 were below 50% as shown in Table iii and Figure iii:4,5

8. Management discussion and Analysis

Year	Number of Facility Audits per Category				Risk Rating Below 50%	
	Bulk LPG	Bulk Petroleum	Pipeline	Retail Station Sites	Bulk Petroleum, LPG & Pipeline	Retail Sites
2019/20	20	20	1	158	8	33
2020/21	25	24	1	640	11	90
2021/22	27	25	2	930	11	210
TOTALS	84	82	4	1,728	30	333

Corrective action plans were developed by auditees and follow up actions are in progress.

Figures 4 and 5 below shows the performance in the period.

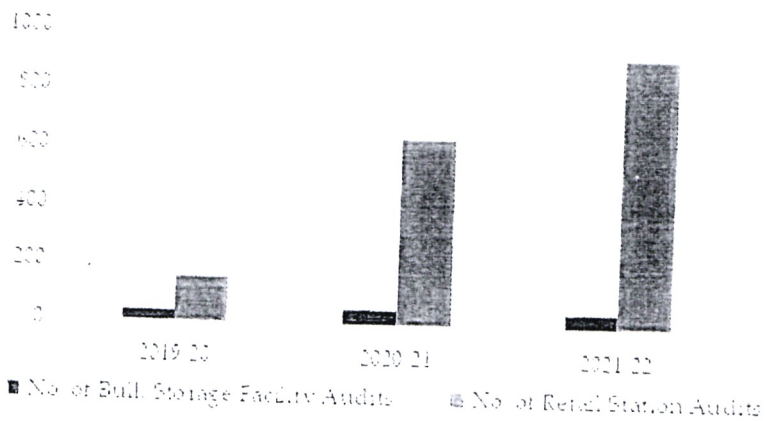


Figure iii:4: Technical audits carried out in the financial years 2019/20 to 2021/22

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

8. Management discussion and Analysis

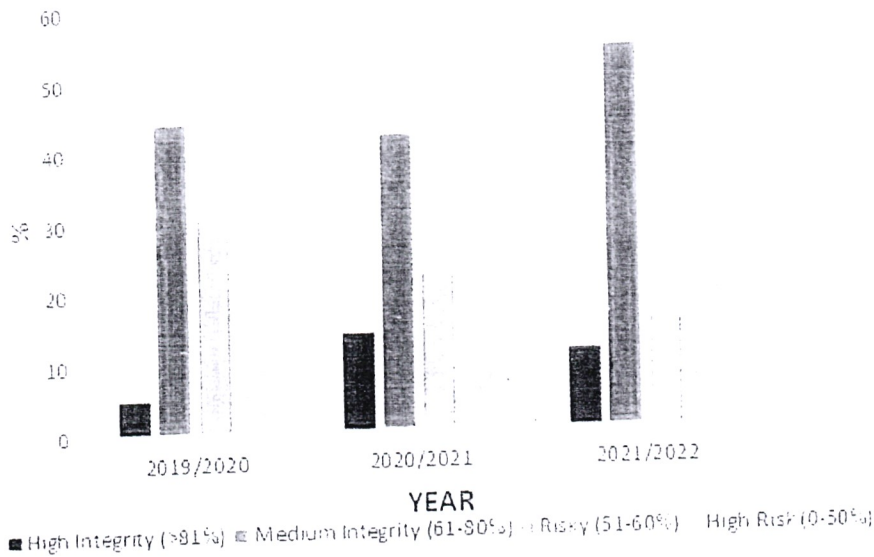


Figure iii.5: Progressive performance of licensed entities as per score-rating for the Financial Years 2019/20-2021/22

5. Accident investigations in the petroleum sector

During the FY 2021-22, the Authority carried out a total of 47 petroleum investigations. The performance in the period is illustrated in Figure iv.

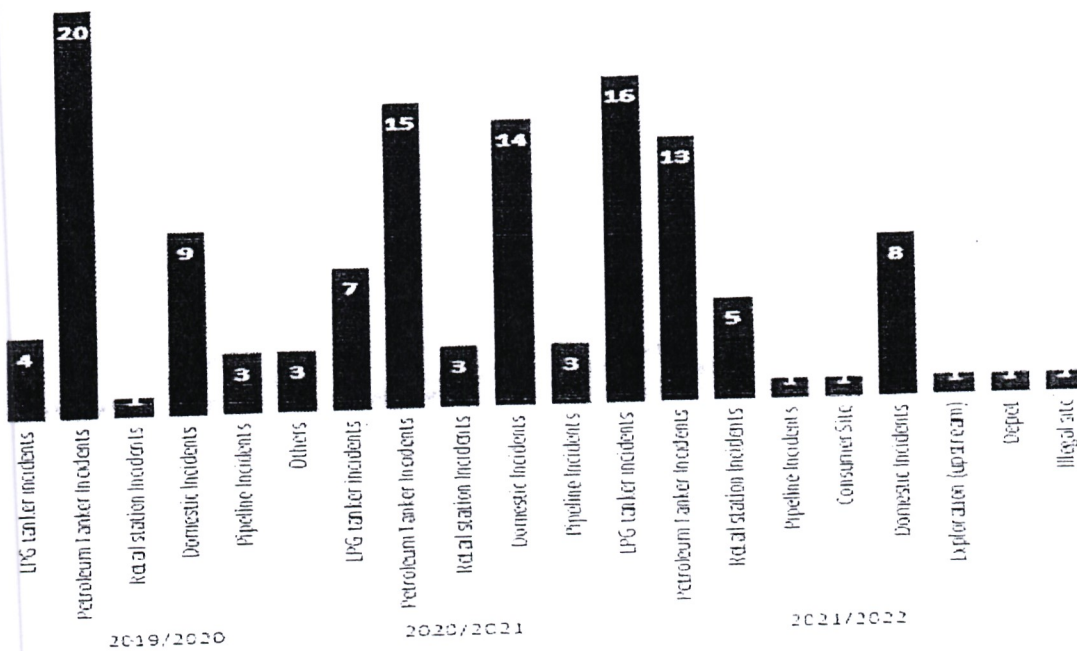


Figure iv: Classification of petroleum accidents in the financial years 2019/20 to 2021/22

8. Management discussion and Analysis

6. Petroleum information and statistics

During the period, the Authority collated, analysed and maintained petroleum data and statistics for the sector. The petroleum product data and statistics for the period are as shown in Table v and Figure v

FY Year	IK (M ³)	Jet A-1 (M ³)	PMS (M ³)	AGO (M ³)	Total (M ³)
2018/2019	272,913.00	867,520.68	1,910,925.51	2,607,383.61	5,658,742.80
2019/2020	176,643.00	722,275.28	1,866,203.45	2,450,608.01	5,215,729.74
2021/2022	150,359.74	565,821.70	2,100,157.41	2,712,904.47	5,529,243.32

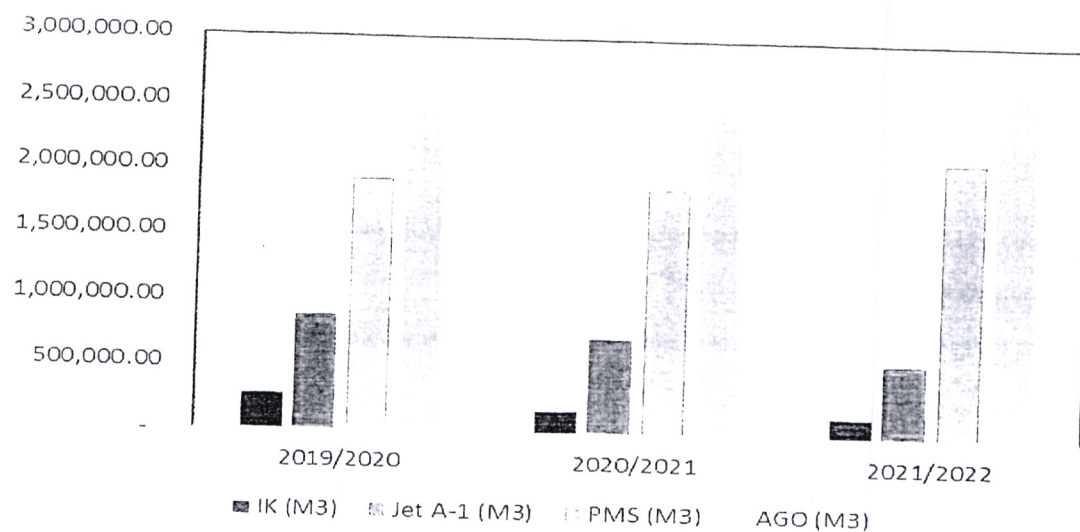


Figure v: Local consumption of imported petroleum products in the period 2010/21 to 2021/22

8. Management discussion and Analysis

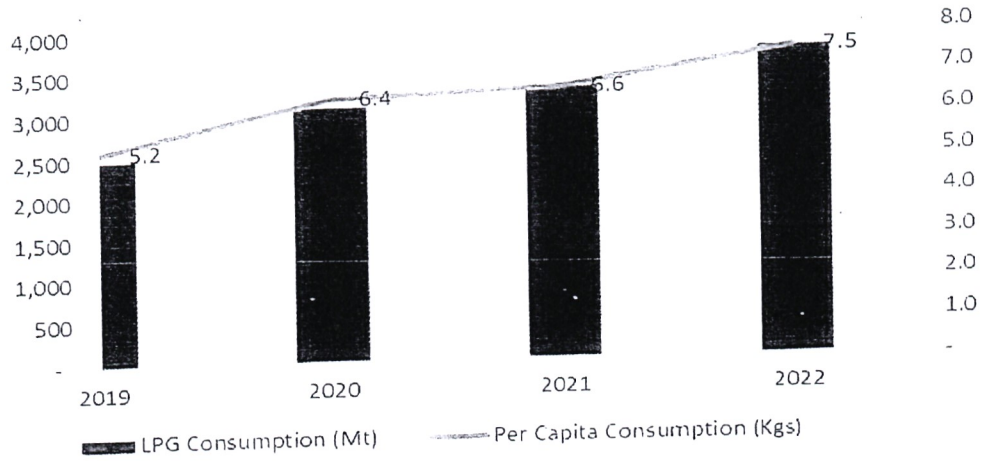


Figure vi: LPG consumption per-capita in the periods 2019/20 to 2021/22

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

9. Environmental and Sustainability Reporting

EPRA exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

1. Environmental performance

The Authority in execution of its mandate directly and indirectly contributes to environmental conservation. To complement the regulatory activities that impact on environmental sustainability, the Authority promotes environmental stewardship through its Corporate Social Responsibility Pillar on Responsibility to Environment. This is largely informed by the Presidential Directive made in February 2018 towards State Departments and Corporations to dedicate of 10% of the CSR budget towards tree planting activities. In the year under review, the Authority planted 6,000 trees in Menengai forest, Nakuru County as a replacement activity to the previously planted seedlings to improve their survival rate. The exercise was conducted in collaboration with the Kenya Forest Service and the Menengai Forest Service. The former allocated the land and the latter provided support for the pitting and maintenance of the seedlings. During project implementation, all procurement related to manpower, food & beverage, seedlings and other logistics was done within the surrounding communities to ensure they directly benefit from the project. The Authority has since handed over the project to KFS with the allocated blocks amounting to 30,000 trees. The Authority has scheduled an Environmental and Socio-Economic Impact analysis report to be conducted in the 2022-2023 Financial Year..

2. Employee welfare

EPRA recruitment is guided by the Human Resource Policy and Procedures Manual. In addition, the Authority has welfare policies (Workplace Guidelines) that are established not only to comply with the legal requirements, but also to ensure from onboarding to exit, employees' welfare are taken care of in a conducive working environment. Conducive work environment entails everything from services, facilities and benefits that are provided by an employer for the advantage or comfort of an employee. The policies include Disability mainstreaming, HIV and Aids, Gender Mainstreaming, Sexual harassment, Drug and Alcohol Abuse.

EPRA is compliant with OSHA (2007), and audits are carried out annually, recommendations shared with management and implemented to improve the welfare of the employees.

To ensure that employees maintain a positive psychological contract, EPRA has an elaborate training and development policy, which focuses on wholesome development, through mentorship, coaching, on the job training and networking opportunities, workshops and conferences among other methods of training and development. This ensures a healthy balance between an individual's aspirations, career growth and the needs of the Authority.

3. Market place practices

3.1 Responsible Supply chain and supplier relations

The Authority maintains good business practices by working closely with its key suppliers after a contract has been signed by embracing supplier relationship management by observing the highest ethical standards as laid out in the supply chain management policy document. This is done by ensuring continuous capacity building of suppliers and communication with the suppliers by holding supplier sensitization workshops with the aim of improving their bidding experience and ensuring dedicated services thus enhancing value for money for the organization.

EPRA engages suppliers through valid contracts and purchase orders which have clear obligations to be met by all the parties from time to time. Compliance to the relevant laws and guidelines in the procurement process is wholly observed. Notably, the Authority conducts bi-annual supplier appraisal in order to monitor and measure the supplier's performance for businesses to reduce the cost associated with the activities, analyze risk management and maintain scope for constant improvement in selecting the suppliers.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

9. Environmental and Sustainability Reporting

The supply chain management function also engages the internal customers by ensuring that they are actively involved in the procurement process by soliciting feedback and information regarding their objectives and business needs to ensure continuous availability of supplies and increased responsiveness to customers' changing needs.

3.2 Responsible marketing and advertisement

The Authority has been at the forefront of promoting responsible marketing to ensure business continuity. The marketing and advertising priorities were centered on having socially conscious consumers, align stakeholders to the Authority's strategic objective number two (2) on consumer awareness, and ensure business continuity. The Authority deploys a mix of communication channels including, radio, television, newspaper and social media in a bid to ensure that it reaches every stakeholder in their various preferred choice of media. Two consumer awareness campaigns on Petroleum & LPG Safety, and Electrical Safety have been earmarked for the 2022-2023 Financial Year.

4. Corporate Social Responsibility / Community Engagements

The Authority's external and internal publics' perceptions are shaped largely by the activities, conduct and performance of the Authority. One way of shaping these perceptions is to adopt a strategic approach to Sponsorships and Corporate Social Responsibility (CSR) and leverage CSR and Corporate Sponsorships as part of the organization's business portfolio. The Authority continuously receives and considers our stakeholders' proposal on sponsorships and CSRs during formal dialogues and seeks to partner with individuals and organizations that:

1. Contribute towards the development of the energy sector as a whole; and
2. Need the services and support of the energy sector.

Corporate Communications Department received Five Million Kenya Shillings (Kshs.5,000,000.00) in the 2021/2022 Financial Year. One Million Kenya Shillings (Ksh. 1,000,000.00) was set aside for Tree Planting Directive in Menengai Forest, Nakuru. The remaining Four Million (4,000,000.00) was dedicated to one-off CSR flagship project. The Authority opted to take a different approach and embark on a one-off CSR proposal that will impact the society better. The Authority settled on equipping the Dormitory of St . Mary Immaculate Mayekwe Girls Secondary School in Bungoma County with a 300kv Solar back-up system, fifty five (55) double-decker beds, 110 mattresses, student lockers, curtains as well as offer quarterly mentorship programme to the Girls and parents of the School.

10. Report of The Board of Directors

The Board of directors submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Authority's affairs.

1).Principal activities

The principal activities of the Authority are: -

a) To regulate: -

- Importation, exportation, generation, transmission, distribution, supply and use of electrical energy;
- Importation, exportation, transportation, refining, storage and sale of petroleum and petroleum products;
- Production, distribution, supply and use of renewable and other forms of energy;

b) Protect the interests of consumer, investor and other stakeholder.

2). Results

The results of the Authority for the year ended June 30, 2022 are set out from page 47.

3). Board Members

The members of the Board of Directors who served during the year are shown on pages 5-8. The Directors are appointed in line with the 2nd Schedule of the Energy Act 2019.

4). Dividends/Surplus remission

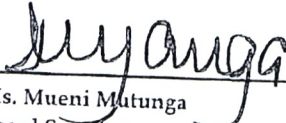
In accordance with section 219(2) of the Public Financial Management Act regulations, regulatory entities shall remit into the consolidated fund, ninety per centum of its surplus funds reported in the audited financial statement after the end of each financial year. Energy & Petroleum Regulatory Authority had a surplus of KES 47,942,655.

5). Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with the Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

The annual report and financial statements set out on page 47 to 84, which have been prepared on the going concern basis, were approved by the on 30.04.23 and were signed on its behalf by:

By Order of the Board



Ms. Mueni Mutunga
Board Secretary

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

11. Statement of Directors Responsibilities

Section 81 of the Public Finance Management (PFM) Act, 2012, section 8 (3) of the Second Schedule of the Energy Act 2019 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2022. 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 Authority;
- (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 Authority;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the Authority'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, 2012. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2022, and of the Authority's financial position as at that date.

The Directors further confirms the completeness of the accounting records maintained for the Authority's, which have been relied upon in the preparation of the Authority'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 Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of financial statements.

The annual report and financial statements set out on page 47 to 84, which have been prepared on the going concern basis, were approved by the on 30/06/22 and were signed on its behalf by:



Hon. Justice (Prof) Jackton B. Ojwang'
Chairman



Mr. Daniel Kiptoo Bargarora
Director General

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON ENERGY AND PETROLEUM REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines, and manuals and whether public resources are applied in a prudent, efficient, economic, transparent, and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management, and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient, and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management, and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Energy and Petroleum Regulatory Authority set out on pages 47 to 84, which comprise of the statement of financial position as at 30 June, 2022, 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 and Section 35 of the Public

Report of the Auditor-General on Energy and Petroleum Regulatory Authority for the year ended 30 June, 2022

Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Energy and Petroleum Regulatory Authority as at 30 June, 2022, 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 Public Finance Management Act, 2012 and the Energy Act, 2019.

Basis of Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Energy and Petroleum Regulatory Authority Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Differences in Reported Levies

The statement of financial performance reflects levies amounting to Kshs.1,502,688,963 as disclosed in Note 7 to the financial statements which comprises of electricity and petroleum levies of Kshs.304,045,393 and 1,198,643,570 respectively. However, review of audited financial statements of Kenya Power and Lighting Co. PLC revealed that the Company had electricity sales of 9,823,790,911.98 KWh. The applicable levy rate for the financial year 2021/2022 was 30cts/KWh which translates to electricity levies of Kshs.294,713,727 whereas the Authority had reported levies of Kshs.304,045,393 resulting in unexplained variance of Kshs.14,438,323. Additionally, audited financial statements for Kenya Power and Lighting Co. PLC for the year ended 30 June, 2022 reflected Energy Regulatory Levies of Kshs.144,193,000. However, the Authority had not reflected any receivables from Kenya Power and Lighting Co. PLC in its books, an indication that electricity levy is not recognized on accrual basis as required by IPSAS 1 and 23. Similarly, no evidence was provided that the Authority maintained an independent data base on the units of electricity purchased and sold by Kenya Power and Lighting Co. PLC as stipulated by Section 10(jj) of the Energy Act, 2019.

My opinion is not qualified with respect to this matter.

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.

Other Matter

Budgetary Control and Performance

The statement of Comparison of Budget and Actual Amounts reflects a total actual revenue of Kshs.1,546,501,625 against final budgeted revenue of Kshs.2,098,272,136 resulting to an adverse variance of Kshs.551,770,511 or 16%. Similarly, the Authority

projected to spend Kshs.2,061,164,530 but incurred an expenditure of Kshs.1,548,938,365 resulting to an under absorption of Kshs.512,226,165 or 25%.

In the circumstances, the unrealized revenue and under absorption of the budget may have impacted negatively on the Authority's service delivery.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Payment of Professional Fees without a Valid Contract

Review of the procurement documents provided for audit revealed that the Authority entered into a contract with a public relations firm on 30 August, 2019 at a contract sum of Kshs.13,711,200 for the provision of public relations, digital & advertising agency services for a period of 1 year, with an option for extension by another 1 year. The contract expired on 30 August, 2020 and was renewed on 18 September, 2020 for the period 1 September, 2020 to 30 August, 2021. The Authority undertook a procurement for public relations, digital & advertising agency services, vide tender ref. EPRA/SCM/4/3/21-22/024, out of which the same firm was awarded another contract for the same services on 1 December, 2021 for a period of one (1) year at a contract sum of Kshs.13,896,800. The Contractor was paid an amount of Kshs.3,427,800 for the months of September, October and November, 2021 outside the contract period.

In the circumstances, the authority and lawfulness of the payment of Kshs.3,427,800 to the public relations firm could not be confirmed.

2. Non-Compliance with Contractual Provisions

Review of the procurement records provided for audit revealed that the Authority invited request for proposals for Consultancy services for provision of baseline study on the compliance level in the electricity and renewable energy sub-sectors in Kenya on 26 January, 2021. The proposals were opened on 11 February, 2021. A professional opinion in respect of the procurement was issued on 5 March, 2021 recommending award of the consultancy works to a Local Institution which was approved on 24 March, 2021 and notification of award issued on 24 March, 2021. The tenderer accepted the award on 7 April, 2021. On 18 May, 2021, a contract was entered into between the Authority and the Local Institution for a period of one year at a contract sum of Kshs.8,950,000. The contract payments were to be made up as; 20% upon submission of inception report; 40% on submission of draft report and 40% on submission of final report. However, review of payments under the contract revealed that invoices were received and posted in the ledger as follows:

Posting Date	Document Type	Description	Amount (Kshs.)
28/06/2022	Invoice	40% Charges for Baseline study on compliance	3,580,000
23/06/2022	Invoice	40% Charges for Baseline study on compliance	3,580,000
Total			7,160,000

In the circumstances, Management was in breach of the contractual provisions.

3. Unapproved Special Board of Directors Meetings

During the year under review, the Authority's Board held five (5) special board meetings without the relevant approval by the Cabinet Secretary of Energy in consultation with State Corporations Advisory Committee (SCAC) contrary to the provisions of the Circular Ref No: OP/CAB.9/1A of 11 March, 2020 on Management of State Corporations states that approval for any extra board meetings (including special Board meetings) above the maximum number specified shall require a justification by the board as to the source of funds, and implications thereof, and reasons why the same cannot be adjudicated in regular meetings, which request shall be submitted for approval by the relevant cabinet secretary in consultation with SCAC. As a result, the authority incurred an expenditure totalling to Kshs.740,000 on sitting allowances in respect of the special board meetings.

In the circumstances, the Authority was in breach of provisions of Circular Ref No: OP/CAB.9/1A of 11 March, 2020.

4. Payment of Retention Money Before Expiry of Defect Liability Period

Review of payment records revealed that a construction Company was issued with a final certificate on 27 August, 2021 with revised final account of Kshs.58,130,808. The contractor was paid Kshs.7,358,177 on 10 September, 2021 as final payment inclusive of full retention fees amounting to Kshs.5,813,308 before lapse of defects liability period of 180 days contrary to clause GCCC.20.3 of the provisions of the contract.

In the circumstances. Management was in breach of the contractual provisions.

5. Employees on Acting Appointments

Review of the human resource records revealed that ten (10) officers were appointed to acting positions for periods ranging between two (2) to five (5) years. This was contrary to Section 34 of the Public Service Commission Act 2017 which states that government officers cannot serve in an acting position for more than six (6) months. Management has explained that the process of recruitment of substantive office holders was in progress.

In the circumstances, Management was in breach of the law.

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 overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall 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 Board of Directors

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 that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations.

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.

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how Management monitors 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 that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that 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 controls 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 that 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 that 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 controls 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 Authority'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 that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material

uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that 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 that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 June, 2023

Energy & Petroleum Regulatory Authority
Annual Report And Financial Statements for the year ended 30 June 2022

13. Statement of Financial Performance for The Year Ended 30 June 2022

Figures in Kenyan Shilling	Note(s)	2021-2022	2020-2021
Revenue			
Revenue from non-exchange transactions			
Transfers from other government entities	6	8,566,167	-
Levies	7	1,502,688,963	1,456,062,096
License fees	8	35,246,495	47,898,594
Total revenue from non-exchange transactions		1,546,501,625	1,503,960,690
Revenue from exchange transactions			
Other income(miscellaneous)	9	569,692	2,833,210
Interest received	10	6,661,313	3,389,586
Total revenue from exchange transactions		7,231,005	6,222,796
Total revenue		1,553,732,630	1,510,183,486
Expenses			
Use of Goods and Services	11	(576,105,854)	(470,301,015)
Employee Costs	12	(684,271,832)	(630,822,709)
Remuneration of Directors	13	(16,365,696)	(16,939,646)
Depreciation and amortisation expense	14	(73,432,900)	(64,841,656)
Repairs and Maintenance	15	(10,577,443)	(8,887,107)
Contracted services	16	(93,036,250)	(120,872,750)
Transfers	17	(52,000,000)	(42,000,000)
Total expenses		(1,505,789,975)	(1,354,664,883)
Gain on disposal of assets	18	-	3,738,122
Surplus for the year from continuing operations		47,942,655	159,256,725
Remission to National Treasury	19	(43,148,390)	(2,171,545)
Surplus for the year		4,794,265	157,085,180

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022


13. Statement of Financial Performance for The Year Ended 30 June 2022

Figures in Kenyan Shilling


Note(s) 2021-2022 2020-2021

The notes set out on pages s 56 to 80 form an integral part of the annual report and financial statements.


The annual report and financial statements set out on pages 47 to 84, were signed on its behalf by:



Mr. Daniel Kiptoo Bargoria
Director General



Ms. Muznah Sisiwa
Ag. Deputy Director, Finance & Accounts
ICPAK No. 21186



Hon. Justice (Prof) Jackton B. Ojwang'
Chairman

Energy & Petroleum Regulatory Authority
Annual Report And Financial Statements for the year ended 30 June 2022

14. Statement of Financial Position as at 30 June 2022

Figures in Kenyan Shilling	Note(s)	2021-2022	2020-2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	20	322,360,486	204,545,482
KCB-Snr Mgt Gratuity Investment	21	37,389,990	15,495,712
Receivables from exchange transactions	22	22,281,036	18,872,751
Receivables from non-exchange transaction	23	218,401,044	209,497,333
Inventories	24	4,322,203	2,762,200
		604,754,759	451,173,478
Non-Current Assets			
Property, plant and equipment	25	305,677,752	200,638,169
Intangible assets	26	3,094,648	9,411,968
		308,772,400	210,050,137
Total Assets		913,527,159	661,223,615
Liabilities			
Current Liabilities			
Payables under exchange transactions	27	135,514,489	148,652,307
Payables under non- exchange transactions	28	257,076,686	27,356,109
Employee benefits	29	91,472,413	60,545,893
		484,063,588	236,554,309
Total Liabilities		484,063,588	236,554,309
Reserves			
Capital replacement reserve		55,000,000	55,000,000
Accumulated surplus		374,463,571	369,669,306
Total Net Assets/Equity		429,463,571	424,669,306
Total Net Assets and Liabilities		913,527,159	661,223,615

Energy & Petroleum Regulatory Authority


Annual Report And Financial Statements for the year ended 30 June 2022


14. Statement of Financial Position as at 30 June 2022


Figures in Kenyan Shilling

Note(s)	2021-2022	2020-2021 Restated*
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The annual report and financial statements and the notes on page 47 to 84 were approved by the on the 30 September 2022 and were signed on its behalf by:


Mr. Daniel Kiptoo Bargarora
Director General


Ms. Muznah Sisiwa
Ag. Deputy Director, Finance & Accounts
ICPAK No. 21186


Hon. Justice (Prof) Jackton B. Ojwang'
Chairman

The accounting policies on page 58 to 64 and the notes on pages 56 to 80 form an integral part of the annual report and financial statements.

Energy & Petroleum Regulatory Authority
Annual Report And Financial Statements for the year ended 30 June 2022

15. Statement of Changes in Net Assets for The Year Ended 30 June 2022

	Capital replacement reserve	Accumulated surplus	Total net assets/equity
Figures in Kenyan Shilling			
Prior year			
Balance at 01 July 2020	55,000,000	113,067,271	168,067,271
Changes in net assets/equity	-	159,256,725	159,256,725
Surplus for the year	-	(2,171,545)	(2,171,545)
90% Remittance to National Treasury	-	99,516,855	99,516,855
Prior Year Adjustments	55,000,000	369,669,306	424,669,306
Balance at 30 June 2021			
Current year			
Restated* Balance at 01 July 2021	55,000,000	369,669,306	424,669,306
Changes in net assets/equity	-	47,942,655	47,942,655
Surplus for the year	-	(43,148,390)	(43,148,390)
Provision- 90% Remission to National Treasury	-	4,794,265	4,794,265
Total changes	55,000,000	374,463,571	429,463,571
Balance at 30 June 2022			

Prior year adjustments relates to erroneously accrued LPOs whose goods and services were not supplied of kes 99,516,855 this resulted to overstating use of goods and services expenditure by a similar amount in the financial.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

16. Statement of Cashflow for The Year Ended 30 June 2022

Figures in Kenyan Shilling


	Note(s)	2021-2022	2020-2021 Restated*
Cash flows from operating activities			
Receipts			
Transfers from other government entities		200,000,000	-
Levies		1,503,229,648	1,443,486,156
License fees		35,246,495	47,898,594
Other income(Miscellaneous)		569,692	2,833,210
Interest received		1,306,463	3,389,586
		1,740,352,298	1,497,607,546
Payments			
Use of goods and services		(577,913,902)	(450,247,849)
Employee Costs		(679,739,030)	(591,779,364)
Remuneration Directors		(16,681,596)	(16,717,146)
Repairs and Maintenance		(9,854,283)	(4,887,106)
Contracted services		(90,127,497)	(117,873,250)
Transfers		(52,000,000)	(42,000,000)
90% Transfer To National Trerasury		(2,171,545)	-
		(1,428,487,853)	(1,223,504,715)
Net cash flows from operating activities	30	311,864,445	274,102,831
Cash flows from investing activities			
Purchase of property, plant and equipment		(215,824,685)	(130,097,244)
Proceeds from sale of property, plant and equipment		-	3,805,400
Purchase of other intangible assets		-	-
KCB-Snr Mgt Gratuity Investment		21,894,278	6,590,360
Net cash flows from investing activities		(193,930,407)	(119,701,484)
Net increase/(decrease) in cash and cash equivalents		117,815,004	154,401,347
Cash and cash equivalents at the beginning of the year		204,545,482	50,144,133
Cash and cash equivalents at the end of the year	20	322,360,486	204,545,482

Energy & Petroleum Regulatory Authority
Annual Report And Financial Statements for the year ended 30 June 2022


16. Statement of Cashflow for The Year Ended 30 June 2022

Figures in Kenyan Shilling	Note(s)	2021-2022	2020-2021 Restated*
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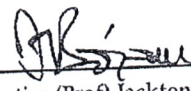
The annual report and financial statements set out on pages 47 to 84 were signed on its behalf by:



Mr. Daniel Kiptoo Bargarua
Director General



Ms. Muznah Sisiwa
Ag. Deputy Director, Finance & Accounts
ICPAK No. 21186



Hon. Justice (Prof) Jackton B. Ojwang'
Chairman

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

17. Statement of Comparison of Budget and Actual Amounts The For The Year Ended 30 June 2022

	Original Annual budget	Adjustments	Final Annual Budget	Actual amounts on comparable basis	Perfomance Difference	% Utilization
Figures in Kenyan Shilling						
Revenue						
Revenue from non-exchange transactions						
Revenue						
Transfres from other government entities	235,000,000	(35,000,000)	200,000,000	8,566,167	191,433,83	4
Levies	1,831,679,127	-	1,831,679,127	1,502,688,963	328,990,164	82 %
License fees	66,593,009	-	66,593,009	35,246,495	31,346,514	53 %
Total revenue from non-exchange transactions	2,133,272,136	(35,000,000)	2,098,272,136	1,546,501,625	551,770,511	74 %
Revenue from exchange transactions						
Other income(Miscellenous)	727,053	-	727,053	569,692	157,361	78 %
Interest Received	3,563,651	-	3,563,651	6,661,313	(3,097,662)	187 %
Total revenue from exchange transactions	4,290,704	-	4,290,704	7,231,005	(2,940,301)	169 %
Total revenue	2,137,562,840	(35,000,000)	2,102,562,840	1,553,732,630	548,830,210	74 %
Expenditure						
Use of goods and services	(808,142,118)	82,606,182	(725,535,936)	(576,105,854)	(149,430,082)	79 %
Employee costs	(896,122,086)	-	(896,122,086)	(684,271,832)	(211,850,254)	76 %
Remuneration Directors	(25,020,000)	-	(25,020,000)	(16,365,696)	(8,654,304)	65 %
Depreciation and amortisation	(75,883,582)	-	(75,883,582)	(73,432,900)	(2,450,682)	97 %
Repair and Maintance	(8,000,000)	(3,000,000)	(11,000,000)	(10,577,443)	(422,557)	96 %
Contracted services	(104,450,000)	-	(104,450,000)	(93,036,250)	(11,413,750)	89 %
Repair and Maintance	(52,000,000)	-	(52,000,000)	(52,000,000)	-	100 %
90% Remission to National Treasury	(151,150,549)	(20,002,377)	(171,152,926)	(43,148,390)	(128,004,536)	25 %
Total expenditure	(2,120,768,335)	59,603,805	(2,061,164,530)	(1,548,938,365)	(512,226,165)	75 %
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	16,794,505	24,603,805	41,398,310	4,794,265	36,604,045	12 %

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

17. Statement of Comparison of Budget and Actual Amounts The For The Year Ended 30 June 2022

Budget on Cash Basis

	Original Annual budget	Adjustments	Final Annual Budget	Actual amounts on comparable basis	Performance Difference	% Utilization
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Figures in Kenyan Shilling

The budget and financial statements of EPRA are reported on accrual basis, hence differences arising from accounting treatment are not expected. The variance between the approved and final budget are due to reallocations, which were submitted to the National Treasury through the Ministry of Energy for approval. The variance between the actual and budget are as enumerated and explained hereunder;

Upstream petroleum income being below budget due to delayed upstream activities occasioned by longer than expected transition, conclusion on FDP staff recruitment and set up of various other structures for implementation of the upstream activities.

Levies received were below budget by Kes. 328,990,164 representing under collection of 18%. This is as a result of a combination of many economic factors that impacted on the fuel prices and sale of electricity. This included a depressed economy and high fuel prices that led to low consumption.

License fees was below budget by Kes. 31,346,514 representing an under collection of 47% this is due to low number of new license applicants and renewals than projected.

Miscellaneous income was above budget by 356% due to of fewer items than projected.

Interest received was above budget by Kes. 3,097,662 representing a positive variance of 47% this was due to increase in investment of senior management gratuity fund.

Use of goods and services was below budget by Kes. 149,430,082 an under expenditure of 21 % this was as a result of delayed procurement processes majorly due to non-responsive tenders that required repeat of the tendering process. There were also significant savings in operational costs on General office expences, communication and ICT expences.

Employee costs was below budget by Kes. 211,850,254 representing an under expenditure of 24% this was due late approvals for recruitment and overwhelming applications leading to lengthy application process.

Directors expences were below budget by Kes. 8,654,304 representing under expenditure of 35% there were savings in international travels and sitting allowance.

18. Notes to The Financial Statements

1. General Information

The Energy Regulatory Commission was established under the Energy Act, 2006. In March 2019, the Energy Act 2019 and the Petroleum Act 2019 were enacted. The Energy Act 2019 provides for the establishment of the Energy and Petroleum Regulatory Authority as the successor to the Energy Regulatory Commission. EPRA is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activities are regulation of all forms of energy except nuclear power.

2. Statement of compliance and basis of preparation

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Authority. The accounting policies have been consistently applied to all the years presented.

The Authority adopted IPSAS in the year 2014 following the gazettment of the Public Sector Accounting Standards Board (PSASB), which was established by the Public Financial Management Act (PFM) No. 18 of 24th July 2012. PSASB issued financial reporting standards and guidelines to be adopted by all state organs and public sector entities, which the Authority complies with.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

The accounts are presented in Kenya Shillings (KES) which is the functional and reporting currency of the Authority and all values are rounded to the nearest shilling

3. Adoption of new and revised standards

3.1 New and amended standards and interpretations in issue, effective in the year ended 30 June 2021

- IPSAS 40 – Public Sector Combinations
01 January 2019

3.2 New and amended standards and interpretations in issue, but not yet effective in the year ended 30 June 2021

The Authority has not applied the following standards and interpretations, which have been published and are mandatory for the Authority's accounting periods beginning on or after 01 July 2022 or later periods:

	Effective date:	Expected impact:
	Years beginning on or after	
• IPSAS 41 Financial Instruments	01 January 2023	
• IPSAS 42. Social Benefits	01 January 2023	
• Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	01 January 2023	
• Other Improvements to IPSAS	01 January 2023	

3.3 Early adoption of standards

The Entity did not early- adopt new or amended standards in the F/Y 2020/2021.

The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about a public sector combination and its effects. To accomplish that, this Standard establishes principles and requirements for how:

- A reporting entity classifies a public sector combination as an amalgamation or an acquisition;

18. Notes to The Financial Statements

3. Adoption of new and revised standards (continued)

- A resulting entity recognizes and measures in its financial statements the identifiable assets received, the liabilities assumed and any non-controlling interest in an amalgamation;
- resulting entity recognizes and measures components of net assets/equity and other adjustments recognized in an amalgamation;
- An acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired operation;
- An acquirer recognizes and measures the goodwill acquired in, or the gain or loss arising from, an acquisition; and
- A reporting entity determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of a public sector combination.

It furthermore covers Definitions, Identifying a public sector combination, Classification of public sector combinations, Accounting for amalgamations, The modified pooling of interests method of accounting, Accounting for acquisitions, The acquisition method and Effective date and transition.

The effective date of the standard is for years beginning on or after 01 January 2019.

The entity expects to adopt the standard for the first time in the 2020 annual report and financial statements.

18. Notes to The Financial Statements

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Levies and licenses

The Authority recognizes revenues from Electricity, Petroleum levies and license fees when the event occurs and the asset recognition criteria are met. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Authority and the fair value of the asset can be measured reliably.

Transfers from other government entities

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

ii) Revenue from exchange transactions

Miscellaneous Revenue

Miscellaneous revenue from exchange transactions comprise of sale of stores, tenders and surplus goods.

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

The original budget for FY 2021/2022 was approved by the National Treasury through Ministry of Energy on 20th July 2021. Subsequent revision 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.

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 Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or commission 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.

18. Notes to The Financial Statements

4. Summary of Significant Accounting Policies (continued)

c) Taxation/Transfer to treasury

The Authority remit 90% surplus to the National Treasury. No Income tax or deferred tax accrue as a result.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

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 Authority 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.

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Authority. 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 Authority 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.

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 Authority will obtain ownership of the asset by the end of the lease term, the asset is depreciated over a 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 Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

18. Notes to The Financial Statements

4. Summary of Significant Accounting Policies (continued)

g) Intangible assets

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.

h) Research and development costs

The Authority expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Authority 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.

i) Financial instruments

a) 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 Authority 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 Authority 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.

18. Notes to The Financial Statements

4. Summary of Significant Accounting Policies (continued)

Impairment of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity 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 entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity 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)

b) 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 Authority 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.

18. Notes to The Financial Statements

4. Summary of Significant Accounting Policies (continued)

j) Inventory

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through nonexchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

i) Raw materials: purchase cost using the weighted average cost method.

ii) Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority.

k) Provisions

Provisions are recognized when the Authority 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 Authority 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.

l) Contingent liabilities

The Authority 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. There are no contingent liabilities at the moment.

m) Contingent assets

The Authority 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 Authority 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.

n) Nature and Purpose of Reserve

The Authority creates and maintains reserves in terms of specific requirements, which is accumulated Surplus. The Authority's capitals consist of the Accumulated reserves.

18. Notes to The Financial Statements

4. Summary of Significant Accounting Policies (continued)

o) Changes in accounting policies and estimates

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

p) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Authority pays fixed contributions into a separate 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.

q) Related parties

The Authority 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 Authority. Members of key management are regarded as related parties and comprise Board of Directors the Director General and senior managers.

The Government (represented by Ministry of Energy and Ministry of Petroleum and Mining) is also regarded as a related party. The Permanent Secretary's in the two Ministries or their representative are members of the Board.

o) Service concession arrangements

The Authority 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 Authority 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 Authority also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash in Mpesa 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 various commercial banks at the end of the financial period.

q) Comparative figure

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

18. Notes to The Financial Statements

4. Summary of Significant Accounting Policies (continued)

r) Subsequent events

There have been no events subsequent to the financial period end with a significant impact on the financial statements.

5. Significant Judgement & Sources Of Estimation Uncertainty

The preparation of the Authority'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 Authority based its assumptions and estimates on parameters available when the 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 Authority. 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:

- i) The condition of the asset based on the assessment of experts employed by the Authority.
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii) The nature of the processes in which the asset is deployed.
- iv) Availability of funding to replace the asset.
- v) Changes in the market in relation to the asset.

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18. Notes to The Financial Statements

	2021-2022	2020-2021
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Figures in Kenyan Shilling

6. Transfers from other government entities

Upstream Regulatory support	5,817,507	-
Deferred Income-Energy Act	2,748,660	-
	8,566,167	-

Transfers from other government entities

Name of Entity	Amount recognized to Statement of Financial Performance (Kshs)	Amount deferred under deferred income fund KShs	Amount recognised in capital KShs	Total income during the period	Comparative Period
Ministry of Petroleum and Mining	5,817,507	194,182,49	Nil	200,000,000	Nil
Energy Act Stakeholders	2,748,660	8,451,340	-	11,200,000	-
	8,566,167	202,633,833	-	211,200,000	-

7. Levies

Electricity Levy	304,045,393	236,696,328
Petroleum Levy	1,198,643,570	1,219,365,768
	1,502,688,963	1,456,062,096

Electricity Levy-Legal Notice No. 148 of 1999

Petroleum Levy-Legal Notice No. 162 of 2018

8. License fees & Miscellaneous

License fees	35,246,495	47,898,594
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9. Other Income(Miscellaneous)

Other income(Miscellaneous)	569,692	2,833,210
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10. Interest

Interest	6,661,313	3,389,586
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Energy & Petroleum Regulatory Authority
Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

Figures in Kenyan Shilling

	2021-2022	2020-2021
11. Use of goods and services		
Training Seminars and Workshops		
Subscriptions	40,144,098	55,977,009
Staff Welfare	3,248,458	1,802,116
General Office Expences	5,869,832	4,823,234
Fuel	12,184,053	15,642,459
Insurance license & MV subscriptions	9,336,456	7,974,163
Travel, Inspections, surveillance & Audit	2,956,521	3,029,595
Coporate Subscriptions	157,412,824	98,077,155
Seminars Workshops, Public hearings and CSR	16,810,351	5,930,132
Advertising and gazette notices	42,156,551	17,125,870
Bank Charges	38,614,868	96,426,322
Branding/Printing	1,755,942	1,205,761
Telephone and Internet	8,540,673	13,628,604
Software licenses support and disaster recovery	11,467,548	8,350,220
Rent and Service charges	11,499,192	3,955,779
Security	63,913,650	61,735,442
Electricity	7,243,177	4,321,940
Office cleaning	6,197,061	5,614,818
Consultancies	4,799,348	4,318,456
HIV, Safety, Culture change and Related	97,609,158	48,523,497
Energy & Petr Act Expenses	24,942,433	11,838,443
	9,403,660	-
	576,105,854	470,301,015

12. Employee costs

Basic Salaries		
Employee Compesation-Court	391,925,001	364,998,664
Pension and Gratuity	-	2,000,000
Special Duty / Acting Allowance	90,932,011	80,957,303
Car and Commuter allowance	9,832,793	6,782,914
House Allowance	29,643,506	29,195,652
Fringe benefits	91,557,035	89,190,006
Leave & Other Allowances	4,035,007	2,657,538
Medical	16,814,066	5,545,494
General Life & Personal Insurance	42,331,995	42,762,449
Staff Uniforms	4,200,712	4,057,352
Warm Clothing Allowance	1,296,743	1,702,837
Meal Allowance	1,016,963	-
	686,000	972,500
	684,271,832	630,822,709

Energy & Petroleum Regulatory Authority
Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

Figures in Kenyan Shilling	2021-2022	2020-2021
13. Remuneration of Directors		
Monthly fees and Honorarium	5,863,333	6,659,833
Sitting Allowance	4,920,000	7,178,000
Meeting, Entertainment and Other Allowances	2,071,823	872,499
Seminars, Travel, and Accomodation	3,083,494	1,757,179
Insurance & Medical	427,046	472,135
	16,365,696	16,939,646
14. Depreciation and Amortisation		
Property, plant and equipment	67,115,580	55,537,521
Intangible assets	6,317,320	9,304,135
	73,432,900	64,841,656
15. Repairs and Maintenance		
Repair & Service Motor Vehicle	9,265,786	7,921,136
Repair & Maintenance Office Equip	1,311,657	965,971
	10,577,443	8,887,107
16. Contracted Services		
Fuel Marking	67,421,040	78,343,366
LPG Inspection	25,615,210	42,529,384
	93,036,250	120,872,750
17. Transfers		
Transfers to Mortgage & Car Loan	50,000,000	40,000,000
Kenya Energy-Sector Environment and Social Responsibility Program Fund	2,000,000	2,000,000
	52,000,000	42,000,000
18. Gain on sale of assets		
Property, plant and equipment	-	3,738,122

Energy & Petroleum Regulatory Authority
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18. Notes to The Financial Statements

Figures in Kenyan Shilling

	2021-2022	2020-2021
19. Remission to National Treasury		
Surplus for the year	47,942,655	159,256,725
Purchase of assets	-	(136,556,254)
Capital Commitments	-	(20,287,643)
Realised surplus	47,942,655	2,412,828
90% of realised profit	43,148,390	2,171,545

The Authority did not deduct capital expenditures in calculating 90% of realised surplus.

Energy & Petroleum Regulatory Authority
Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

Figures in Kenyan Shilling	2021-2022	2020-2021 Restated*
20. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Mpesa	2,475,027	8,995,984
Bank balances	281,664,781	160,953,748
KCB-Snr Mgt Gratuity Current Account	38,220,678	34,595,750
	322,360,486	204,545,482

In the month of October 2018 all Senior management staff were placed on a five year renewable contract. KCB Senior Management Gratuity Account is held for Senior Management gratuity obligation. This is cash payable at the end of each employees' contract.

Detailed analysis of cash and cash equivalents

Financial institution	Account number		
KCB Bank	1107180198	276,819,772	158,520,791
National Bank	01003003110800	3,894,386	1,574,767
NCBA Bank	6959370012	950,623	858,190
		281,664,781	160,953,748
Gratuity Custody Accounts			
KCB-Snr Mgt Gratuity Current Account	1273022599	38,220,678	34,595,750
Others			
Mobile Money Accounts M-pesa	923311	2,475,027	8,995,984
		2,475,027	8,995,984
Total cash and cash equivalents		322,360,486	204,545,482

21. KCB-Snr Mgt Gratuity Investment

KCB-Snr Mgt Gratuity Investment	37,389,990	15,495,712
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Prior and Current year KCB-Snr Mgt Gratuity Current Account has been split to disclose investment in treasury bills

22. Receivables from exchange transactions

Prepayments	77,699	96,177
Deposits	17,042,166	17,034,166
Interest Receivable	5,161,171	1,742,408
	22,281,036	18,872,751

Prior year 2020/21 Receivables from exchange transactions has been restated by Kes 1,742,408 to include interest from KCB Current Account which was not accrued in F/Y 2020/21.

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18. Notes to The Financial Statements

Figures in Kenyan Shilling

	2021-2022	2020-2021 Restated*
23. Receivables from non-exchange transactions		
Board Imprest	72,999	17,966
Staff Imprest	7,612,256	3,406,773
Other receivables	11,009,234	4,867,814
KPLC-Electricity Levy	107,489,706	104,763,313
KRA-Petroleum Levy	90,610,638	93,877,717
Staff salaries & Medical advances	1,606,211	2,563,750
	218,401,044	209,497,333

Prior year 2020/21 Receivables from non-exchange transactions were erroneously understated by 83,320,309 and the corrections has resulted to restating Board imprest from 393,224 to 17,966 , Staff Imprest from 3,311,889 to 3,287,739 , Revenue debtors from 119,789,127 to 203,508,844.

24. Inventories

Inventories	4,322,203	2,762,200
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The prior year 2020/21 inventory amount has been restated to Kes 2,762,200 from Kes 4,269,954 this was as a result of adjustment of erroneously overvalued stock.

25. Property, plant and equipment

Controlling entity	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	212,014,850	(133,136,344)	78,878,506	140,252,142	(119,844,910)	20,407,232
Motor vehicles	135,739,527	(106,711,849)	29,027,678	135,739,527	(84,452,165)	51,287,362
Office equipment	33,379,621	(19,933,413)	13,446,208	32,970,231	(16,936,081)	16,034,150
IT equipment	140,199,777	(102,295,484)	37,904,293	125,533,504	(73,728,354)	51,805,150
Work in Progress	146,421,067	-	146,421,067	61,104,275	-	61,104,275
Total	667,754,842	(362,077,090)	305,677,752	495,599,679	(294,961,510)	200,638,169

Energy & Petroleum Regulatory Authority
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18. Notes to The Financial Statements

Figures in Kenyan Shilling

25. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

	Furniture and Motor vehicles fixtures					Total
Cost						
At 01 July 2020	137,383,523	109,839,216	29,596,471	124,130,626	79,067,020	480,016,856
Additions	2,868,616	40,312,757	3,692,604	5,676,526	-	52,550,503
Adjustment	-	-	46,500	(1,465,100)	(17,962,745)	(19,381,345)
Disposals	-	(14,412,447)	(365,344)	(2,808,548)	-	(17,586,339)
Transfers	-	-	-	-	-	-
At 30 June 2021	140,252,139	135,739,526	32,970,231	125,533,504	61,104,275	495,599,675
Additions	2,404,870	-	409,389	14,666,272	154,674,633	172,155,164
Transfers	69,357,841	-	-	-	(69,357,841)	-
At 30 June 2022	212,014,853	135,739,527	33,379,620	140,199,776	146,421,067	667,754,843
Depreciation and impairment						
At 01 July 2020	(115,272,250)	(61,436,936)	(15,094,823)	(52,704,992)	-	(264,509,001)
Adjustment	7,362,626	-	(6,665)	209,990	-	7,565,951
Disposals	-	14,412,447	365,344	2,741,270	-	17,519,061
Depreciation	(11,935,286)	(17,427,676)	(2,199,937)	(23,974,622)	-	(55,537,521)
At 30 June 2021	(119,844,910)	(84,452,165)	(16,936,081)	(73,728,354)	-	(294,961,510)
Disposals and scrapings - accumulated depreciation and impairment	-	-	-	-	-	-
Depreciation	(13,291,434)	(22,259,684)	(2,997,332)	(28,567,130)	-	(67,115,580)
At 30 June 2022	(133,136,344)	(106,711,849)	(19,933,413)	(102,295,484)	-	(362,077,090)

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Appendix II: Projects Implemented by the Entity

25. Property, plant and equipment (continued)

Net book values						
Cost						
Accumulated depreciation and impairment	212,014,853	135,739,526	33,379,620	140,199,776	146,421,067	667,754,842
At 30 June 2022	(133,136,344)	(106,711,849)	(19,933,413)	(102,295,484)	-	(362,077,090)
At 30 June 2021	78,878,509	29,027,677	13,446,207	37,904,292	146,421,067	305,677,752
	20,407,229	51,287,362	16,034,150	51,805,150	61,104,275	200,638,169

Under PPE Furniture and Fittings have been adjusted by 79,067,023 from 219,067,020 to 140,252,139 this was as a result of restating erroneously capitalisation of Work in progress relating to partitions in the financial year 2020/21. Work in progress of KES 146.4M has relates to renovation & partitioning of EPRA Head office and regional offices. As at 30 June 2022, property and equipment with cost amounting to KES 198.8M were fully depreciated and intangible assets with cost amounting to 95.8M were fully amortized.

Property plant and Equipment includes the following assets that are fully depreciated:

Asset	Cost	Normal Annual Depreciation
Furniture and fixtures		
Motor vehicles	98,215,787	12,276,973
Office equipment	46,709,169	11,677,292
IT equipment	9,690,138	1,211,267
Intangible assets	44,165,923	13,249,777
Total	95,782,412	28,734,724
	294,563,428	67,150,033

Energy & Petroleum Regulatory Authority
Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

Figures in Kenyan Shilling	2021-2022	2020-2021
26. Intangible assets		
Reconciliation of intangible assets		
Cost	115,415,454	113,996,854
Opening balance	-	1,418,600
Adjustment		
Closing balance	115,415,454	115,415,454
Amortisation and impairment	(106,003,486)	(96,496,026)
Opening balance	-	(203,325)
Adjustments	(6,317,320)	(9,304,135)
Amortisation		
Closing balance	(112,320,806)	(106,003,486)
Made up as follows:	115,415,454	115,415,454
Cost	(112,320,806)	(106,003,486)
Amortisation and impairment		
Net book value	3,094,648	9,411,968

27. Payables under exchange transactions

Suppliers	128,961,143	130,836,837
Accruals	6,553,346	17,815,470
	135,514,489	148,652,307

Prior year 2020/21 accruals has been adjusted from 25,173,648 to 17,815,470 this is as a result of reversal of accrued LPOs whose goods and services were not supplied in the respective financial year.

28. Payables under non-exchange transactions

Deferred Income-Energy Act	13,309,501	4,858,161
Taxes and other statutory deductions	5,278,741	12,517,964
Other Employee payables	720,111	7,370,988
Provision- 90% Remission to National Treasury	43,148,390	2,171,546
Deferred Income- Upstream Petroleum	194,182,493	-
Deferred Income-UNEP Project	437,450	437,450
	257,076,686	27,356,109

Payables have been separated to payables from exchange transactions and payables from non-exchange transactions

Payables from non-exchange transactions has been restated from Kes 27,755,516 to Kes 27,356,108 this is as a result of correcting Other employee payable from Kes 7,770,396 to Kes 7,370,988.

Energy & Petroleum Regulatory Authority
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18. Notes to The Financial Statements

Figures in Kenyan Shilling

2021-2022 2020-2021

28. Payables under non-exchange transactions (continued)

The deferred income movement is as follows:

	Deferred Income- Petroleum Upstream	Deferred Income-Energy Act	Deferred Income-UNEP Project	Total
Balance brought forward	-	4,858,161	437,450	5,295,611
Additions	200,000,000	11,200,000	-	211,200,000
Transfers to Capital fund	-	-	-	-
Transfers to income statement	(5,817,507)	(2,748,660)	-	(8,566,167)
Balance carried forward	194,182,493	13,309,501	437,450	207,929,444

29. Employee benefit obligations

Snr Mgnt Gratuity Payable	78,030,961	51,236,103
Contract Staff Gratuity Payable	2,795,260	3,195,850
Salary Payable	1,180,299	1,236,299
Other payroll benefits	9,465,893	4,877,641
	91,472,413	60,545,893

30. Cash Generated in operations

Surplus		
Adjustments for:	4,794,265	159,256,725
Depreciation and amortisation expense		
Gain on sale of assets	73,432,900	64,841,656
Adjustment	-	(3,805,400)
Changes in working capital:	-	87,323,416
Inventories		
Receivables from exchange transactions	(1,560,003)	(844,729)
Receivables from non-exchange transactions	(3,408,285)	16,974,791
Payables under exchange transactions	(8,903,711)	(39,340,532)
Payables under non-xchange transactions	(13,137,818)	(10,675,271)
Employee Benefit Provision	229,720,577	(8,934,565)
	30,926,520	9,306,740
Cash Generated in operations	311,864,445	274,102,831

31. Risk magement

Financial risk management

Risk management is carried out by the management under the supervision of the Board of Directors. The Directors provide policies for overall risk management, as well as policies covering specific areas such as, interest rate risk, credit risk, use of non-derivative financial instruments and investing excess liquidity.

The activities of the Authority expose it to a variety of financial risk: credit risk, liquidity risk and market risk. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The Authority regularly reviews its risk management policies and systems to reflect changes in markets and emerging best practices.

Energy & Petroleum Regulatory Authority
Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

Figures in Kenyan Shilling	2021-2022	2020-2021
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31. Risk management (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. Credit risk arises from bank balances, trade receivables and amounts due from related parties. The Authority's management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

The carrying amount of financial assets recorded in the financial statements representing the Authority's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

As at June 2022	Fully performing Ksh	Past due Ksh	Impairment Ksh	Total
Receivables from non exchange transactions	218,401,044	-	-	218,401,044
Receivables from exchange transactions	21,786,245	-	-	21,786,245
Bank Balances	359,750,477	-	-	359,750,477
	599,937,766	-	-	599,937,766

As at June 2021	Fully performing Ksh	Past due Ksh	Impairment Ksh	Total
Receivables from non exchange transactions	209,378,299	-	-	209,378,299
Receivables from exchange transactions	18,872,751	-	-	18,872,751
Bank Balances	220,041,194	-	-	220,041,194
	448,292,244	-	-	448,292,244

All the Authority's receivables are fully performing and are expected to be repaid.

Bank balance includes cash in hand and deposits held with banks.

Liquidity risk management

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations when they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or at the risk of damaging reputation.

The Authority ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. All liquidity policies and procedures are subject to review and approval by the Board of Directors.

The table below provides a contractual maturity analysis of the Authority's financial liabilities:

Energy & Petroleum Regulatory Authority
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18. Notes to The Financial Statements

Figures in Kenyan Shilling

2021-2022 2020-2021

31. Risk mangement (continued)

As at 30 June 2022	Less than 1 Month	1 - 3 Months	Over 5 Months	Total
Trade & other payables from exchange transactions	86,656,214	4,314,337	37,990,592	128,961,143
Deferred Income-Energy Act	-	-	13,309,501	13,309,501
Accrual	6,553,346	-	-	6,553,346
Taxes and other statutory deductions	5,278,742	-	-	5,278,742
Other Payables	720,110	-	-	720,110
Employee benefits obligation	91,472,413	-	-	91,472,413
UNEP Project	437,450	-	437,450	874,900
Deffered Income- Upstream Petroleum	-	-	194,182,493	194,182,493
Provision- 90% Remission to National Treasury	43,148,390	-	-	43,148,390
	234,266,665	4,314,337	245,920,036	484,501,038

As at 30 June 2021	Less than 1 Month	1 - 3 Months	Over 5 Months	Total
Trade & other payables from exchange transactions	93,365,860	3,586,901	33,884,076	130,836,837
Deferred Income-Energy Act	-	5,295,612	-	5,295,612
Accrual	-	17,815,470	-	17,815,470
Taxes and other statutory deductions	12,517,964	-	-	12,517,964
Other Employee Payables	-	7,370,988	-	7,370,988
Employee benefits Obligation	60,545,893	-	-	60,545,893
Provision- 90% Remission to National Treasury	2,171,545	-	-	2,171,545
	168,601,262	34,068,971	33,884,076	236,554,309

32. Operating Lease Commitments

Operating lease commitments represent rentals payable by the Authority for rented office space.

Not later than 1 Year		
Not later than 1 Year	55,652,905	49,350,260
Not later than 1 Year	278,264,527	246,751,300
	333,917,432	296,101,560

The Authority is of the view that future net revenues and funding will be sufficient to cover these commitments. The Authority has leased office premises under an operating lease. The lease typically runs for 5 years with an option for renewal. Lease payments are increased accordingly to reflect market rentals. The Authority does not have an option to purchase the leased asset at the expiry of the lease period. There are no contingent rents recognized in the Statement of Financial Performance.

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18. Notes to The Financial Statements

Figures in Kenyan Shilling	2021-2022	2020-2021
33. Related parties Disclosures		
Transactions with related parties		
Purchases from related parties		
Purchases of Electricity from KPLC	6,197,061	5,614,818
Rent expenses paid to Government agencies (Lake Basin)	3,104,289	2,126,461
Training and Conferences fees paid to Govt Agencies(KSG)	2,099,600	8,744,602
Transfers from the Government		
Ministry of Petroleum and Mining	200,000,000	-
Key management compensation		
Compensation to Senior Managers	92,483,125	87,444,840
Compensation to Director General	11,040,000	9,420,000
	103,523,125	96,864,840

18. Notes to The Financial Statements

Figures in Kenyan Shilling

2021-2022

2020-2021

38. Currency

The financial statements are presented in Kenya Shillings (Kshs)

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Appendix I: Progress on Follow up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe
A.Report on The Financial Statements	Inaccuracies in Property Plant and Equipment (PPE)	A prior year adjustment has been posted in the annual financial statement for the year ended 30th June 2022 and PPE balances for the year ended 30th June 2021 Restated	Ag. DDF&A	Resolved	
	Inaccuracies in Employee Costs	Employee costs include gratuity pension and other non-payroll costs reconciliation from the payroll reports to the amount disclosed in financial statement as employee costs has been done	Ag. DDF&A	Resolved	
	Unsupported Expenditure on Consultancy	The expenditure of FY 2020/21 disclosed under consultancy services was supported by a contract and the final report for "Environment, Health and Safety available for audit review.	Ag. DDF&A	Resolved	
B.Report on Lawfulness and Effectiveness in Use of Public Resources	Irregular Expenditure on Contract for Monitoring Domestic Kerosene	a)The fuel marking and monitoring contract was varied by USD 510,907.5 with effect from 23rd March 2020 via a letter dated 19th March 2020 which was signed by the DG and addressed to the contractor. b)Because of safety concerns, EPRA as a regulator met the cost and utilised the entire contract variation amount of USD 510,907.50 towards testing and monitoring of fuel in independent and unbranded stations.	Maragement	Resolved	

Appendix I: Progress on Follow up of Auditor Recommendations

Irregular Extension of LPG Storage and Cylinder Contract	<p>The extension of the contract was not irregular, the recommendation of the Contract Implementation Committee dated 12 July 2020 is attached as (Annex 20)</p> <p>The contract was competitively procured as evidenced by LPG Evaluation report attached as (Annex 22)</p>	Manager Supply Chain	Resolved
Unutilised Office Space	<p>The office space required remodeling that involved procurement of a consultant for interior design which would result in floating of another tender for the contractor. Both tendering processes and design of the floor would require time after which the winning contractor required time to mobilize resources. Covid-19 impacted the speed of the contract due to restricted movement and disruption of supply chain for materials used in the construction, some of which were sourced from outside the country. The office floor is currently fully operational.</p>	Management	Resolved

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Appendix I: Progress on Follow up of Auditor Recommendations

Failure to Remit Surplus Funds To KRA	The funds demanded by KRA are attributed to purchase of capital items. Authority reports on accrual accounting. This require that capital expenditures are reported on the statement of financial position (balance sheet) and not in the income statement. This results in excess surplus in the income statement which the Authority nets off against the capital items purchased. This has been a point of departure which the Authority has been seeking guidance from the National Treasury since the funds used to Purchase capital items are paid out to the suppliers.	Management	Not Resolved	30 June 2023
Irregular Appointment of the DG	The Director General was sourced competitively as per The Energy Act number 1 of 2019.	Management		
Irregular Payment of Retention Money	The completion certificate was issued on 27th August 2021, the final invoice dated 28th August 2021 submitted on 9th September 2021 and the final payment of Kshs.7,358,177.25 made on 10th September 2021 and not before issuance of the certificate.	Ag. DDF&A	Resolved	

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Appendix I: Progress on Follow up of Auditor Recommendations

Budget control and performance	Operations of the Authority were greatly hampered by the Covid-19 Pandemic in the FY 2020/2021, which affected both the Authorities revenue streams and ability to undertake various scheduled activities, which were either downscaled, delayed or suspended both within the Authority and on the part of service providers and other stakeholders.	Management	Resolved
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Mr. Daniel Kiptoo Bargarora
Director General

Date:

Appendix II: Projects Implemented by the Entity

The authority did not implement any projects during the Financial year.

Appendix III: Recording of Transfers from Other Government Entities

Name of Entity	Date received as per bank statement	Nature	Total Amount - KES	Where Recorded/recognized		
				Statement of Financial Performance	Deferred Income	Total Transfers during the Year
Ministry of Petroleum and Mining	07/04/2022	Recurrent	100,000,000	5,817,507	94,182,493	100,000,000
Ministry of Petroleum and Mining	13/05/2022	Recurrent	100,000,000	-	100,000,000	100,000,000
Energy Act Stakeholders		- Recurrent	11,200,000	2,748,660	8,451,340	11,200,000
			211,200,000	8,566,167	202,633,833	211,200,000

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The Authority received Ksh 200M and Ksh 11,200,000 from Ministry of Petroleum and Mining and Energy Act Stakeholders respectively.

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