

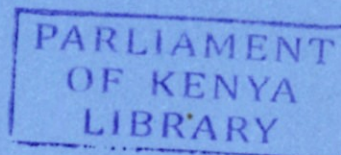
REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF



THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	12 JUN 2024 Wednesday
TABLED BY:	Deputy majority leader Hon. Owen Banya, MP
CLERK AT THE TABLE:	Minam Mado

ENERGY AND PETROLEUM REGULATORY AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2023**





ENERGY AND PETROLEUM REGULATORY AUTHORITY

ANNUAL FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2023

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

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

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Energy & Petroleum Regulatory Authority

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1. Acronyms, Abbreviations and Glossary of Terms

EPRA	ENERGY AND PETROLEUM REGULATORY AUTHORITY
IPSAS	INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS
PFM	PUBLIC FINANCE MANAGEMENT ACT, 2012
DG	DIRECTOR GENERAL
BETA	BOTTOM UP ECONOMIC TRANSFORMATION AGENDA
INEP	INTEGRATED NATIONAL ENERGY PLAN
LCPDP	LEAST COST POWER DEVELOPMENT PLAN



Energy & Petroleum Regulatory Authority

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2. Key Entity Information and Management

1. General Information

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

The Board of Directors who held office during the financial year ended 30th June 2023 were:

Name	Designation
Hon. Justice Prof Jackton B. Ojwang'	Chairman
Eng. Mercy Wambugu	Board Member
Mr. Daniel Ndonye	Board Member
Mr. Moses Mutuli	Board Member
Mr. George Mwakule	Board Member
Mr. Albert Mwenda	Representing PS, National Treasury
Ms. Caroline Gathii	Board Member
Mr. Barnabas Ngeno	Representing Council of Governors.
Mr. Masini Ichwara	Representing PS, State Department of Energy
Mr. Daniel Kiptoo Bargarora	Director General

Energy & Petroleum Regulatory Authority

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2. Key Entity Information and Management

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibilities were

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

Energy & Petroleum Regulatory Authority

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2. 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. Board meetings are held regularly to review EPRA's performance against set targets and business plans as well as to formulate and implement strategy. The Board works through the Committees listed below;

Board Finance and Administration Committee

The Authority's Finance and Administration Committee is chaired by an independent 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 an independent Director and the members are independent Directors. The members are Mr Moses Mutuli (Chairman), Mr. Barnabus Ng'eno, Mr. James Ng'ang'a, and Mr. Albert Mwendwa. 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 an independent 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 Financial Statements for the year ended 30 June 2023

2. 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
P O Box 42681-00100
Nairobi

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, Universty Way
P O Box 30084-00100 Nairobi, Kenya




j) Principal legal adviser

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 Financial Statements for the year ended 30 June 2023




3. 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>Mr. Alex Wachira, BSCN Principal Secretary, Ministry of Energy</p>	<p>Mr. Alex Wachira was appointed the Principal Secretary, Ministry of Energy & Petroleum, State Department of Energy in December 2022. He holds a Bachelor of Science degree in Nursing from the University of Nairobi and is currently pursuing a Master of Arts degree in Leadership at Pan African Christian University. He has a wealth of experience from the private sector where he worked as an investment banker. He previously worked with Faida Investment Bank where he traded and structured treasury bonds and corporate bonds at the Nairobi Securities Exchange. He has also worked with Dyer & Blair Investment Bank and Genghis Capital limited.</p> <p>Mr. Wachira was a founding member of the Bonds Market Association as well as a member of the Steering Committee of the Kenya Association of Stock Brokers and Investment Bankers. He has spearheaded community initiatives such as youth mentorship programme and sports tournaments among other similar projects.</p> <p>Date of Birth: 12th January, 1982</p>
 <p>Mr. Mohamed Liban Principal Secretary, State Department for Petroleum</p>	<p>Mr. Mohamed Liban is the Principal Secretary for the State Department for Petroleum having been appointed to the position in December, 2022. Prior to the appointment, he was the Chairman of the Ewaso Ng'iro North Development Authority.</p> <p>Mr. Liban has a wealth of leadership capabilities having served as Regional Elections Coordinator under the Independent Electoral and Boundaries Commission from 2009 - 2017. Other positions held include Regional Health Manager with the Kenya Red Cross Society and Deputy Chief Clinical Officer at the Ministry of Health.</p> <p>Among other qualifications, Mr. Liban holds a Masters of Public Health and Epidemiology from Kenyatta University, Higher National Diploma in Cataract Surgery from the Kenya Medical Training College (KMTC), International Diploma in Community Eye Health from London University and, Higher National Diploma in Ophthalmology from KMTC. He has also attended several Human Resource Management courses. The PS is a Life Member of the Kenya Society for the Blind and Kenya Red Cross Society.</p> <p>Date of Birth: 2nd June, 1961</p>

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

3. Board Members

 <p>Mr. Albert Mwenda Representing PS, National Treasury</p>	<p>Mr. Albert Mwenda is the Director General, Budget, Fiscal and Economic Affairs. He holds a Master's 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>Mr. Barnabus Ngeno Representing Council of Governors.</p>	<p>Hon. Barnabas Ngeno has vast experience in housing, lands and urban governance. 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 oversaw 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>Eng. Wambugu 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>Eng. Wambugu 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>Date of Birth: 27th May 1961</p>

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023




3. 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>Date of Birth: 24th August 1949</p>
 <p>Mr. Moses Mutuli Board Member</p>	<p>Mr. Mutuli 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 (FeASK). 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>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>Date of Birth: 9th April 1963</p>

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

3. Board Members

 <p>Mr. Masini J. Ichwara Representing PS, State Department of Energy</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>Ms. Caroline Gathii Board Member</p>	<p>Ms. Gathii is a governance, trade and risk expert with over twenty (20) years of multi-sectoral and regional experience in governance, risk and financial management. She commenced her career at PwC, before moving to KPMG East Africa and later to the European Union. She currently manages a risk advisory company, FirstIdea Consulting (FIC) Limited.</p> <p>Her expertise has seen her serve as a board member at Faulu Bank, Africa Economic Research Consortium (AERC) and Wetlands International Board. She also serves as a board advisor and the immediate past President of Organization of Women in International Trade (OWIT) Kenya and the Advisor of OWIT African Countries.</p> <p>Ms. Gathii holds a Master's degree in Financial Management and a Bachelor of Science in Accounting. She also holds an International Professional Diploma and Certificate in Enterprise Risk Management (ERM) from the Institute of Risk Management (IRM), United Kingdom. She is a Certified Public Accountant (CPA-K) and holds a Higher Diploma in Human Resource Management (HRM).</p> <p>Date of Birth: 18th November, 1974</p>
 <p>Mr. Daniel Kiptoo Director General</p>	<p>Mr. Daniel Kiptoo is a consummate energy professional, he is a lawyer by training but an energy specialist by trade. He has vast experience in the electricity and petroleum sub sectors with a specific focus in policy formulation, legislative drafting, regulation, negotiation, and structured financing.</p> <p>He is currently the Director General of the Energy and Petroleum Regulatory Authority (EPRA) in Kenya, the Authority is the body mandated with the technical and economic regulation of the electricity and petroleum sectors in the Republic of Kenya. In his current role, which commenced on the 14th of December 2020, he regulates the entire value chain in electricity, from generation, transmission, distribution and retail as well as upstream, midstream and downstream in petroleum.</p> <p>Previously, he served as the legal advisor in the Ministry of Energy and Petroleum. At the Ministry, he was the Chairman of the Government's First Oil Committee charged with delivery of first oil for Kenya. He also represented Kenya in several Investor-State Arbitrations and was a member of two task forces on Independent Power Producers (IPPs). Prior to his role as legal advisor, he worked in the private sector with an Africa centric oil</p>

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

3. Board Members

	<p>& gas risk consultancy as the oil & gas legal affairs director and with the Energy Regulatory Commission (ERC) in the Legal department. He is one of the drafters of the Kenyan Energy Act (2019) and Petroleum Act (2019).</p> <p>He holds Master of Business Administration (MBA) degree in Energy & Sustainability from the University of Cumbria and a Master of Laws (LLM) in Petroleum Law and Policy from University of Dundee, both in the United Kingdom, a bachelor's degree in law (LLB) from the University of Nairobi and a Post Graduate Diploma (Dip.) from the Kenya School of Law. Mr. Kiptoo is a Harvard Senior Executive Fellow (SEF) and he holds two executive certificates, one in public policy and another in economic development, both from the Harvard Kennedy School of Government. He is currently pursuing a PhD from the Centre for Energy, Petroleum and Mineral Law and Policy (CEPMLP) at the University of Dundee.</p> <p>Date of Birth: 17th February, 1984</p>
 <p>Ms. Mueni Mutunga Board Secretary</p>	<p>Ms. Mutunga 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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4. Management Team

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

Energy & Petroleum Regulatory Authority

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4. 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 Orege 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 Financial Statements for the year ended 30 June 2023

5. Chairman's Statement

I am honoured to present the Authority's annual report and financial statements for the year ending 30th June 2023. This report highlights the diligent efforts made by the Authority in pursuit of our nation's core development aspirations.

The Authority remains committed to enhancing its operations through the development and enforcement of regulations, robust monitoring of sector utilities, energy sector pricing, and effective complaint resolution mechanisms. Each of these processes is continuously refined to improve efficiency and effectiveness in fulfilling our mandate.

Throughout the year, the Authority fortified its regulatory mandate by gazetting and finalizing Regulatory Impact Assessments for key regulations in the Electricity, Renewable Energy, and Petroleum sub-sectors. Notably, in the Petroleum sub-sector, the Authority finalized and gazetted the Petroleum (Pricing) Regulations 2022 and Petroleum (Importation) Regulations 2023 for implementation. These regulations are poised to bolster the effectiveness of our petroleum product pricing framework and enhance efficiency in our importation system. Additionally, the Authority conducted Regulatory Impact Assessments and public participations for an additional thirteen regulations in the petroleum sector, forwarding them to the Cabinet Secretary for Approval.

In the Electricity and Renewable Energy sub-sectors, the Authority concluded the Draft Energy (Mini Grids) Regulations, having obtained all necessary statutory approvals and currently awaiting gazettelement for implementation. Furthermore, the Authority gazetted the Draft Energy (Net Metering) Regulations and Draft Energy (Solar Photovoltaic) Regulations for public input, hosting public participation forums on these Regulations nationally. The Authority also completed the Regulatory Impact Assessment for the Draft Energy (Electricity Tariff) Regulations, Draft Energy (Electricity Regulatory Accounts) Regulations, and Draft Energy (Integrated National Energy Plan) Regulations. The Authority also initiated the Regulatory Impact Assessment for the Draft Energy (System Operation) Regulations and Draft Energy (Electricity Reliability, Quality of Supply, and Service) Regulations during the year.

Numerous regulations necessitate development or updating to align with the Energy Act and Petroleum Act. The Authority is committed to collaborating with the Ministry of Energy, and the Ministry of Petroleum and Mining to secure budgetary resources for the development and implementation of these regulations. Furthermore, the Authority will persist in its collaboration with stakeholders to enhance our regulatory mandate by adopting best practices and fostering an improved business environment in the country.

In closing, the Authority extends its heartfelt appreciation for the support received from both the national and county governments, energy sector stakeholders, and all Kenyans at large. I would also like to take this opportunity to commend the dedicated staff, Management, and fellow Directors of the Board for their unwavering commitment and outstanding execution of our mandate, contributing to yet another successful year that strives to meet or exceed our stakeholders' expectations.

Hon. Justice Prof Jackton B. Ojwang'
Chairman

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

6. Report of the Director General

Kenya's energy sector continues to make significant advancements in bolstering its policy and regulatory frameworks, driven by the operationalization of the Energy Act and the Petroleum Act. The effective implementation of these reforms has substantially improved service delivery for both the general public and stakeholders within the Energy and Petroleum sectors. As we conclude the financial year in June 2023, we celebrate remarkable milestones, firmly aligning with our nation's economic growth objectives as outlined in Vision 2030 and the Bottom Up Economic Transformation Agenda (BETA).

In the electricity subsector, our collaborative, multi-agency approach to energy planning continued, with Kenya Power and Lighting Company (KPLC) coordinating the development of the Least Cost Power Development Plan (LCPDP). This report was compiled on an interim basis while the Integrated National Energy Plan (INEP) framework and its associated regulations approached finalization.

At sector performance level, the continued implementation of post-Covid economic recovery strategies led to resurgence in economic activities contributing to a historic peak demand of 2,149MW for the fiscal year ending in June 2023. The government's commitment to achieving universal electricity access continued with the implementation of the Last Mile Connectivity Project, with a record 9,212,581 customers connected as of June 2023. In electricity generation, increased investments in power generation led to installed capacity of 3,312MW by June 2023, comprising 839.3MW from hydroelectric power, 940MW from geothermal power, 646.3MW from thermal sources, 436MW from wind power, 210.3MW from solar, 2MW from biomass, 38.38MW from isolated Minigrids, and 200MW from imports.

The Authority has adhered to its commitment of reviewing Power Purchase Agreements (PPAs) within 60 days of receiving materially complete applications, as stipulated in the Energy Act. The Authority reviewed and approved the Energy Exchange Agreement between Uganda Electricity Transmission Company Limited (UETCL) and KPLC. Additionally, the Authority granted its approval to the PPA between KPLC and Ethiopia Electric Power (EEP) for 200MW, and the transmission interconnection agreement involving KPLC, KETRACO, and Ethiopia Electric Power (EEP).

In the Petroleum sub-sector, the Authority received the final submission of the draft South Lokichar Field Development Plan (FDP). In accordance with its mandate outlined in section 32 (3), the Authority is tasked with scrutinizing the FDP and subsequently submitting it to the Cabinet Secretary for approval. The submission from the Kenya Joint Venture (KJV) partners, together with the subsequent review and approval of the FDP, signifies a significant stride toward realizing the final investment decision (FID) and achieving the milestone of First Oil. The FDP outlines a 3-year development phase post-FID, estimating 504 MMbbl of crude resources, with the potential for additional discoveries following a successful exploration and appraisal program.

Stakeholder engagement remains at the core of our regulatory function. Throughout the year, we hosted numerous stakeholder engagements on a wide array of topics. The Authority also launched a public safety campaign titled "Kaa Safe Mtaani" with the aim of educating the public on the safe utilization of petroleum and electricity. A post-campaign survey revealed that 86% of those who encountered the campaign were inspired to adopt safety precautions.

In the year under review, the Authority collected KES. 1.16 billion from the petroleum levy compared to KES. 1.19 billion the previous year, a decrease of 3%. On the other hand, the electricity levy increased by 33.6% from KES. 304 million in 2021/2022 to KES. 406 million in 2022/2023. We received a total of Kes 82.5M from Ministry of Petroleum and Mining during the period. In total, non-exchange revenue went up by 6.1% from KES. 1.55 billion in 2021/22 to KES.1.64 billion in 2022/23. The total recurrent expenditure increased by 13.6% from KES. 1.50 billion in 2021/22 to KES. 1.71 billion in 2022/2023.

The Authority's total asset base increased by 3.2% from KES. 913.53 million in the previous period to KES. 942.85million in 2022/23. Non-current assets decreased by 3.8% to KES. 299.2 million from KES. 308.8 million. Current sets went up by 6.4% to KES. 643.61 million from KES. 604.75 million. Current liabilities increased by 10.3% to KES 553.86 million up from KES. 484.06 million in the 2021/22 financial year. Further, total equity decreased by 4.8% from KES 429.46 million in 2021/2022 to KES 388.99 million in 2022/2023.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

6. Report of the Director General



Mr Daniel Kiptoo Bargona
Director General

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

7. Statement of Performance against Predetermined Objectives For F/Y 2022/23

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 2020/2021-2022/2023. 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 2022/2023 period for its 4 strategic pillars, as indicated below:

Energy & Petroleum Regulatory Authority

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Statement of Performance Against Predetermined Objectives For F/Y 2022/23

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/revision 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 Financial Statements for the year ended 30 June 2023

Statement of Performance Against Predetermined Objectives For F/Y 2022/23

<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 Financial Statements for the year ended 30 June 2023

Statement of Performance Against Predetermined Objectives For F/Y 2022/23

<p>Pillar 3-Consumer Protection</p>	<p>To enhance regulatory awareness, compliance and safety (Consumer Protection)</p>	<p>a) Number of stakeholder sensitization forums on energy related issues b) No. of public safety campaigns conducted c) Report on outcome of inspections undertaken (compliant vs non-compliant) d) number of operational partnerships and collaborations</p>	<p>a) Organize public awareness/ sensitization forums b) Design and implement public safety campaigns c) Undertake inspections of petroleum, LPG, Renewable Energy and Electricity facilities, to enforce compliance with Energy Act 2019 and Petroleum Act 2019 d) Implement strategic partnership & collaboration</p>	<p>a) Coordinated 25 public awareness workshops 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; c) Undertook 3,671 surveillance inspections 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; e) Established MOU with the Kenya National Library Service (KNLS)</p>
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Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

Statement of Performance Against Predetermined Objectives For F/Y 2022/23

Pillar 4-Institutional Capability	To enhance our institutional capabilities (Institutional Capabilities)	<p>a) Number of interns engaged</p> <p>b) Board Evaluation Report</p> <p>c) Compliance with the Quality Management System</p> <p>d) Number of processes audited</p> <p>e) Amount allocated to special groups, i.e., youth, women and PWDs</p> <p>f) Amount allocated to procurement budget for locally sourced goods and services</p> <p>g) Assets disposed</p> <p>f) Operational disaster recovery plan</p>	<p>a) Offer internship opportunities</p> <p>b) Undertake Board Evaluation</p> <p>c) Maintain the Quality Management System</p> <p>d) Provide risk assurance by performing risk-based audits of the processes</p> <p>e) Uptake of 30% value of tender awarded</p> <p>f) Reserve a minimum of 40% of the procurement budget for locally sourced goods and services</p> <p>g) Undertake disposal of idle assets</p> <p>h) Review and implement the disaster recovery plan</p>	<p>a) Board Evaluation undertaken on 6th August, 2021; b) Engaged a total of 35 interns and 13 attaches; c) Implemented a new staff establishment and advertised 61 job vacancies; d) Developed and approved policies on Rewards and Sanctions, Road Safety, Sexual and Gender Based Violence and Alcohol and Drug Abuse; e) KEBS surveillance audits conducted as follows: Mombasa office on 18th October 2021, Eldoret Office on 19th October 2021; and HQ on 22nd October 2021; f) 11 operational/ systems internal audits and 5 follow-up audits conducted; g) Engaged a consultant to review the Authority's Enterprise Risk Management framework; h) Utilized Kshs. 1,686,739,307.31 against a target of Kshs. 2,102,427,788 translating to an achievement of 80.23%; i) Realized Kshs. 1,718,524,088.03 against an annual target of Kshs. 2,137,562,840.00 translating to an achievement of</p>
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Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

Statement of Performance Against Predetermined Objectives For F/Y 2022/23

				80-40%) Awarded contracts worth Kshs 38,900,936 19 to Youth, Women and PWDs categories of suppliers k) Awarded contracts worth Kshs 440,005,891 49 for supply of locally produced and servicesd) Awarded contracts worth KES 18,963,075 84 to Youths, Women and PWD categories of suppliers e) Awarded tenders worth KES 221,231,401 00 for supply of locally produced goods and servicesf) Disaster recovery site was setup in Kisumu
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Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

8. 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) Jackton 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 Financial Statements for the year ended 30 June 2023

8. 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, overseeing risk management, establishing internal system of controls, business plans and budgets, procurement, ICT, public relations, administration and staff affairs. During the year, members were; Mr. Daniel Ndonge (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 Ndonge, 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 Financial Statements for the year ended 30 June 2023

8. 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 Financial Statements for the year ended 30 June 2023

8. Corporate Governance Statement

2.13 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.

2.14 Compliance With Statutory Requirements.

i) Governance Audit

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.

ii) 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.

2.15 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;

- a) The completeness and accuracy of accounting records
- b) The integrity and reliability of Authority's annual financial statements and
- c) The safeguarding of Authority's assets

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

8. Corporate Governance Statement

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

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 Financial Statements for the year ended 30 June 2023

8. Corporate Governance Statement

3. 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 (8)	Finance & Administration Committee - Total No of Meetings (6)	Technical Committee - Total No of Meetings (6)	Audit & Risk Committee - Total No of Meetings (4)	Pension Board Meetings (3)
Hon Justice Jackton Ojwang	Board Chairman	8/8	N/A	N/A	N/A	N/A
Eng Mercy Wambugu	Member	8/8	5/6	6/6	N/A	N/A
Mr Daniel Ndonye	Member	8/8	6/6	6/6	N/A	N/A
Mr Moses Mutuli	Member	8/8	5/6	6/6	4/4	N/A
Mr George Mwakule	Rep National Treasury	8/8	6/6	N/A	N/A	3/3
Ms Caroline Gathui	Rep MOE	7/8	N/A	5/6	2/4	N/A
Mr Barnabas Ngeno	Rep MOE	8/8	N/A	6/6	4/4	N/A
Mr Albert Mwenda	Rep MOE	3/8	4/6	N/A	2/4	N/A
Mr Masini Ichwara	Rep MOPM	7/8	N/A	6/6	N/A	3/3
Mr Daniel Kiptoo Bargarua	Rep Council of Governors	7/8	6/6	4/6	N/A	N/A

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

9. Management Discussion and Analysis

Section A: Operational and Financial Performance

1. Economic Regulation

In the year ending June 2023, Kenya's total interconnected installed capacity rise to 3,038MW, comprising of 839MW hydroelectric power generators, 940MW of Geothermal, and 578MW of Thermal, 436MW of Wind, 210MW of Solar and 2MW from Biomass. Notable during the year there was the addition of 40MW solar from Alten Kenya, 35MW of Geothermal from Sosian Ltd and 200MW of imports from Ethiopia. In the same year, 73.5MW of thermal power from Kipevu I and 45MW of Geothermal from Olkaria I were decommissioned.

In addition, there is also 38MW from isolated public mini grids bringing the total installed capacity to 3,238MW. The highest peak demand of 2,149MW was recorded in February 2023. The contribution of each technology to the interconnected system is illustrated in table 1.

Table 1 Generation Capacity as at June 2023

Technology	June 2022		June 2023	
	Installed MW	Effective (MW)	Installed MW	Effective (MW)
Hydro	838	809	839	810
Geothermal	949	871	940	876
Thermal (MSD)	586	566	513	506
Thermal (GT)	60	56	60	56
Biomass	2	2	2	2
Solar	170	170	210	210
Wind	436	426	436	426
Off-Grid	34	23	38	25
Total	3,075	2,923	3,038	2,911

2. Energy Planning

i) Least Cost Power Development Plan

During the financial year 2022/2023, the Authority with the sector utilities prepared a Medium-Term Plan 2023-2027. The plan intended to present a feasible generation and transmission capacity expansion strategy, designed to meet the projected electricity demand for the next five years, subject to identified constraints. From the simulations the following can be deduced:

- 1). From the base year, 2022, energy purchased grows at an average of 4.6% from 12,985GWh to 16,296GWh in 2027 under the reference scenario. The total electricity sales grow at an annual average rate of 6.22% from 10,069GWh in 2022 to 13,616GWh in 2027.
- 2). Peak demand is expected to grow over the medium-term period from 2,149MW recorded in 2022 to 2,696MW in 2027 at a steady growth rate of 4.6%.
- 3). The total interconnected effective capacity grows from 3,233 MW in 2023 to 4,153 MW in 2027 as firm capacity increases to 3,185 MW from 2,540 MW. This is against a peak load plus reserve margin of 2,525 MW in 2023 increasing to 3,049 MW by the end of the MTP period.
- 4). The annual vented steam averages at 17% of the potential maximum geothermal generation due to the high share of inflexible generation capacity in the system. Additionally, excess energy as a percentage of annual generation averages 2% over the planning period.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

9. Management Discussion and Analysis

5). In the medium term, the plan projects the network to expand by 4,598.5km in circuit length and 9,926MVA in substation capacity at a total investment cost of USD 2,728 Million.

6). The overall system cost under reference scenario is projected to increase from US\$ 1.128 billion in 2023 to US\$ 1.459 billion in 2027. This results to the end user retail tariff evolving from Kshs. 22.80/kWh in 2022 to Kshs. 24.62/kWh in 2027. The generation unit cost over the planning averages Kshs. 11.65/kWh.

7). Study on Ancillary Service Requirements in the Power Sector.

The Authority 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 study was intended to address the growing need for restructuring the power system to accommodate the large number of intermittent renewable energy technologies with the attendant extra demand for ancillary services. These include; ancillary services for load following, frequency control, voltage support and black start capability to maintain grid stability, reliability, security, and quality of supply.

8). Following completion of the study, the report provided substantive recommendations on amendments to the following policy and legal instruments:

- a. Draft Kenya Transmission and Distribution grid code to accommodate ancillary service requirements by both generators and transmission infrastructure operators.
- b. Key regulations namely:
 - ◆ The Energy (System Operations) Regulations
 - ◆ The Energy (Net Metering) Regulations.
 - ◆ The Energy (Electricity Reliability, Quality of Supply and Service) Regulations
 - ◆ The Energy (Electricity Supply) Regulations
- c. Policy documents including the draft captive power policy and Feed-In Tariff policy to provide a framework for provision of ancillary services and also necessary interventions in case of breach by developers.
- d. New and existing PPAs where possible to introduce ancillary services clauses.
- e. Recommend to the System Operator a review of the Operational Manual in order to accommodate the expected operational environment.

9). The study however revealed significant gaps particularly in two critical areas: lack of system modelling to identify the nature and timing of ancillary services requirements in the Kenyan system and failure to provide a tariff methodology to price these services. To bridge these two gaps, the Authority will engage an eligible consultant or a consortium to undertake an in-depth assessment of the Kenyan power system and quantify the amount of ancillary services required to maintain system stability, develop a pricing methodology for these services and make appropriate recommendations for amendments to existing energy contracts to accommodate sale and purchase for ancillary services from the respective power plants.

3. 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.

i) Bulk Electricity Tariffs/Prices

The Energy Act, 2019 mandates the Authority to process Power Purchase Agreements within 60 days of their receipt.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

9. Management Discussion and Analysis

During the financial year 2022/23, the Authority received and approved seven (7) Power Purchase Agreements (PPA) and Network Service Contracts (NSC) as follows:

1. Energy Exchange Agreement between UETCL and KPLC – 40 working days
2. Power Purchase Agreement between Bamburi Cement Limited and Momnai Energy Limited for supply of electricity to Bamburi's Mombasa Cement Plant – 21 working days
3. Power Purchase Agreement between Bamburi Cement Limited and Momnai Energy Limited for supply of electricity to Bamburi's Nairobi Cement Plant – 21 working days
4. Power Purchase Agreement between Kenya Power and Lighting Company and Ethiopia Electric Power (EEP) – 69 working days
5. The Transmission Interconnection Agreement between KPLC, Ketraco and EEP – 69 working days
6. Power Purchase Agreement between Rentco Renewable Energy Limited and Kipkebe Limited for a 1.3MW solar Power Plant at Kipkebe and Keritor Tea Factories – 67 working days
7. Power Purchase Agreements between Everseasons Limited with Bureti and Chemalal Tea Factories for a 1.671MW hydro Power Plant in Bureti, Kericho County – 72 working days

ii) Mini-grid Tariffs

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

1. TRM Holdings Ltd, Thika Road Mall, Nairobi County
2. Edermann Property Ltd at Greatwall Gardens Phase 2, Mavoko, Machakos County
3. Kudura Power Minigrad Tariff Applications for 28 sites in Turkana County

iii) Retail Electricity Prices

During the financial year under review, new tariffs and tariff structures for Kenya Power for the 4th Tariff Control Period became effective from 1st April 2023.

Further, during the year, the Authority recovered through the Pass-through Mechanism unrecovered amounts due to unchanged pass-through costs that had been in effect for a period of eight (8) months, from January to August 2022 as well as the recovery of power purchase obligations due to KPLC between September 2022 and February 2023. The Authority further factored arrears due to Kenya Power as the deficit arising from GOK's commitment to support achievement of the presidential directive of 15% reduction in the end-user tariffs across all customer categories.

The approved Fuel Energy Cost (FEC) increased from Kshs 4.39/kWh in July 2022 to Kshs 4.49/kWh in June 2023 as thermal generation increased from 7.7% to 8.44% over the same period. Hydropower generation decreased over the period from 24.6% to 21.05% due to declined hydrology. WARMA levy was therefore reflected at Kshs 0.0193/kWh and 0.0131/kWh in July 2022 and June 2023 respectively.

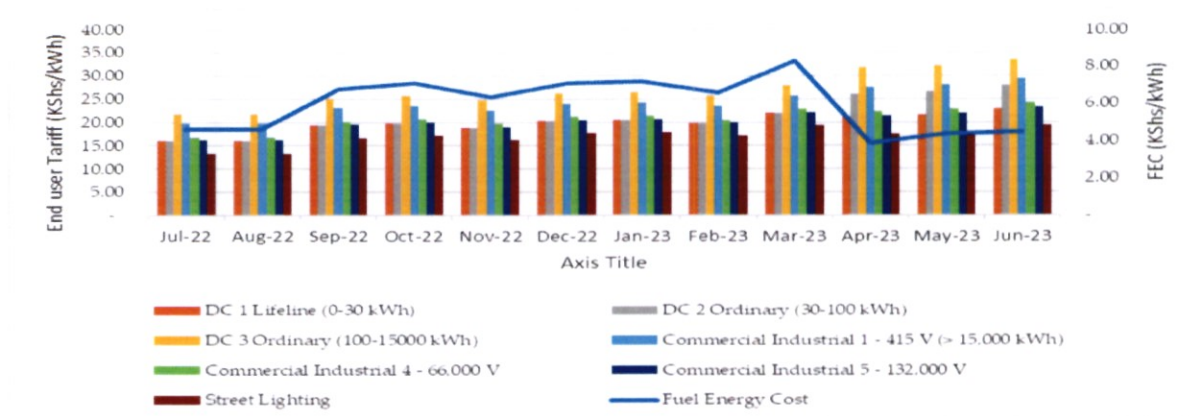
FERFA increased over the financial year and was reflected in consumer bills at Kshs +1.6139/kWh in July 2022 and Kshs +2.0599/kWh in June 2023. Inflation adjustment increased on end-user tariffs from Kshs 0.66 /kWh to Kshs 0.85/kWh.

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

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

9. Management Discussion and Analysis



iv) Petroleum Pump Prices

According to Part III section 11 (b) of the Energy Act 2019, the Authority has the powers set, review and approve contracts, tariffs and charges for common user petroleum logistics facilities and petroleum products. On this account, the Authority, on 14th of every month publishes prices for selected petroleum products which includes Premium Motor Spirit (PMS), Automotive Gas Oil (AGO) and Dual-Purpose Kerosene (DPK).

During the financial year 2022/23, the applicable prices of PMS, AGO and DPK were subsidized up to May 2023 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. From May 2023, imports of Super Petrol, Diesel and Jet A-1/Kerosene was undertaken through a Government-to-Government arrangement which aimed at easing the growing pressure on the US Dollar demand through extended credit period.

As at June 2023, the breakdown of the petroleum pump prices is as shown in figure 1.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

9. Management Discussion and Analysis

Breakdown of the costs of Super Petrol (PMS), Diesel (AGO) and Kerosene (DPK) in Nairobi: 15th June - 14th July 2023				
Cost Item	Cost Description	Super Petrol	Diesel	Kerosene
		Kshs/Litre	Kshs/Litre	Kshs/Litre
Landed Cost (a)	Weighted Average cost for all imports	101.27	98.66	98.34
Pipeline Transport (Msa-Nrb)	Pipeline (100% PMS, AGO & IK)	2.53	2.53	2.53
Road Transport (Msa-Nrb) - Bridging	Road (0% PMS, AGO & IK)	0.00	0.00	0.00
Pipeline Losses	Pipeline (0.25%)	0.10	0.09	0.09
Depot Losses	0.5% PMS; 0.3% For DPK & AGO	0.76	0.42	0.40
Delivery within 40kms of Nrb	Delivery to retail stations	0.54	0.54	0.54
Storage and distribution (b)		3.93	3.58	3.56
Importers Margin	Wholesale	4.20	4.17	4.17
Dealers Margin	Retail Investment & Operating Margin	8.19	8.19	8.19
Oil marketing companies margins (c)		12.39	12.36	12.36
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	1.94	1.90	1.89
Anti-adulteration Levy	Levy	0.00	0.00	18.00
Merchant Shipping Levy	Levy	0.03	0.04	0.03
Import Declaration Fee	Levy	3.40	3.33	3.32
Value Added Tax (VAT)	Tax	13.48	12.39	11.96
Taxes and levies (d)		64.45	52.68	47.22
Retail Prices in Nairobi (a) + (b) + (c) + (d)		182.04	167.28	161.48
Summary		Super Petrol	Diesel	Kerosene
		KShs/Litre	KShs/Litre	KShs/Litre
Products Costs (a)		101.27	98.66	98.34
Distribution and storage Costs (b)		3.93	3.58	3.56
Margins (c)		12.39	12.36	12.36
Taxes & Levies (d)		64.45	52.68	47.22
Retail Prices in Nairobi		182.04	167.28	161.48

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

9. Management Discussion and Analysis

4. Regulatory Research and Policy Analysis

i) EPRA Energy and Petroleum Statistics Report 2023

Pursuant to Section 10(jj) of the Energy Act, 2019, the Authority is mandated to collect and maintain energy data. During the financial year 2022/2023, the Authority undertook the collection, collation, analysis, and maintenance of the energy data and statistics which was used in the preparation of the quarterly, bi-annual, and annual Energy and Petroleum Statistics Reports.

ii) Research Papers

During the financial year 2022/2023, the Authority undertook a study on the Effectiveness of Quality Management Practices in the Implementation of Transmission Projects in Kenya. The findings of the study presented during the Research Conference indicated that the project monitoring process undertaken by EPRA is not adequate in assessing the quality of materials and installation work of transmission projects.

The study recommends the need to enhance the capacity of project quality management through formal training of staff involved in project management.

iii) Research and Innovation Week

One of the key strategic priorities of The Authority is strengthening Energy and Petroleum Sector Research, data management, and information technology. In line with this, the Authority held the Fourth Annual Research and Innovation Week during the 4th quarter of the financial year 2022/2023.

The virtual conference drew participation from both the Authority's internal and external stakeholders. Eight research papers were presented at the conference; six papers from the Authority's staff and two 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.

iv) Performance and Competition monitoring in the Energy Sector

The Authority 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.

The information paper for the financial year 2022/2023 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 conflict that has interrupted international trading activities due to the sanctions imposed by the European Union and America on commodities (especially crude oil) from Russia, and compliance with global environmental commitments.

With regards to competition in the electricity subsector, the paper established the rate of competition in electricity generation to be low at 0.50 in comparison to the Authority 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 power purchase agreements.

For the petroleum subsector, competition is moderate as the HHI at 0.1027 due to 53% of the market being controlled by four companies. As such, the paper recommends increased participation amongst Oil Marketing Companies, through the continued support from the regulator.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

9. 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

Figure i: Graph showing trend of applications received in the financial years 2020/2021 to 2022/2023

Application category	Approved with conditions	Deferred	Average No. of days to process	Total
2020/21	86	517	8.86	603
2021/22	79	563	8.96	642
2022/23	78	314	7.06	393
Total No. of applications in 2020/21 to 2022/23				1,638



Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

9. Management Discussion and Analysis

2. Issuance of Licences for Petroleum Undertakings

During the FY 2022-23, the Authority reviewed a total of 20,521 applications of licence for petroleum undertaking. The Authority approved 15,027 applications which were materially complete and met the requirements for granting of licence. In the same period, 5,494 were rejected because they did not meet these requirements. The performance in the period is illustrated in Table ii and Figure ii below.

Table ii: Applications received and the average performance

Financial Year	Average processing days			Total Number of applications processed
	Petroleum Business Licences	Tanker permits	Petroleum Tanker Driver Certificates	
2020/2021	10.24	7.27	9.59	19,984
2021/2022	9.73	8.00	9.56	19,277
2022/2023	11.40	8.17	9.39	20,521

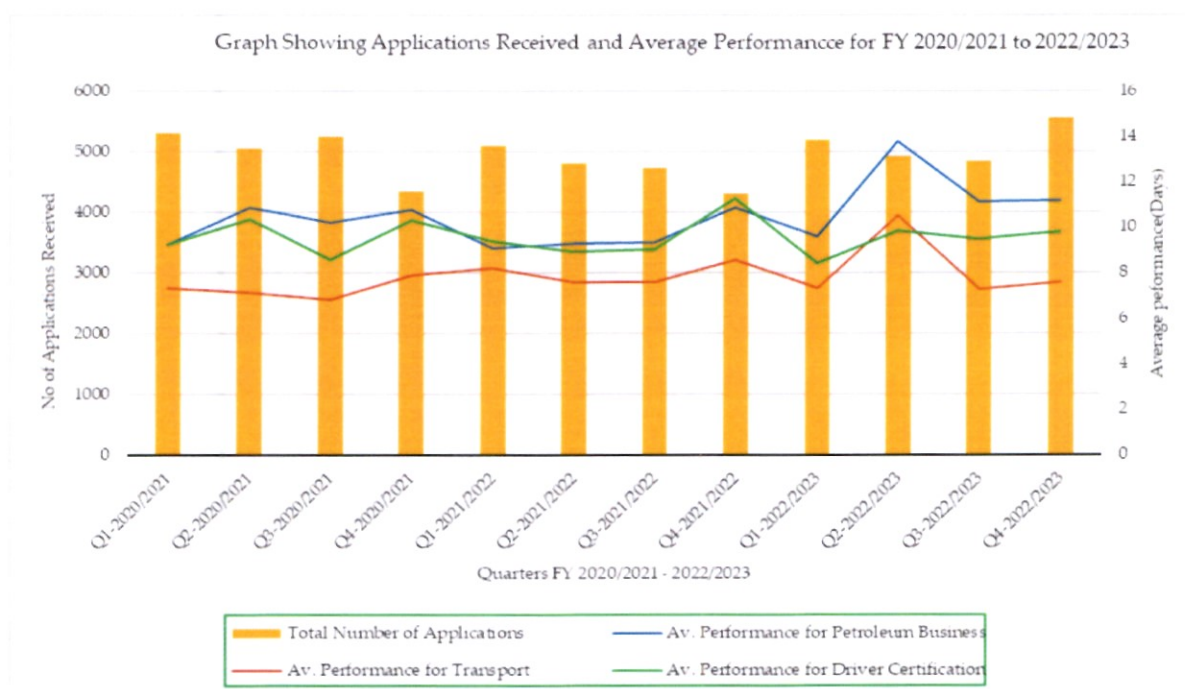


Figure ii: Graph showing trend of applications received and the average performance for the financial years 2020/2021 to 2022/2023

3. Technical audits of petroleum facilities

During the FY 2022-23, the Authority carried out a total of 1,011 technical audits of petroleum facilities. The facilities included bulk storage facilities, LPG storage & refilling plants, pipelines and retail sites. From the audits, 659 facilities had compliance score-rating of over 50% while 348 were below 50% as shown in Table iii and Figure iii:4,5

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

9. 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.

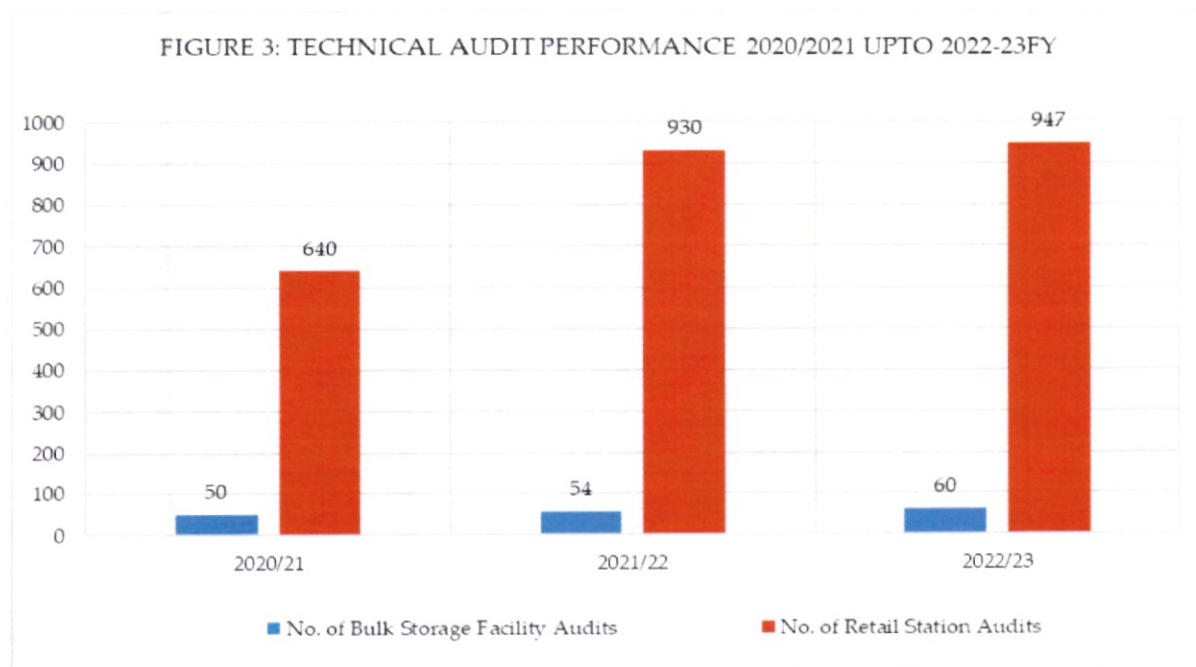


Figure iii:4: Technical audits carried out in the financial years 2020/21 to 2022/23

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

9. Management Discussion and Analysis

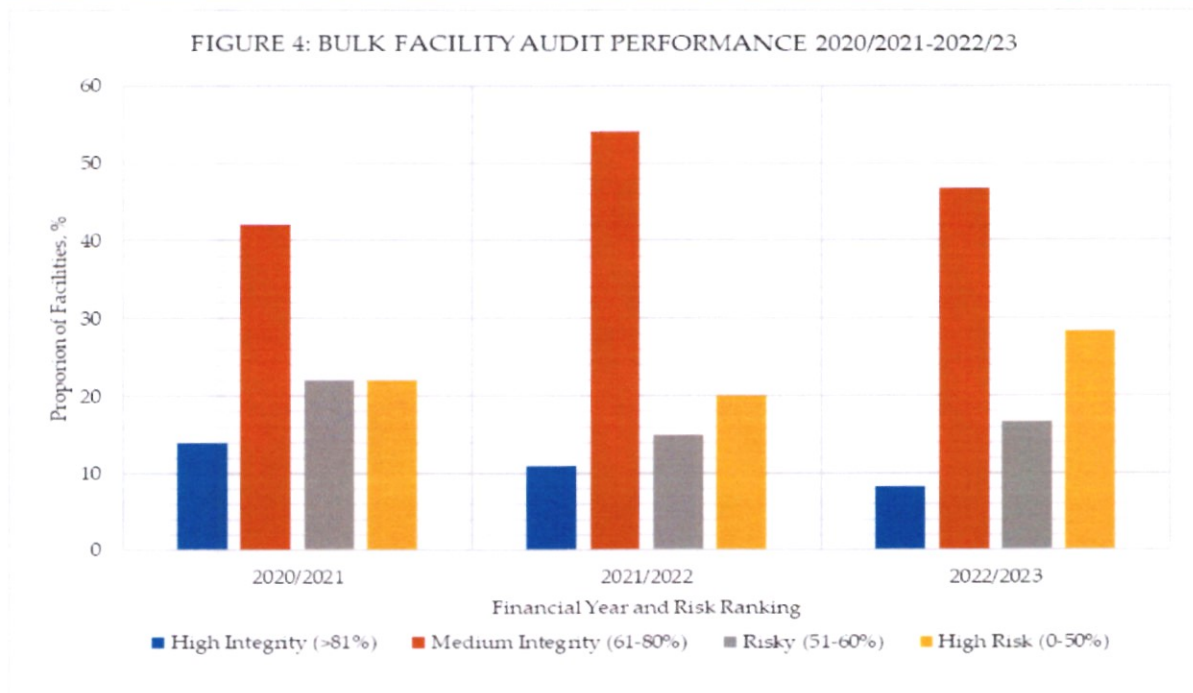


Figure iii:5: Progressive performance of licensed entities as per score-rating for the Financial Years 2020/21-2022/23

4. Accident investigations in the petroleum sector

During the FY 2022-23, the Authority carried out a total of 51 petroleum investigations. The performance in the period is illustrated in Figure iv.

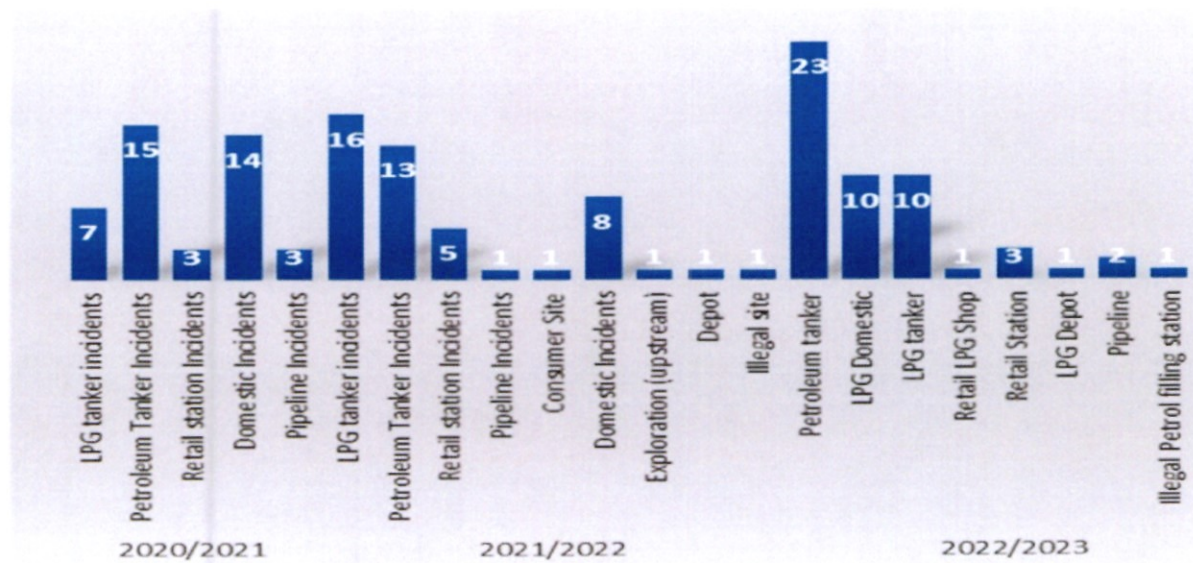


Figure iv: Classification of petroleum accidents in the financial years 2020/21 to 2022/23

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

9. Management Discussion and Analysis

5. 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

Table: v Petroleum product importation data for the period 2020/21 to 2022-23

FY Year	IK (M ³)	Jet A-1 (M ³)	PMS (M ³)	AGO (M ³)	Total (M ³)
2020/2021	150,359.74	565,821.70	2,712,904.47	2,100,157.41	5,529,243.31
2021/2022	126,360.06	707,213.88	2,721,510.76	2,183,569.12	5,738,653.82
2022/2023	98,059.38	797,151.43	2,626,863.60	2,043,264.50	5,565,338.91

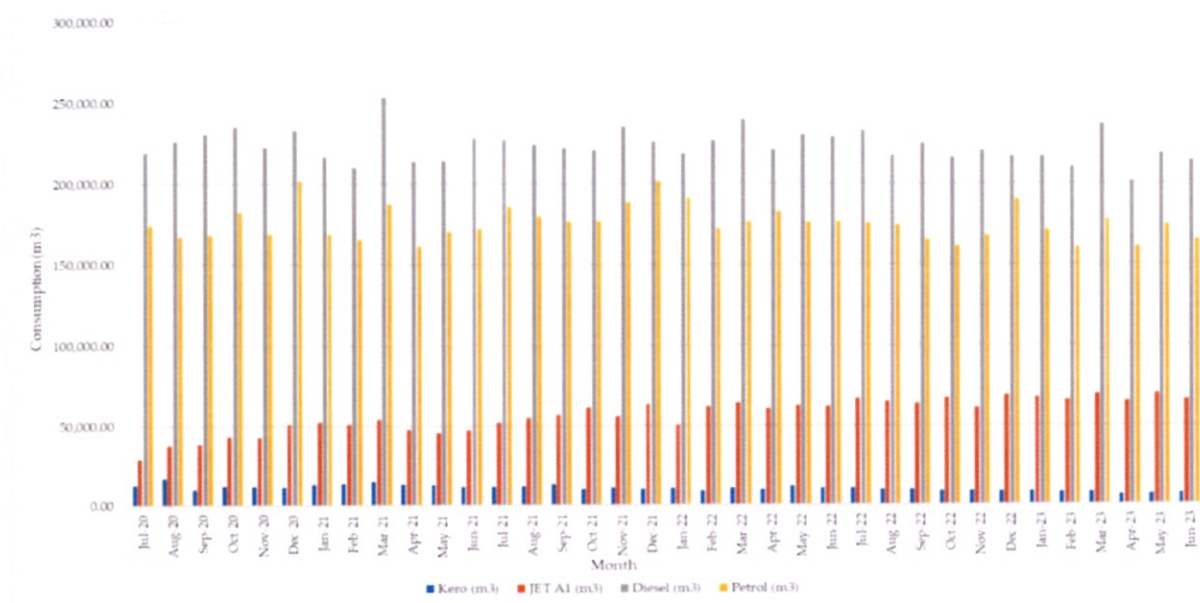


Figure v: Local consumption of imported petroleum products in the period 2020/21 to 2022/23



Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

9. Management Discussion and Analysis

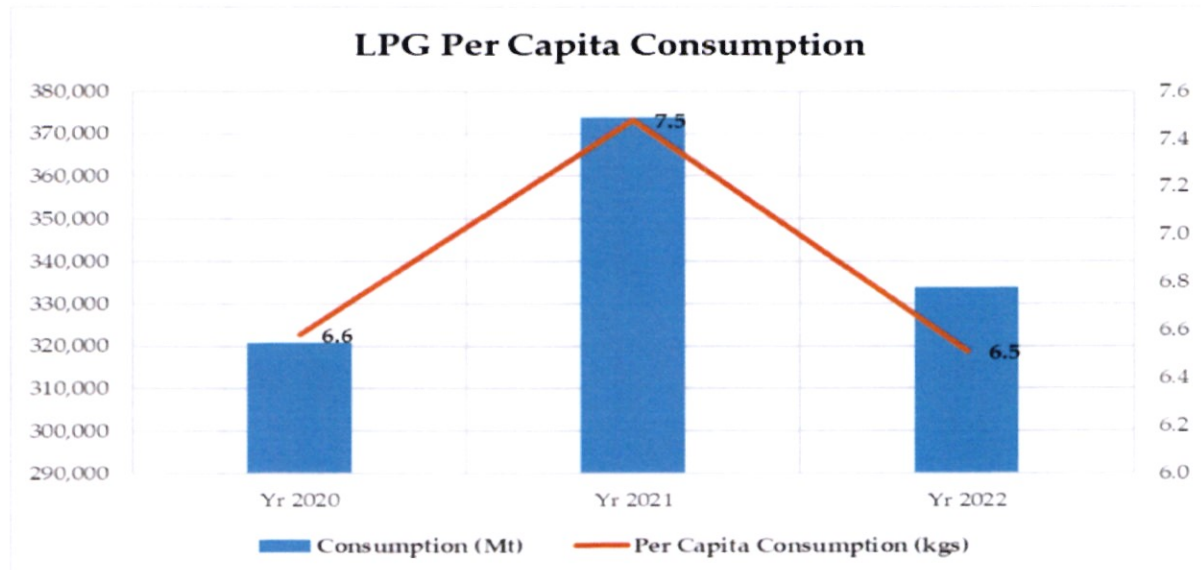


Figure vi: LPG consumption per-capita in the periods 2020/21 to 2022/23

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

10. 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 on-boarding 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 Sexual Harassment, Bribery and Corruption, 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. The recommendations are considered within quality management system for continuous improvement. The Authority carries out skills gap analysis, training needs analysis and also performance appraisal to identify competency gaps. 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. In addition, the Authority has put in place a Talent Management Policy and is working towards implementation of Rewards and Sanctions policy. All these measures ensure a healthy balance between an individual's aspirations, career growth and the needs of the Authority. The Authority strives to maintain employee engagement index of over 75%, which is determined through periodic employee engagement surveys.

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.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

10. Environmental and Sustainability Reporting

The Authority 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.

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

4.1 Enhancing Community Wellbeing through Corporate Social Responsibility

The Authority is committed to making a positive impact on the community through its Corporate Social Responsibility (CSR) efforts. These efforts are guided by the CSR pillars outlined in the communications policy, which encompass Corporate Governance and Ethical Business Practices, Environmental Rehabilitation, Responsibility to Communities, Promoting Energy Efficiency, Responsibility for Staff and Consumers, and Support for Educational Courses. Here are some highlights of the CSR initiatives undertaken during the year:

a) Responsibility to Communities

In support of the "Adopt a Bed Campaign" at the Kenyatta National Hospital, the Authority donated beds and mattresses to enhance patient comfort. This initiative aimed to mobilize resources to replace old beds with new ones, ultimately improving the hospital's facilities and services.

b) Environmental Rehabilitation

Recognizing the vital role of trees in maintaining a healthy ecosystem, the Authority has consistently supported tree planting activities across the country. In collaboration with the Ministry of Environment and the Ministry of Energy, the Authority participated in planting 15,000 trees during the year. These efforts align with Kenya's ambitious goal to plant 15 billion trees by 2032, with the aim of achieving 30% tree cover.

c) Support for Educational Courses

The Authority extended its support to St. Emmaculate Mayekwe Girls in Bungoma County by equipping their boarding facility with beds, mattresses, and bedside lockers. Furthermore, the school received solar panels to promote sustainable energy usage among students, encouraging environmental consciousness from an early age.

Additionally, in line with the government's objective to enhance digital learning in schools, the Authority donated computers to St. Teresia Vocational Training Center in Kakamega County. This contribution is envisioned to equip students with the necessary skills to embrace opportunities in the digital era.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

10. Environmental and Sustainability Reporting

d) Promoting Energy Efficiency

Understanding the significance of energy efficiency in reducing carbon footprints and helping consumers lower utility bills, the Authority took steps to promote energy efficiency in manufacturing industries. It achieved this by training energy auditors responsible for conducting energy audits and recommending efficiency measures to clients.

e) Responsibility to consumers

In November 2022, the Authority launched a consumer education campaign dubbed "Kaa Safe Mtaani". The campaign aimed at creating awareness on the safe handling of electricity and petroleum products. A post-campaign monitoring survey showed that there was positive behaviour change, with 87% of respondents who interacted with the campaign indicating that it motivated them to embrace safety precautions in their homes.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

11. 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, 2023, 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 stakeholders.

2). Results

The results of the Authority for the year ended June 30, 2023 are set out from page 48,.

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). 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. The Authority did not make any surplus during the year and had a deficit of KES 78,791,839.00 hence no remittance to the Consolidated Fund.


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 financial statements set out on pages 49 to 55, which have been prepared on the going concern basis, were approved by the on 28th Sept 23 and were signed on its behalf by:

By Order of the Board

Mr. Robert Mahenia
Ag. Board Secretary



Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

12. 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, 2023. 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, 2023, 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 Authority's financial statements were approved by the Board on 28th Sep 2023 and 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, 2023

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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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, risk management environment and 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

Qualified Opinion

I have audited the accompanying financial statements of Energy and Petroleum Regulatory Authority set out on pages 47 to 83, which comprise the statement of financial position as at 30 June, 2023, 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 Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Energy and Petroleum Regulatory Authority as at 30 June, 2023 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 Energy Act, 2019.

Basis for Qualified Opinion

Receivables from Non-Exchange Transactions

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.348,012,761. Included in the balance is Kshs.221,300,026 receivables from the Kenya Power and Lighting Company (KPLC)-Electricity Levy out of which, an amount of Kshs.83,719,717 had been outstanding for more than two (2) years. However, Kenya Power and Lighting Company Limited had not recognized this liability in their financial records.

In the circumstances, the accuracy, recoverability and completeness of the KPLC-Electricity levy balance of Kshs.83,719,717 could not be confirmed.

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

Emphasis of Matter

Differences in Reported Levies

The statement of financial performance reflects levies amounting to Kshs.1,566,917,417 which, as disclosed in Note 7 to the financial statements, comprises of electricity and petroleum levies of Kshs.406,046,291 and Kshs.1,160,871,126 respectively. However, review of audited financial statements of the Kenya Power and Lighting Company PLC revealed that the Company had electricity sales of 10,234,000,000 KWh. The applicable levy rate for the financial year 2022/2023 was 30cts/KWh which translates to electricity levies of Kshs.307,020,000 whereas the Authority had reported levies of Kshs.406,046,291 resulting in unexplained variance of Kshs.99,026,291. Similarly, no evidence was provided that the Authority maintained an independent data base on the units of electricity purchased and sold by the Kenya Power and Lighting Company PLC as stipulated by Section 10(jj) of the Energy Act, 2019.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, 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

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflect total actual revenue of Kshs.1,726,692,103 against final budgeted revenue of Kshs.2,151,600,276 resulting to a variance of Kshs.424,908,173 or 20%. Similarly, the Authority projected to spend Kshs.2,051,335,749 but incurred an expenditure of Kshs.1,735,453,229 resulting to an under absorption of Kshs.315,882,520 or 15%.

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

2. Unresolved Prior Year Matters

In the audit report of 2021/2022 financial year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given any explanation for failure to resolve them.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and 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, 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. Irregular Procurement of Fuel Marking, Testing and Monitoring Services

During the year under review, Management invited tender bids for petroleum fuel marking, testing and monitoring services. The tender attracted four (4) bidders as was indicated in the tender opening minutes. Review of the tender evaluation report revealed that two (2) firms met the set criteria and were recommended for award being the lowest bidders in both technical and financial at a total price of Kshs.546,354,432 (USD 4,944,384).

Further, a professional opinion issued on 20 December, 2021 by the Head of Procurement recommended award of the tender to the two firms, which was approved by the Director General three days later. The tender was terminated on 28 December, 2021

but Management did not provide a report to Public Procurement and Regulatory Authority (PPRA) indicating reasons for termination in line with Section 63(2) of the Public Procurement and Disposal Act, 2015.

In addition, a letter from PPRA dated 6 December, 2021 directed Management to rescind the procurement process in favor of a local service provider. The letter further indicated that Management should seek authorization to use specifically permitted procurement method for the service provider. Subsequently, Management sought and obtained the approval from The National Treasury on 9 May, 2022, and a tender was issued to the service provider on 15 June, 2022. However, no justification were provided to indicate that the request fulfilled the conditions listed in Regulation 107(1) of the Public Procurement and Asset Disposal Regulations 2020, which require the method to applied in instances of public interest or interest of National Security.

Further, review of the procurement process leading to award of contract to the sole bidder revealed the following anomalies:

- i. The professional opinion was approved on behalf of the Director General on 29 June, 2022. However, no documents were provided to indicate that the approving officer had delegated authority of the Accounting Officer.
- ii. The contract was signed on 1 July, 2022, two (2) days after the acceptance letter and before the lapse of fourteen (14) days provided for in Section 135 (3) of the Public Procurement and Asset Disposal Act, 2015.
- iii. The contract was awarded at a cost of Kshs.2,356,105,351 (USD16,773,403). However, the amount was higher than that quoted in the cancelled tender of Kshs.694,438,732 (USD 4,944,384) by Kshs.1,661,385,718 (USD11,829,019).
- iv. The contract of the previous service provider expired on 31 December, 2021 and a three (3) months extension was granted. However, the new provider was awarded a contract on 1 July, 2022. It was not clear how the services were provided in the remaining three (3) months before a new contract was issued.
- v. Management indicated that the bidder was the only company with capacity to implement the intended Information Technology (IT) system, a fact dispelled by an earlier successful procurement process. Further, no evidence was provided to indicate that the system had been implemented as at the time of conclusion of the audit in March, 2024, which was over nine (9) months later.
- vi. The IT system component was not part of the initial tender requirements, thus constituted a change in scope that would call for an addendum to the tender documents prior to the tender closing date. However, the component was introduced after the evaluation had been concluded, the award recommendation made by the Evaluation Committee, and the professional opinion submitted to the Accounting Officer.
- vii. The condition for approval of specially permitted procurement was availability of budget. However, Management did not demonstrate how additional cost of Kshs.1,661,385,718 (USD 11,829,019) under the new contract was to be funded since it had not been factored in the original budget.

In the circumstances, validity of the tender award, contracting of the service provider could not be confirmed. In addition, the value for money for the services may not be realized.

2. Non-compliance with E-Procurement Requirements

During the year under review, the Authority was yet to migrate fully to the e - procurement in contravention of the Executive Order No.6 of 2016 which required all the public entities to migrate to e-procurement.

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

3. Employees on Acting Appointments Beyond Stipulated Period

Review of human resource records revealed that five (5) officers were appointed to acting positions for periods ranging between one (1) to five (5) years. This was contrary to Section 34 of the Public Service Commission Act, 2017 which provides that employees should not serve in an acting position for more than six (6) months. Management did not explain measures taken to recruit substantive office holders.

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

4. Lack of Governance Audit

Paragraph 1.13 of the Mwongozo code of governance for State Corporations requires that the Board, in consultation with the oversight office, should ensure that it subjects the organization to an annual Governance Audit by a member regulated by Institute of Certified Public Secretaries of Kenya (ICPSK). There was no evidence of Governance Audit for the year 2023 and no explanation was provided why it was not done.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the matter described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Follow Up on Violations by Petroleum Outlets

The Energy and Petroleum Regulatory Authority (EPRA) is mandated by the Energy Act, 2019 to regulate Electric Power, Renewable Energy, Upstream, Midstream and Downstream Petroleum subsectors. Additionally, the Authority enforces the Petroleum Act, 2019 that specifically deals with the Petroleum subsector.

Review of inspection reports at Mombasa Regional Office revealed several cases of noncompliance with the Act by nine (9) petroleum outlets and filling stations including structural deficiencies, pricing violations and lack of operation permits that had been documented during inspections by the Authority officials. However, despite the recommendations and action areas issued against the outlets, there was no evidence of follow up made to review compliance several months after the recommended actions were issued.

In the circumstances, the Authority's objectives during the year may not have been achieved.

2. Inadequate Capacity to Undertake Authority Functions due to Understaffing

The Authority's staff establishment records reflected a staff establishment of four hundred and twenty-four (424) employees against those in place totalling one hundred ninety-one (191) or 45% staffing level. This resulted to capacity challenges in execution of the Authority functions as was evidenced during a field visit to Authority's Regional Offices in Nakuru and Mombasa in the month of January, 2024. For instance, Nakuru office operated lean workforce comprising of three technical officers, one office administration officer and a driver who were expected to serve five (5) expansive counties. Similarly, Mombasa office had three technical officers, one office administration officer and one driver for an office which serves six (6) expansive counties.

In the circumstances, the Authority may not be able to achieve its mandate.

3. Lack of Valid License for Garissa Solar Power Plant

Review of information relating to licensing of power generating firms revealed that Garissa solar power plant owned by the Rural Electrification and Renewable Energy Corporation generated and dispatched power for consumption during in the year under review without a valid license for power generation contrary to Section 117 of the Energy Act, 2019.

In the circumstances, the Authority's ability to undertake any licensing function as provided in the Energy Act of 2019 was in doubt.

4. Lack of Facilitation to Regional Offices

Field visit to the regional offices of Nakuru and Mombasa revealed that office managers were not being facilitated with standing imprest or petty cash for running the office. This resulted in the respective managers spending their own money to run the offices and address unexpected occurrences. Similarly, critical office activities could not be undertaken due to lack of required cash.

In the circumstances, the main operational objectives of the offices may not be achieved.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require 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 the Management and Board of Directors

The 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 controls as the 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 governance.

In preparing the financial statements, the 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 the Management is aware of the intention to terminate the Authority or to cease operations.

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply 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 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 which includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 (7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance 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 which govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229 (6) of the Constitution and submit the audit report in compliance with Article 229 (7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls would not necessarily disclose all matters in the internal controls which might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal controls components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal 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 which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 which may cast significant doubt on the Authority ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit

report. However, future events or conditions may cause the Authority to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner which 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls which are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

03 May, 2024

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

14. Statement of Financial Performance for the Year Ended 30 June 2023

Figures in Kenyan Shilling	Note(s)	2022-2023	2021-2022
Revenue			
Revenue from non-exchange transactions			
Transfers from other government entities	6	21,500,436	8,566,167
Levies	7	1,566,917,417	1,502,688,963
License fees	8	61,887,346	35,246,495
Total revenue from non-exchange transactions		1,650,305,199	1,546,501,625
Revenue from exchange transactions			
Other income(miscellaneous)	9	1,142,402	569,692
Interest received	10	5,213,789	6,661,313
Total revenue from exchange transactions		6,356,191	7,231,005
		6,356,191	7,231,005
		1,650,305,199	1,546,501,625
Total revenue		1,656,661,390	1,553,732,630
Expenses			
Use of Goods and Services	11	(746,448,843)	(576,105,854)
Employee Costs	12	(716,731,031)	(684,271,832)
Remuneration of Directors	13	(20,526,228)	(16,365,696)
Depreciation and amortisation	14	(62,920,691)	(73,432,900)
Repairs and Maintenance	15	(13,370,974)	(10,577,443)
Contracted services	16	(133,955,462)	(93,036,250)
Transfers	17	(41,500,000)	(52,000,000)
Total expenses		(1,735,453,229)	(1,505,789,975)
Gain on disposal of assets	18	-	-
(Deficit) surplus before taxation		(78,791,839)	47,942,655
		-	-
(Deficit) surplus for the year from continuing operations		(78,791,839)	47,942,655
Remission to National Treasury	19	-	-
Surplus for the year		(78,791,839)	47,942,655

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

14. Statement of Financial Performance for the Year Ended 30 June 2023

Figures in Kenyan Shilling

Note(s)

2022-2023

2021-2022

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

The annual financial statements set out on pages 49 to 55 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 Financial Statements for the year ended 30 June 2023

15. Statement of Financial Position as at 30 June 2023

Figures in Kenyan Shilling	Note(s)	2022-2023	2021-2022
Assets			
Current Assets			
Cash and cash equivalents	20	255,273,661	322,360,486
KCB-Snr Mgt Gratuity Investment	21	18,469,660	37,389,990
Receivables from exchange transactions	22	27,759,178	22,281,036
Receivables from non-exchange transaction	23	348,012,761	218,401,044
Inventories	24	5,426,740	4,322,203
		654,942,000	604,754,759
Non-Current Assets			
Property, plant and equipment	25	297,024,497	305,677,752
Intangible assets	26	2,219,719	3,094,648
		299,244,216	308,772,400
Non-Current Assets		299,244,216	308,772,400
Current Assets		654,942,000	604,754,759
Total Assets		954,186,216	913,527,159
Liabilities			
Current Liabilities			
Payables under exchange transactions	27	163,067,089	135,514,489
Payables under non- exchange transactions	28	294,557,091	257,076,686
Employee benefits	29	102,918,892	91,472,413
		560,543,072	484,063,588
Non-Current Liabilities		-	-
Current Liabilities		560,543,072	484,063,588
		-	-
Total Liabilities		560,543,072	484,063,588
Reserves			
Capital replacement reserve	30	55,000,000	55,000,000
Accumulated surplus		338,643,144	374,463,571
Total Net Assets/Equity		393,643,144	429,463,571
Total Net Assets and Liabilities		954,186,216	913,527,159

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

15. Statement of Financial Position as at 30 June 2023

Figures in Kenyan Shilling

Note(s)

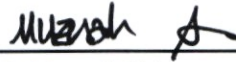
2022-2023

2021-2022

The annual financial statements and the notes on pages 56 to 80 were approved by the ^{25th Sep 23} on the and 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 Financial Statements for the year ended 30 June 2023

16. Statement of Changes in Net Assets for the Year Ended 30 June 2023

	Capital replacement reserve	Accumulated surplus	Total net assets/equity
Figures in Kenyan Shilling			
Prior year			
Balance at 01 July 2022	55,000,000	369,669,306	424,669,306
Changes in net assets/equity			
Surplus for the year	-	47,942,655	47,942,655
90% Remittance to National Treasury	-	(43,148,390)	(43,148,390)
Total changes	-	4,794,265	4,794,265
Balance at 30 June 2022	55,000,000	374,463,571	429,463,571
Current year			
Opening balance as at 1 July 2022	55,000,000	374,463,571	429,463,571
Prior year adjustments	-	43,148,390	43,148,390
Balance at 01 July 2022 as restated*	55,000,000	417,611,959	472,611,959
Changes in net assets/equity			
Surplus for the year	-	(78,791,839)	(78,791,839)
Provision- 90% Remission to National Treasury	-	-	-
Total changes	-	(78,791,839)	(78,791,839)
Balance at 30 June 2023	55,000,000	338,643,144	393,643,144

Prior year adjustments relates to reversal of 90% remittance to the National Treasury.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

17. Statement of Cashflow for The Year Ended 30 June 2023

Figures in Kenyan Shilling	Note(s)	2022-2023	2021-2022
Cash flows from operating activities			
Receipts			
Transfers from other government entities		92,287,350	200,000,000
Levies		1,444,118,629	1,503,229,648
License fees		61,887,346	35,246,495
Other income(Miscellaneous)		1,142,402	569,692
Interest received		684,981	1,306,463
		1,600,120,708	1,740,352,298
Payments			
Use of goods and services		(745,917,878)	(577,913,902)
Employee Costs		(711,472,226)	(679,739,030)
Remuneration Directors		(20,526,228)	(16,681,596)
Repairs and Maintenance		(14,512,589)	(9,854,283)
Contracted services		(111,425,388)	(90,127,497)
Transfers		(41,500,000)	(52,000,000)
90% Transfer To National Trerasury		-	(2,171,545)
		(1,645,354,309)	(1,428,487,853)
Total receipts		1,600,120,708	1,740,352,298
Total payments		(1,645,354,309)	(1,428,487,853)
Net cash flows from operating activities	31	(45,233,601)	311,864,445
Cash flows from investing activities			
Purchase of property, plant and equipment		(22,149,616)	(215,943,719)
Purchase of other intangible assets		(2,998,599)	-
KCB-Snr Mgt Gratuity Investment		3,294,991	21,894,278
Net cash flows from investing activities		(21,853,224)	(194,049,441)
Net increase/(decrease) in cash and cash equivalents		(67,086,825)	117,815,004
Cash and cash equivalents at the beginning of the year		322,360,486	204,545,482
Cash and cash equivalents at the end of the year	20	255,273,661	322,360,486

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

18. Statement of Comparison of Budget and Actual Amounts the for the Year Ended :

	Original Annual budget	Adjustments	Final Annual Budget	Actual amounts on comparable basis	Performance Difference	% Utilization
Figures in Kenyan Shilling						
Revenue						
Revenue from non-exchange transactions						
Revenue						
Transfers from other government entities	330,000,000	(232,725,840)	97,274,160	97,887,340	(613,18)	101
Levies	1,984,360,240	-	1,984,360,240	1,566,917,417	417,442,823	79 %
License fees	69,965,876	-	69,965,876	61,887,346	8,078,530	88 %
Total revenue from non-exchange transactions	2,384,326,116	(232,725,840)	2,151,600,276	1,726,692,103	424,908,173	80 %
Revenue from exchange transactions						
Other income(Miscellaneous)	905,900	-	905,900	1,142,402	(236,502)	126 %
Interest Received	3,774,868	2,800,000	6,574,868	5,213,789	1,361,079	79 %
Total revenue from exchange transactions	4,680,768	2,800,000	7,480,768	6,356,191	1,124,577	85 %
Total revenue	2,389,006,884	(229,925,840)	2,159,081,044	1,733,048,294	426,032,750	80 %
Expenditure						
Use of goods and services	(728,916,480)	(131,440,127)	(860,356,607)	(746,448,843)	(113,907,764)	87 %
Employee costs	(978,181,690)	69,000,000	(909,181,690)	(716,731,031)	(192,450,659)	79 %
Remuneration Directors	(30,000,000)	-	(30,000,000)	(20,526,228)	(9,473,772)	68 %
Depreciation and amortisation	(123,847,452)	36,500,000	(87,347,452)	(62,920,691)	(24,426,761)	72 %
Repair and Maintance	(18,000,000)	3,000,000	(15,000,000)	(13,370,974)	(1,629,026)	89 %
Contracted services	(159,880,000)	-	(104,450,000)	(133,955,462)	29,505,462	128 %
Transfers	(45,000,000)	-	(45,000,000)	(41,500,000)	(3,500,000)	92 %
Total expenditure	(2,083,825,622)	(22,940,127)	(2,051,335,749)	(1,735,453,229)	(315,882,520)	85 %
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	305,181,262	(252,865,967)	52,315,295	(2,404,935)	54,720,230	(5)%

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

18. Statement of Comparison of Budget and Actual Amounts the for the Year Ended :

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;

Total Cash received from other government entities was Kes 97,887,340 and Kes21,500,436 was utilised during the period and recognised in the statement of financial performance.

- a) Levies received were below budget by Kes. 417,442,823 representing under collection of 21%. 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.
- b) License fees was below budget by Kes. 8,078,530 representing an under collection of 12% this is due to low number of new license applicants and renewals than projected.
- c) Miscellaneous income was above budget by 26% due to increased insurance compensation than projected.
- d) Interest received was below budget by Kes. 1,361,079 representing a variance of 21% this was due reduced investment of senior management gratuity fund.
- e) Use of goods and services was below budget by Kes. 113,907,764 an under expenditure of 3% 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 expenses, communication and ICT expenses.
- f) Employee costs was below budget by Kes. 192,450,659 representing an under expenditure of 21% this was due late approvals for recruitment and overwhelming applications leading to lengthy application process.
- g) Directors expenses was below budget by Kes. 9,473,772 representing under expenditure of 33% there were savings in international travels and sitting allowance.
- h) Depreciation and amortisation was below budget by Kes. 24,426,761 an under expenditure of 28% this was as a result of assets which were not purchased due to delayed procurement processes as a result of non-responsive tenders.
- i) Repair and maintenance was below budget by Kes. 1,629,026 representing an under expenditure of 11% this was due savings realised from repairs of Motor vehicles and Office equipment.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

18. Statement of Comparison of Budget and Actual Amounts the for the Year Ended .

j) Contracted services was below budget by Kes 29,505,462 representing an over expenditure by 28%

NOTE:

RECONCILIATION

In the period KES 97,887,340 was received as transfers from other entities of which KES 21,500,436 was recognised in the statement of financial performance while KES 76,386,904 was treated as deferred income as a liability under the statement of financial position



Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. 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 gazette 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 2023

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

3.2 New and amended standards and interpretations in issue, but not yet effective in the year ended 30 June 2023

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 2023 or later periods:

	Effective date:	Expected impact:
	Years beginning on or after	
IPSAS 43	01 January 2025	
IPSAS 44 Non- Current Assets Held for Sale and Discontinued Operations	01 January 2025	

3.3 Early adoption of standards

The Authority did not early- adopt new or amended standards in the F/Y 2021/2022.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. 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 2022/2023 was approved by the National Treasury through Ministry of Energy on 30th June 2022. 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.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. 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 the shorter of the estimated useful life of the asset and the lease term.

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

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. 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.vb

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

Classification of financial assets

The Authority classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the Authority's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the Authority classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. Notes to the Financial Statements

4. Summary of Significant Accounting Policies (continued)

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the Authority manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The Authority assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Authority recognizes a loss allowance for such losses at each reporting date.

b) Financial liabilities

Classification

The Authority classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. 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) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

m) 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.

n) 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.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. Notes to the Financial Statements

4. Summary of Significant Accounting Policies (continued)

o) Nature and purpose of reserves

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

p) 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.

q) 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.

r) Foreign currency transactions

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

s) Borrowing costs

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

t) 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.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. Notes to the Financial Statements

4. Summary of Significant Accounting Policies (continued)

u) Services concession arrangements

The Authority analyses all aspects of service concession arrangements that it enters 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.

v) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

w) Comparative figures

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

x) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

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:

- a) The condition of the asset based on the assessment of experts employed by the Authority.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. Notes to the Financial Statements

Figures in Kenyan Shilling	2022-2023	2021-2022
6. Transfers from other government entities		
Deferred Upstream Regulatory support	10,990,986	5,817,507
Deferred Income-Energy Act	3,009,450	2,748,660
Government support	7,500,000	-
	21,500,436	8,566,167

Transfers from other government entities

Name of Entity	Amount recognized to Statement of Financial Performance (Kshs)	Amount deferred under income fund KShs	Amount recognised in capital fund KShs	Total income during the period	Comparative Period
Ministry of Petroleum and Mining conditional	10,990,986	64,009,01	Nil	75,000,000	5,817,50
Ministry of Petroleum and Mining Non conditional	7,500,000	-	-	7,500,000	-
Other Stakeholders	3,009,450	12,377,900	-	15,082,850	2,748,660
	21,500,436	76,386,914	-	97,582,850	8,566,167

7. Levies

Electricity Levy	406,046,291	304,045,393
Petroleum Levy	1,160,871,126	1,198,643,570
	1,566,917,417	1,502,688,963

Electricity Levy-Legal Notice No. 148 of 1999

Petroleum Levy-Legal Notice No. 162 of 2018

8. License fees & Miscellaneous

License fees	61,887,346	35,246,495
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9. Other Income(Miscellaneous)

Other income(Miscellaneous)	1,142,402	569,692
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10. Interest

Interest	5,213,789	6,661,313
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Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. Notes to the Financial Statements

Figures in Kenyan Shilling	2022-2023	2021-2022
11. Use of goods and services		
Training Seminars and Workshops	71,324,269	40,144,098
Subscriptions	3,079,034	3,248,458
Staff Welfare	4,896,452	5,869,832
General Office Expences	22,442,441	12,184,053
Fuel	11,600,393	9,336,456
Insurance license & MV subscriptions	3,997,708	2,956,521
Travel, Inspections, surveillance & Audit	162,243,756	157,412,824
Coporate Subscriptions	19,220,952	16,810,351
Seminars Workshops, Public hearings and CSR	37,993,405	42,156,551
Advertising and gazette notices	86,024,086	38,614,868
Bank Charges	1,903,135	1,755,942
Branding/Printing	9,275,131	8,540,673
Telephone and Internet	11,286,959	11,467,548
Software licenses support and disaster recovery	24,274,771	11,499,192
Rent and Service charges	62,396,058	63,913,650
Security	8,393,269	7,243,177
Electricity	6,084,447	6,197,061
Office cleaning	6,757,065	4,799,348
Consultancies	165,855,179	97,609,158
HIV, Safety, Culture change and Related	24,043,525	24,942,433
Energy & Petr Act Expenses	3,313,950	9,403,660
Water	42,858	-
	746,448,843	576,105,854
12. Employee costs		
Basic Salaries	408,453,590	391,925,001
Employee Compesation-Court	-	-
Pension and Gratuity	94,691,654	90,932,011
Special Duty / Acting Allowance	20,691,635	9,832,793
Car and Commuter allowance	29,188,141	29,643,506
House Allowance	89,671,899	91,557,035
Fringe benefits	6,311,904	4,035,007
Leave & Other Allowances	8,349,100	16,814,066
Medical	44,533,901	42,331,995
General Life & Personal Insurance	12,132,093	4,200,712
Staff Uniforms	2,689,114	1,296,743
Warm Clothing Allowance	-	1,016,963
Meal Allowance	18,000	686,000
	716,731,031	684,271,832

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. Notes to the Financial Statements

Figures in Kenyan Shilling	2022-2023	2021-2022
13 Remuneration of Directors		
Monthly fees and Honorarium	6,908,548	5,863,333
Sitting Allowance	5,340,000	4,920,000
Meeting, Entertainment and Other Allowances	1,476,180	2,071,823
Seminars, Travel, and Accommodation	6,395,502	3,083,494
Insurance & Medical	405,998	427,046
	20,526,228	16,365,696
14. Depreciation and Amortisation		
Property, plant and equipment	59,047,162	67,115,580
Intangible assets	3,873,529	6,317,320
	62,920,691	73,432,900
15. Repairs and Maintenance		
Repair & Service Motor Vehicle	11,607,414	9,265,786
Repair & Maintenance Office Equip	1,763,560	1,311,657
	13,370,974	10,577,443
16 Contracted Services		
Fuel Marking	92,161,102	67,421,040
LPG Inspection	41,794,360	25,615,210
	133,955,462	93,036,250
17. Transfers		
Transfers to Mortgage & Car Loan	40,000,000	50,000,000
Kenya Energy-Sector Environment and Social Responsibility Program Fund	1,500,000	2,000,000
	41,500,000	52,000,000
18 Gain on sale of assets		
Property, plant and equipment & Intangible Assets	-	-
There was no gain on sale of Assets during the period		
19 Remission to National Treasury		
(Deficit) surplus for the year	(78,791,839)	47,942,655
90% of realised profit		43,148,390

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. Notes to the Financial Statements

Figures in Kenyan Shilling

2022-2023

2021-2022

19. Remission to National Treasury (continued)

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. The Authority did not make any surplus during the year and had a deficit of KES 78,791,839.00 hence no remittance to the National Treasury. The Prior year surplus was of KES 47,942,655 resulting to a ninety per centum surplus due to the National Treasury of KES 43,148,390. However, a prior year adjustment of KES 43,148,390 has been made to reverse the 90% remission to the National Treasury.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. Notes to the Financial Statements

Figures in Kenyan Shilling	2022-2023	2021-2022
20. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Mpesa	6,487,030	2,475,027
Bank balances	160,829,059	281,664,781
KCB-Snr Mgt Gratuity Current Account	87,957,572	38,220,678
	255,273,661	322,360,486

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	155,911,086	276,819,772
National Bank	01003003110800	3,978,510	3,894,386
NCBA Bank	6959370012	939,463	950,623
		160,829,059	281,664,781
Gratuity Custody Accounts			
KCB-Snr Mgt Gratuity Current Account	1273022599	87,957,572	38,220,678
Others			
Mobile Money Accounts M-pesa	923311	6,487,030	2,475,027
		6,487,030	2,475,027
Total cash and cash equivalents		255,273,661	322,360,486

21. KCB-Snr Mgt Gratuity Investment

KCB-Snr Mgt Gratuity Investment	18,469,660	37,389,990
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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	2,293,049	77,699
Deposits	21,411,056	17,042,166
Interest Receivable	4,055,073	5,161,171
	27,759,178	22,281,036

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. Notes to the Financial Statements

Figures in Kenyan Shilling

2022-2023

2021-2022

22. Receivables from exchange transactions (continued)

Ageing analysis for receivables from exchange transactions

	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	3,426,763	12 %	1,183,112	5 %
1-2 years	1,118,652	5 %	3,418,763	15 %
2-3 years	2,109,012	8 %	1,742,408	8 %
Over 3 years	21,104,751	75 %	15,936,753	72 %
	27,759,178	-	22,281,036	-

23. Receivables from non-exchange transactions

Board Imprest		209,999	72,999
Staff Imprest		5,900,320	7,612,256
Other receivables		16,915,401	11,009,234
KPLC-Electricity Levy		221,300,026	107,489,706
KRA-Petroleum Levy		99,599,106	90,610,638
Staff salaries & Medical advances		4,087,909	1,606,211
		348,012,761	218,401,044

Ageing analysis for receivables from non-exchange transactions

	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	113,810,320	32 %	93,877,717	43 %
1-2 years	24,567,598	7 %	17,112,622	8 %
2-3 years	10,993,813	4 %	2,647,393	3 %
Over 3 years	198,641,030	57 %	104,763,312	46 %
Total	348,012,761	-	218,401,044	-

24. Inventories

Inventories		5,426,740	4,322,203
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Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. Notes to the Financial Statements

Figures in Kenyan Shilling

2022-2023

2021-2022

25 Property, plant and equipment

Controlling entity	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	213,754,600	(147,387,012)	66,367,588	212,014,850	(133,136,344)	78,878,506
Motor vehicles	158,959,527	(125,217,075)	33,742,452	135,739,527	(106,711,849)	29,027,678
Office equipment	36,838,701	(22,931,893)	13,906,808	33,379,621	(19,933,413)	13,446,208
IT equipment	141,110,966	(122,295,761)	18,815,205	140,199,777	(102,295,484)	37,904,293
Work in Progress	164,192,444	-	164,192,444	146,421,067	-	146,421,067
Total	714,856,238	(417,831,741)	297,024,497	667,754,842	(362,077,090)	305,677,752

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. Notes to the Financial Statements

Figures in Kenyan Shilling

25. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

	Furniture and fixtures	Motor vehicles	Office equipment	IT equipment	Work in Progress	Total
Cost						
At 01 July 2021	140,252,142	135,739,527	32,970,231	125,533,504	61,104,275	495,599,679
Additions	2,404,870	-	409,389	14,666,272	154,674,633	172,155,164
Adjustment	69,357,841	-	-	-	(69,357,841)	-
Transfers	-	-	-	-	-	-
	-	-	-	-	-	-
At 30 June 2022	212,014,853	135,739,527	33,379,620	140,199,776	146,421,067	667,754,843
Additions	1,739,750	23,220,000	3,459,080	4,203,700	17,771,378	50,393,908
Disposals	-	-	-	(3,292,511)	-	(3,292,511)
Transfers	-	-	-	-	-	-
At 30 June 2023	213,754,600	158,959,527	36,838,701	141,110,966	164,192,445	714,856,239
Depreciation and impairment						
At 01 July 2021	(119,844,910)	(84,452,165)	(16,936,081)	(73,728,354)	-	(294,961,510)
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)
Disposals	-	-	-	3,292,511	-	3,292,511
Depreciation	(14,250,669)	(18,505,225)	(2,998,480)	(23,292,788)	-	(59,047,162)
At 30 June 2023	(147,387,013)	(125,217,074)	(22,931,893)	(122,295,761)	-	(417,831,741)
Net book values						
Cost	213,754,600	158,959,526	36,838,701	141,110,966	164,192,445	714,856,238
Accumulated depreciation and impairment	(147,387,013)	(125,217,074)	(22,931,893)	(122,295,761)	-	(417,831,741)
At 30 June 2023	66,367,587	33,742,452	13,906,808	18,815,205	164,192,445	297,024,497
At 30 June 2022	78,878,507	29,027,677	13,446,208	37,904,293	146,421,067	305,677,752

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

Appendix II: Projects Implemented by the Entity

25. Property, plant and equipment (continued)

Work in progress of KES 146 4M has relates to renovation & partitioning of EPRA Head office and regional offices
As at 30 June 2023, property and equipment with cost amounting to KES 275 4M were fully depreciated and intangible assets with cost amounting to 114 8M were fully amortized

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

Asset	Cost	Normal Annual Depreciation charge
Furniture and fixtures	98,759,511	12,276,973
Motor vehicles	89,312,619	11,677,292
Office equipment	9,970,693	1,211,267
IT equipment	76,933,254	13,249,777
Intangible assets	114,781,004	28,734,724
Total	<u>389,757,082</u>	<u>67,150,033</u>

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. Notes to the Financial Statements

Figures in Kenyan Shilling	2022-2023	2021-2022
26. Intangible assets		
Reconciliation of intangible assets		
Cost		
Opening balance	115,415,454	115,415,454
Additions	2,998,600	-
Closing balance	118,414,054	115,415,454
Amortisation and impairment		
Opening balance	(112,320,806)	(112,320,806)
Amortisation	(3,873,529)	(6,520,645)
Closing balance	(116,194,335)	(118,841,451)
Made up as follows:		
Cost	118,414,054	115,415,454
Amortisation and impairment	(116,194,335)	(112,320,806)
Net book value	2,219,719	3,094,648

27. Payables under exchange transactions

Suppliers	159,187,243	128,961,143
Accruals	3,879,846	6,553,346
	163,067,089	135,514,489

Ageing analysis-Payables under exchange transactions	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	61,213,970	38 %	54,719,945	40 %
1-2 years	24,719,945	16 %	22,386,312	16 %
2-3 years	38,446,680	23 %	19,223,340	14 %
Over 3 years	38,686,494	23 %	39,184,892	30 %
	163,067,089	-	135,514,489	-

28. Payables under non-exchange transactions

Deferred Income-Energy Act	15,900,051	13,309,501
Taxes and other statutory deductions	8,588,919	5,278,741
Other Employee payables	1,651,814	8,287,445
Deferred Income- Upstream Petroleum	258,191,507	194,182,493
Deferred Income-UNEP Project	10,224,800	437,450
	294,557,091	221,495,630

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. Notes to the Financial Statements

Figures in Kenyan Shilling

2022-2023

2021-2022

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	194,182,493	13,309,501	437,450	207,929,444
Additions	75,000,000	5,600,000	9,787,350	90,387,350
Transfers to Capital fund	-	-	-	-
Transfers to income statement	(10,990,986)	(3,009,450)	-	(14,000,436)
Balance carried forward	258,191,507	15,900,051	10,224,800	284,316,358

Ageing analysis-Payables under non-exchange transactions	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	75,000,000	5 %	10,112,368	5 %
1-2 years	194,182,493	66 %	194,182,493	87 %
2-3 years	15,402,023	10 %	3,489,523	2 %
Over 3 years	9,972,575	19 %	13,711,246	6 %
	294,557,091	-	221,495,630	-

29. Employee benefit obligations

Snr Mgnt Gratuity Payable	84,940,794	78,030,961
Contract Staff Gratuity Payable	2,424,792	2,795,260
Salary Payable	1,205,499	1,180,299
Other payroll benefits	14,347,807	9,465,893
	102,918,892	91,472,413

The Authority operates a pension scheme for all full-time permanent employees, which is remitted to the pension fund at the end of every month. The scheme is based on defined percentage of salary of an employee at the time of retirement. Contract staff are paid gratuity at the end of respective contracts. The Authority has a gratuity custody account with KCB Bank. Gratuity is paid at the end of the contract or upon termination of the contract as defined in the Human Resource policy.

The Authority also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Authority's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1,080 per employee per month.

30. Capital Replacement Reserve

The KES 55 million has been set aside as a sinking fund for capital replacement in compliance with Section 16(1) of the State Corporation Act.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. Notes to the Financial Statements

Figures in Kenyan Shilling	2022-2023	2021-2022
31. Cash Generated in operations		
(Deficit) surplus	(78,791,839)	4,794,265
Adjustments for:		
Depreciation and amortisation expense	62,920,691	73,432,900
Changes in working capital:		
(Increase) Decrease in Inventories	(1,104,537)	(1,560,003)
(Increase) Decrease in Receivables from exchange transactions	(5,478,142)	(3,408,285)
(Increase) Decrease in Receivables from non-exchange transactions	(129,611,717)	(8,903,711)
Increase(Decrease) in Payables under exchange transactions	6,368,699	(13,137,818)
Increase (Decrease) in Payables under non-exchange transactions	89,016,765	229,720,577
Increase (Decrease) in Employee Benefit Provision	11,446,479	30,926,520
Cash Generated in operations	(45,233,601)	311,864,445

32. 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 Financial Statements for the year ended 30 June 2023

19. Notes to the Financial Statements

Figures in Kenyan Shilling

2022-2023

2021-2022

32. Financial risk management (continued)

i) 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 2023	Fully performing Ksh	Past due Ksh	Impairment Ksh	Total
Receivables from non exchange transactions	341,194,466	-	-	341,194,466
Receivables from exchange transactions	23,390,288	-	-	23,390,288
Bank Balances	273,743,321	-	-	273,743,321
	638,328,075	-	-	638,328,075

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	22,281,036	-	-	22,281,036
Bank Balances	359,750,477	-	-	359,750,477
	600,432,557	-	-	600,432,557

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.

ii) 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

Annual Financial Statements for the year ended 30 June 2023

19. Notes to the Financial Statements

Figures in Kenyan Shilling 2022-2023 2021-2022

32. Financial risk management (continued)

As at 30 June 2023	Less than 1 Month	1 - 3 Months	Over 5 Months	Total
Trade & other payables from exchange transactions	97,013,747	14,671,871	42,052,621	153,738,239
Deferred Income-Energy Act	-	-	15,900,051	15,900,051
Accrual	3,879,846	-	-	3,879,846
Taxes and other statutory deductions	8,588,919	-	-	8,588,919
Other Payables	1,470,437	-	-	1,470,437
Employee benefits obligation	98,037,478	-	-	98,037,478
UNEP Project	9,787,350	-	437,450	10,224,800
Deffered Income- Upstream Petroleum	-	-	258,191,507	258,191,507
	218,777,777	14,671,871	316,581,629	550,031,277

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 Employee Payables	720,110	-	-	720,110
Employee benefits Obligation	91,472,413	-	-	91,472,413
UNEP Project	-	-	437,450	437,450
Deffered Income- Upstream Petroleum	-	-	194,182,493	194,182,493
	190,680,825	4,314,337	245,920,036	440,915,198

iii) Market risk

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Authority's income or the value of its holding of financial instruments.

a) Foreign currency risk

The Authority has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

iv) Capital Risk Management

The objective of the Authority's capital risk management is to safeguard the Entity's ability to continue as a going concern. The Authority capital structure comprises of the following funds:

	2022-2023	2021-2022
Retained Earnings	328,057,921	374,463,571
Capital replacement reserve	55,000,000	55,000,000
Less: Cash and Bank Balances	-	-
	(255,273,661)	(322,360,486)
	-	-
	127,784,260	107,103,085



Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. Notes to the Financial Statements

Figures in Kenyan Shilling	2022-2023	2021-2022
33. Related party Disclosures		
Transactions with related parties		
Purchases from related parties		
Purchases of Electricity from KPLC	6,197,061	6,197,061
Rent expenses paid to Government agencies (Lake Basin)	3,062,943	3,104,289
Training and Conferences fees paid to Govt Agencies(KSG)	2,372,548	2,099,600
Transfers from the Government and other stakeholders		
Ministry of Petroleum and Mining	82,500,000	200,000,000
Energy Act	5,600,000	11,200,000
UNEP	9,787,350	-
Key management compensation		
Compensation to Senior Managers	104,505,931	92,483,125
Compensation to Director General	12,475,200	11,040,000
	116,981,131	103,523,125

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. Notes to the Financial Statements

Figures in Kenyan Shilling

2022-2023

2021-2022

33. Related party Disclosures (continued)

34. Contingent Liabilities

EPRA is a party to a number of court cases whose determination is yet to be made. In view that damages or court awards are known upon conclusion of a matter, EPRA has made provision for contingency liabilities towards the same amounting to 55.3M. The following is summary of Key matters whose contingent liability is high.

i) Apollo Mboya & Electricity Consumers Society of Kenya -vs- KPLC & 4 Others- Petition No. 6 of 2018;

ii) Okiya Omtatah Okiiti -vs- ERC- Petition No. 38 of 2017;

iii) Josephine Washifutswa Nambiro -vs- ERC- ELRC Petition No. 101 of 2018;

iv) John Nganga –vs- Energy Regulatory Commission- High Court- ELRC Petition No. 08 of 2018 and.;

v) Energy and Petroleum Regulatory Authority v Gitson Energy Limited, Cabinet Secretary of the National Treasury, Ministry of Energy, Central Bank of Kenya, Kenya Power & Lighting Company, Energy Regulatory Commission & Attorney General- Civil Appeal No. E190 of 2022

35. Events after the reporting period

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

36. Ultimate and Holding Entity

EPRA is a state corporation under the Ministry of Energy. Its ultimate parent is the Government of Kenya.

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

19. Notes to the Financial Statements

Figures in Kenyan Shilling

2022-2023

2021-2022

37. Currency

The financial statements are presented in Kenya Shillings (Kshs)

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

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	Status: (Resolved / Not Resolved)	Timeframe
1	Differences in Reported Levies	The Authority undertook reconciliation of electricity levy payable by Kenya Power for the period 2019/2020-2021/2022. A total of Kshs 107,489,705.71 was identified as outstanding receivables and a demand letter written to KPLC.	Resolved	
2	Budget Control and Performance variance	Revenue was below projected budget due to high fuel prices and depressed economic environment leading to low consumption of electricity and petroleum products. Expenditure was below budget due to delayed staff recruitment, delayed procurement of some goods and services and due to some savings realized on some budget lines.	Resolved	
2	Payment of Professional Fees without a Valid Contract	The PR consultancy was extended by three months from 1st September 2021 to 30th November 2021 through a letter to the service provider dated 5th November 2021. The service provider wrote back accepting the offer of extension within the stipulated time. Offer and Acceptance letter were provided	Resolved	
3	Non-Compliance with Contractual Provisions	Credit notes were passed to reverse the invoices and the invoices posted in the subsequent period when they were due	Resolved	

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

Appendix I: Progress on Follow up of Auditor Recommendations

4	Unapproved Special Board of Directors Meetings	EPRA wrote all the stated letters directly to the Cabinet Secretary, Ministry of Energy seeking approval for the board meetings. The letters were received at the office of the Cabinet Secretary. The decision to delegate responsibility for approving the meetings rested with the Cabinet Secretary. Notice of the meetings were also copied to the Inspectorate of State Corporations as required.	Resolved
5	Payment of Retention Money Before Expiry of Defect Liability Period	Retention money was withheld in the certificates as prepared by the Project Manager who advised the Authority on the payment schedules upon completion of payment milestones. The last instalment of the contract amount of Kshs.7,358,177.25 was paid on 14th September 2021 after the Project Manager had issued a defect liability certificate and certified the final payment.No defects were reported within the defect liability period.	Resolved
6	Employees on Acting Appointments between two (2) to five (5) years contrary to Section 34 of the Public Service Commission Act 2017	Section 4.5.8 of the EPRA Human Resource Policies and Procedures Manual (June 2016) provides that appointment on acting basis is a temporary measure pending the substantive filling of the vacant post by either recruitment or resumption of duty by the substantive holder of the post.The Authority could not undertake recruitment because recruitment in the public service remained frozen for some time.	Resolved

Energy & Petroleum Regulatory Authority

Annual Financial Statements for the year ended 30 June 2023

Appendix I: Progress on Follow up of Auditor Recommendations



Mr. Daniel Kiptoo Bargoria
Director General

Date:

Sept 25th 2023

Appendix II: Projects Implemented by the Authority

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		Total Transfers during the Year
					Statement of Financial Performance	Deferred Income	
Ministry of Petroleum and Mining-Conditional	24/10/2022	Recurrent		75,000,000	18,490,986	64,009,014	75,000,000
Ministry of Petroleum and Mining -Non Conditional	25/01/2023	Recurrent		7,500,000	-	-	7,500,000
Nuclear Power and Energy Agency	20/07/2022	Recurrent		5,600,000	3,009,450	2,590,550	5,600,000
UNEP	31/05/2023	Donor Fund		9,787,350	-	9,787,350	9,787,350
				97,887,350	21,500,436	76,386,914	97,887,350

The Authority received Ksh 82.5M from Ministry of Petroleum and Mining, Ksh 9.8M from UNEP-Electric Mobility Programme and 5.6M from Nuclear Power and Energy Agency.

Energy & Petroleum Regulatory Authority

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Appendix VI: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
N/A	N/A	N/A	N/A	1	1	1	1	N/A	N/A

Appendix VII: Disaster Expenditure Reporting Template

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
N/A	N/A	N/A	N/A	N/A		- N/A