

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

OF




THE AUDITOR-GENERAL

ON

**ENERGY AND PETROLEUM REGULATORY
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2024**

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	08 APR 2025
	DEPUTY
TABLED BY:	Leader of the Majority Party
CLERK-AT THE-TABLE:	P MUGA



ENERGY AND PETROLEUM REGULATORY AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2024

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

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

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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
IRMPF	INSTITUTIONAL RISK MANAGEMENT POLICY FRAMEWORK

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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, Nyeri 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 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 2024 were:

Name	Designation	Changes
Hon. Justice Prof Jackton B. Ojwang'	Chairman	
Mr. Alex Wachira, BSCN	Board Member	
Mr. Mohamed Liban	Board Member	
Mr. Gabriel Kitumu	Representing PS, State Department of Energy	Appointed: 25th April 2024
Mr. Masini Ichwara	Representing PS, State Department of Energy	Retired: 24th April 2024
Mr. Albert Mwenda	Representing PS, National Treasury	
Mr. Barnabas Ngeno	Representing Council of Governors.	Retired: 12th June 2024
Mr. Abdulkarim Mohamed	Representing PS, State Department of Petroleum	
Mr. Antony Gachau Mbuthia	Board Member	Appointed: 8th September 2023
Ms. Jennipher Nawoi Long'or	Board Member	Appointed: 8th September 2023
Mr. Diba Daudi Huka	Board Member	Appointed: 8th September 2023
Ms. Jane Cheptoo Masai	Board Member	Appointed: 8th September 2023
Mr. Abraham Kipkoech Kiprutto	Board Member	Retired: 22nd February 2024
Eng. Mercy Wambugu	Board Member	Retired: 8th September 2023
Mr. Daniel Ndonge	Board Member	Retired: 8th September 2023
Mr. Moses Mutuli	Board Member	Retired: 8th September 2023
Mr. George Mwakule	Board Member	Retired: 8th September 2023
Ms. Caroline Githii	Board Member	Retired: 8th September 2023
Mr. Daniel Kiptoo Bargaroria	Director General	
Ms. Mueni Mutunga	Corporation Secretary and Director, Legal Services	Retired: 14th November 2023
Mr. Robert Mahenia	Ag. Corporation Secretary and Director, Legal Services	Appointed: 15th November 2023

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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 2024 and who had direct fiduciary responsibilities were:

Name	Designation	Changes
Mr. Daniel Kiptoo Bargoria	Director General	
Ms. Mueni Mutunga	Corporation Secretary & Director Legal Services	Retired: 14-11-2023
Mr. Robert Mahenia	Ag. Corporation Secretary & Director Legal Services	Appointed: 15-11-2023
Mr. Marona Cheplel	Director, Corporate Services	Appointed: 15-09-2023
Dr. Eng. Joseph Oketch	Director, Electricity & Renewable Energy	
Eng. Edward Kinyua	Director, Petroleum & Gas	
Major (Rtd) Augustine Ouma	Ag. Director, Public Education, Advocacy & Consumer Protection	Appointed: 05-02-2024
Dr. John Mutwii Mutua	Director, Economic Regulation & Strategy	
Ms. Loise Thuge	Deputy Director, Supply Chain Management	
CPA. Everlyne Oreng	Director, Internal Audit & Risk Assurance	Appointed: 01-09-2023

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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 Ms. Jennipher Nawoi (Chairperson), Mr. Albert Mwendwa, Mr. Barnabus Ng'eno, Mr. Abdulkarim Mohamed and the Director General. The Committee's responsibilities are to ensure sound financial reporting, internal system controls, business plans and budgets, procurement, ICT, Public Relations, administration and staff matters.

Board Audit & Risk Committee

EPRA has established an Audit & Risk Committee of the Board which has an approved Audit & Risk Committee Charter that provides the terms of reference for its operations. The Audit Committee is chaired by a an independent Director and the members are independent Directors. The members are Mr. Diba Daudi (Chairman), Ms. Jane Cheptoo Masai, Mr. Anthony Gachau Mbuthia, and Mr. Gabriel Katumu. 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 once on quarterly basis. The members are Mr. Anthony Gachau Mbuthia (Chairman), Mr. Gabriel Katumu, Mr. Abdulkarim Mohamed, Mr. Diba Daudi, Mr. Albert Mwendwa, Ms. Jane Cheptoo Masai 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.

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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, University 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

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3. Board Members



Hon. Prof. Jackton Boma Ojwang
Board Chairman

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.

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.

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.

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.

Date of Birth: 10th February, 1950



Mr. Alex Wachira, BSCN

Principal Secretary, State Department for Energy

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.



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.

Date of Birth: 12th January 1982

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3. Board Members

 <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, a position he held from 2019.</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>
 <p>Mr. Albert Mwenda Alternate to 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. He also holds a Bachelor of Arts degree in Economics from the University of Nairobi.</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>

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3. Board Members

 <p>Mr. Gabriel Kaunda Kitumu Alternate to PS, State Department for Energy</p>	<p>Mr. Gabriel Kaunda is currently the Director of Planning in the Central Planning and Project Monitoring Unit at the State Department for Energy, Ministry of Energy and Petroleum. He previously served at the same level at the State Department for Devolution, at the Office of the Deputy President.</p> <p>Mr. Kaunda has vast experience in trade negotiations (COMESA Free Trade Area and COMESA Customs Union), International Trade statistics and social statistics, Monitoring and Evaluation and national development planning spanning over 30 years.</p> <p>He previously worked in the ministries of Trade and Industry; Tourism; and Health. He holds a Master of Science, Bachelor of Statistics and Post Graduate Diploma from the University of Nairobi.</p> <p>He has a number of professional qualifications from various institutions across the world in Monitoring & Evaluation and International trade statistics.</p> <p>Date of Birth: 23rd January, 1966</p>
 <p>Mr. Diba Daudi Huka Board Member</p>	<p>Mr. Diba Daudi Huka is a results driven business management leader with over 25 years of experience in the banking and finance sector with a proven ability to drive business growth and capture untapped opportunities through energizing teams to jointly deliver results beyond expectations.</p> <p>Mr. Huka is an expert at assessing the creditworthiness of customers, negotiating deals and terms, minimizing debt losses, increasing sales, investigating credit applications, analysing and averting risks, managing corporate financing programs, and maintaining the corporate credit policies. Further, he's experienced in building lasting and mutually beneficial banking relationships with corporates, small and medium enterprises and private banking clients.</p> <p>Date of Birth: 1st January, 1985</p>

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3. Board Members



Mr. Antony Gachau Mbuthia
Board Member

Mr. Antony Gachau Mbuthia joins the Authority as an accomplished executive and initiative-driven leader with a career spanning of over 12 years, excelling in overseeing the day-to-day operations as well as overall management and provision of strategic leadership to the company. He has a proven track record of performance turnaround and effective management of personnel whilst utilizing keen analysis and effective team motivation and Management to ensure organizational improvements and implementation of best practices.

Mr. Mbuthia is proficient at comprehensive review and analysis of business policies and procedures as well as developing and implementing strategies and solutions that achieve consensus among key stakeholders across organizations through effective communication and management skills,

He has wide experience leveraged from his expertise in leadership, strategic management, operation management, training and mentorship, overall coordination of the company's activities, and ensuring the company operates within the legal framework. He is a great communicator who values work ethic and integrity.

Date of Birth: 12th September, 1985



Ms. Jennifer Nawoi Lang'or
Board Member

Ms. Jennipher Nawoi Long'or is currently the CEO/Programme Coordinator for USAID ubora mashinani programme, Turkana Development Trust. She is a former County Executive Finance and Economic Planning in Turkana County; a fully qualified, results driven professional with demonstrable experience in successfully managing teams and monitoring all organization financial operations. She holds a Bachelors' degree in Commerce (Finance major) from Kenyatta University; Nairobi-Kenya and a Master of Science degree in Energy Studies with Specialization in Energy Finance from University of Dundee, Scotland, United Kingdom.

Ms. Long'or has over fifteen (15) years' work experience in Public, corporate and Non-Governmental Organizations in areas Public Sector Management, Policy formulation, Accounting and Financial Management and experience in streamlining robust tools, strategies, and financial systems in humanitarian emergency responses.

Date of Birth: 2nd December, 1980

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3. Board Members

 <p>Mr. Abdulkarim Mohamed Alternate to PS, State Department of Petroleum, Member</p>	<p>Mr. Abdulkarim Mohamed is an accomplished professional with a diverse and extensive background in Public Administration. He holds a BA from Kenyatta University and a Post Graduate Diploma in Public Administration. Abdulkarim has held significant roles in various ministries, showcasing his expertise and adaptability.</p> <p>His is currently serving as the Deputy Head of Administration in the State Department of Petroleum. His previous roles span across key ministries, including Petroleum and Mining, Industry, Trade, Cooperatives, East African Affairs, Commerce, Tourism, and Education, reflecting a broad and comprehensive understanding of different governmental sectors.</p> <p>Date of Birth: 1st June, 1972</p>
 <p>Ms. Jane Cheptoo Masai Board Member</p>	<p>Ms. Jane Cheptoo Masai is a seasoned legal professional with a dynamic presence across prominent legal associations. With 12 years of practice as an Advocate of the High Court of Kenya, she boasts a wealth of experience and expertise. Her affiliations include memberships in the Law Society of Kenya, the Federation of Women Lawyers, the East Africa Law Society, and the Commonwealth Lawyers Association.</p> <p>Her academic journey includes a Bachelor of Laws Degree (LLB) from Moi University and further honing her skills at the Kenya School of Law with a Diploma in Law through the Advocates Training Programme. Jane embodies a commitment to the legal field and a dedication to professional growth and service within the Kenyan legal landscape.</p> <p>Date of Birth 17th August, 1985</p>
 <p>Mr. Daniel Kiptoo, MBS, OGW 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 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 & gas risk consultancy as the oil & gas legal affairs director and with the Energy Regulatory</p>

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3. Board Members

	<p>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>With respect to professional associations, in addition to being a member of the law society of Kenya in good standing having been called to the bar to as an Advocate of the High Court of Kenya, he is a corporate governance practitioner being a qualified Certified Secretary (CS) and is also a member of the Association of International Energy Negotiators (AIEN), a global body of international energy negotiators.</p> <p>Mr. Kiptoo has been awarded the Order of the Grand Warrior by the President of the Republic of Kenya. The Order of the Grand Warrior (OGW) is an award presented to individuals in recognition of an outstanding service rendered to the Country.</p> <p>Date of Birth: 17th February, 1984</p>
 <p>Mr. Ibrahim Kitoo Corporation Secretary and Director, Legal Services</p>	<p>Mr. Ibrahim Kitoo has more than fifteen (15) years' post-admission and a near-decade experience in the energy sector, and in the legal corporate milieu. He is an Advocate of the High Court of Kenya; Notary Public & Commissioner for Oaths; Practising Certified Secretary, Governance Auditor; Governance, Ethics, Risk & Compliance Expert; Legal Auditor; Public Finance; Development Finance; Public Procurement; Public Private Partnerships (CP3P); Contracts Manager and Alternative Dispute Resolution (ADR) Practitioner.</p> <p>Ibrahim Kitoo has previously served and held senior positions as a Legal Counsel, Chief Legal Officer, Legal Services Manager and Legal Counsel at the Public Private Partnerships Directorate at the National Treasury; Kenya Electricity Generating Company PLC; Equity Group Holdings Limited and National Oil Corporation of Kenya Limited. Passionate for energy access, affordability and sustainability, he is credited for, among others, offering bespoke and turnkey legal advice and negotiations expertise in the origination, financing and successful delivery of several strategic infrastructure projects in the renewable energy spectrum.</p> <p>He holds a Master's Degree (LL.M) in Public Finance & Financial Services Law and Bachelor's Degree in Law (LL.B)</p>

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3. Board Members

	<p>all from The University of Nairobi, a Post – Graduate Diploma in Law from the Kenya School of Law, a Master Certificate in Sustainable Infrastructure Financing and Development from York University, Canada.</p> <p>He is, among others, an alumnus of the London School of Economics and Political Science Negotiation Programme 2024; Oxford Renewable Energy Program Fellow 2022; Said Business School Leading Strategic Projects Programme 2021; King’s College London/FIDIC Summer School 2021 Programme; Kenya School of Government Strategic Leadership Development Programme 2020; Centre for Corporate Governance Programme 2020; Institute of Directors Advanced Directorship Programme, IFC/World Bank Group Corporate Governance Masterclass 2019; and Australia – Africa Public Private Infrastructure Partnerships Programme 2018.</p> <p>His professionalism, technical proficiency and stellar commitment to the legal and governance professions has seen him receive multiple accolades and legal excellence awards having recently been feted and featured in the Legal500 General Counsel Power list 2024 and as the Public Sector Lawyer of the Year 2022 under the auspices of the Law Society of Kenya. He has also served as a Council Member and Honorary Secretary of the Chartered Institute of Arbitrators (Kenya).</p> <p>Date of Birth: 13th May 1982</p>
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4. Management Team

 <p>Mr. Daniel Kiptoo Bargarora LL. M, LL. B(Hons), CPS (K), Dip. Law</p>	<p>Director General: Board Member and Chief Executive Officer of the Authority.</p>
 <p>Dr. John Mutwii Mutua PhD (Economics)</p>	<p>Director, Economic Regulation & Strategy: Heading the Economic Regulation & Strategy function of the Authority.</p>
 <p>Ms. Mueni Mutung'a MBA, LL. B (Hons), CPS (K), Dip. Law (KSL)</p>	<p>Corporation Secretary & Director Legal Services: Secretary to the Board and Head of the Legal function of the Authority.</p> <p>Retired: 14th November 2023</p>
 <p>Mr. Robert Mahenia LLM, LL. B (Hons), CPS (K), Dip. Law (KSL)</p>	<p>Ag. Corporation Secretary & Director Legal Services: Secretary to the Board and Head of the Legal function of the Authority.</p> <p>Appointed: 15th November 2023</p>
 <p>Dr. Eng. Joseph Oketch MBA, BSc (Elec. Eng.), C. Eng., MIEK, PhD.</p>	<p>Director, Electricity & Renewable Energy: Heading the Electricity & Renewable Energy subsector regulation function of the Authority.</p>

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4. Management Team

 <p>Eng. Edward Kinyua Msc (Energy Management), B.Tech (Mech. & Prod. Eng)</p>	<p>Director, Petroleum & Gas: Heading the Upstream & Downstream Petroleum & Gas Regulation functions of the Authority.</p>
 <p>Major (Rtd) Augustine Ouma MPP, MSC Governance and Security BSC Military Science, CSMP</p>	<p>Ag. Director, Public Education, Advocacy & Consumer Protection: Heading the Public Education, Advocacy & Consumer Protection function of the Authority.</p> <p>Appointed:5th February 2024</p>
 <p>CPA. Everlyne Orege MBA, Bcom, CPA (K)</p>	<p>Director, Directorate of Internal Audit and Risk Assurance: Heading the Internal Audit and Risk Assurance function of the Authority.</p> <p>Appointed:1st September 2023</p>
 <p>Mr. Marona Cheplel MBA, Bcom, CPA(K)</p>	<p>Director, Corporate Services: Heading the Corporate Services functions of the Authority (Finance & Accounts, HR & Admin, Corporate Communications & ICT)</p> <p>Appointed:15th September 2023</p>

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4. Management Team

 <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>
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Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

5. Chairman's Statement

I am pleased to present to you the Authority's annual report and financial statements for the year ended June 30th, 2024. This report underscores the Authority's dedication to advancing the country's core development plans as outlined in the Bottom Up Economic Transformation Agenda (BETA). Energy is a crucial driver of our nation's economic prosperity. Recognizing this, the Authority remains steadfast in its commitment to regulating and steering the energy sector to support the nation's developmental aspirations.

During the period under review, the real Gross Domestic Product (GDP) is estimated to have expanded by 5.3%. The positive growth was notable across most sectors of the economy with most economic activities registering positive growth, according to the Economic Survey 2023. The expansion was mostly attributed to favorable weather conditions that prevailed though most of the year.

Demand for Liquefied Petroleum Gas (LPG) increased by 8% to 360,594 metric tonnes in 2023. This increase is attributed to Government initiatives such as the removal of VAT on LPG through the Finance Act 2023 and the implementation of the LPG growth strategy that aims to increase per capita consumption of LPG to 15kg per capita by 2030. To encourage this energy transition, the Authority is providing fiscal and regulatory incentives. Additionally, measures are being taken to enhance the quality of petroleum fuels, safeguarding consumers from adulterated products and ensuring compliance with quality standards.

Challenges persist, particularly concerning high energy prices, resulting from international oil price fluctuations, which have adversely impacted the cost of living. The Authority is actively engaging with the government to mitigate these impacts through measures such as subsidy programs for price-regulated petroleum products and the implementation of Presidential directives for electricity tariff reductions.

The Authority continues to facilitate the smooth functioning of the sector through various regulatory instruments, including licensing, Power Purchase Agreement (PPA) approvals, regulation development and enforcement, and monitoring the performance of sector utilities. Efforts are underway to streamline these processes, ensuring efficient issuance of legal instruments.

The Energy Act 2019 serves as a cornerstone for the development and coordination of the energy sector, underpinning initiatives such as the proposed 5-year National Energy Policy and the envisaged 3-year Integrated National Energy Plan (INEP). These efforts aim to ensure the provision of affordable, adequate, and reliable electricity services crucial for achieving our Vision 2030 objectives. A particular emphasis has been placed on leveraging renewable energy resources, with investments in geothermal power production prioritized for their comparatively lower generation tariffs.

The Petroleum Act 2019 also plays a pivotal role in the Authority's regulatory mandate, providing a framework for the development of the National Petroleum Policy, especially in light of successful crude oil discoveries in Turkana. Through its regulatory oversight and capacity-building initiatives, the Authority is poised to facilitate the growth and regulation of the petroleum sector, a critical component for realizing the goals of the Big Four Agenda.

Addressing the regulatory requirements of the Energy Act 2019 and Petroleum Act 2019 remains a significant challenge. The Authority is working closely with relevant ministries to mobilize resources for developing and implementing necessary regulations.

In closing, the Authority expresses gratitude for the unwavering support from national and county governments, energy sector players, and all Kenyans. I commend the dedication of the Authority's staff, management, and fellow Board Directors for another successful year, marked by our relentless pursuit of excellence in fulfilling our mandate and surpassing stakeholders' expectations.



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

Energy & Petroleum Regulatory Authority

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6. Report of the Director General

Kenya's energy sector has continued to advance significantly in policy and regulatory frameworks, driven by reforms enacted through the Energy Act and the Petroleum Act 2019. The successful implementation of these reforms has notably enhanced service delivery to the general public and stakeholders in both the Energy and Petroleum sectors.

In the financial year ending June 2024, the country witnessed substantial milestones as it progressed along its economic recovery trajectory, marked by the relaxation of Covid-19 containment measures and the subsequent resumption of economic activities across all sectors.

The Authority continued to play a pivotal role in the evolution of Kenya's power system, notably gazetting the Energy (Net Metering) Regulations 2024. The objective of the regulations is to a framework for prosumers to bank excess energy on the grid hence, promoting the uptake of renewable energy in Kenya through net metering. This is in line with section 162 of the Energy Act which enables consumers who own electric power generators of a capacity not exceeding one megawatt (1MW) to enter into a net metering arrangement with electricity distributors and/or retailers such as Kenya Power and Lighting Company.

At the electricity sector performance level, the resurgence in economic activities drove record peak demand, reaching 2,177MW by June 2024. The government's commitment to achieving universal electricity access remained steadfast, with a record 9,659,877 customers connected as of June 2024. In terms of electricity generation capacity, the country had an installed capacity of 3,243 MW, comprising hydroelectric power, geothermal power, thermal power, wind power, solar power and biomass. There was also an addition of 43.77MW from isolated public mini grids bringing.

The Authority's commitment to reviewing Power Purchase Agreements (PPAs) within 60 days of receipt of materially complete applications, as stipulated in the Energy Act 2019, led to improved efficiency in ensuring the reliability of power supply. Notably, Sossian geothermal power plant, commencing full commercial operations in October 2023, added 35MW, further strengthening power supply to the Central Rift region and enhancing reliability in the area. Additionally, the Kenya-Ethiopia 200MW HVDC link achieved full commercial operations on December 1, 2023 boosting Kenya's import and energy exchange with its neighbors.

In the Petroleum sub-sector, notable developments included the issuance of a total of 15,356 petroleum business licenses by June 2024. The Authority continued to set maximum retail prices for key petroleum products and wholesale prices for main supply depots in Kenya, in accordance with the Energy Act 2019. This pricing mechanism, executed on the 14th day of every month, incorporates various factors such as international oil prices, exchange rates, taxes, levies, premiums, storage costs, pipeline tariff costs, and transportation costs.

Financially, the Authority observed an increase of 65% in revenue from the petroleum levy compared to the previous year, while electricity levy revenue increased by 82%. Total non-exchange revenue saw a 77% increase, with total recurrent expenditure rising by 38% from the previous financial year. The Authority's total asset base increased by 52%, with both non-current and current assets experiencing significant growth. Current liabilities saw a notable increase of 79%, while total equity increased by 13%.

I extend my gratitude to the dedicated staff at EPRA, our esteemed Board of Directors, and all our stakeholders for their unwavering support throughout the financial year.



Mr. Daniel Kiptoo Bargoria
Director General.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

7. Statement of Performance against Predetermined Objectives For F/Y 2023/2024

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 (6) strategic pillars and objectives within its Strategic Plan for the FY 2023/2024-2026/2028 These strategic pillars are as follows:

Pillar 1	Sector Growth and Development
Pillar 2	Applied Research and Innovation
Pillar 3	Data Management
Pillar 4	Consumer Protection & Awareness
Pillar 5	Partnership & Collaboration
Pillar 6	Institutional Capacity & Development

EPRA develops its annual work plans based on the above 6 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 2023/2024 period for its 6 strategic pillars, as indicated below:

Energy & Petroleum Regulatory Authority

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Statement of Performance Against Predetermined Objectives For F/Y 2023/24

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
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Energy & Petroleum Regulatory Authority

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Statement of Performance Against Predetermined Objectives For F/Y 2023/24

Pillar 1- Sector Growth and Development	To improve the regulatory framework and promote sustainable energy and petroleum sector	<p>a)Number of Regulatory Impact Assessment (RIA) study reports</p> <p>b)Number of regulations developed/ reviewed</p> <p>c)Number of stakeholder engagements for regulations</p> <p>d)Number of renewable energy and energy efficiency capacity building and awareness forums conducted</p> <p>e)Number of technical audits and control audits conducted</p> <p>f)Number of licenses/permits issued</p> <p>g)Turn-around time for processing licenses/ permits</p>	<p>a)Develop/ review regulations in line with the Energy Act 2019 and Petroleum Act 2019</p> <p>b)Develop guidelines for the energy and petroleum sectors</p> <p>c)Undertake renewable energy and energy efficiency capacity building</p> <p>d)Conduct technical audits on petroleum and gas, electricity, renewable energy, and energy efficiency facilities</p> <p>e)Monitor committed electricity generation, transmission and distribution projects</p> <p>f) Process applications for Petroleum Business Licenses, Energy Auditors, Solar PV technicians, Energy Audit Firms, Solar PV contractors, electrical workers, electrical contractors and Power Purchase Agreements</p>	<p>a)Gazetted 1 regulation and undertook stakeholders' validation workshops for 8 developed/ reviewed regulations</p> <p>b)Published the Electric Vehicle Charging & Battery Swapping Infrastructure Guidelines</p> <p>c)Published Kenya's Guidelines on Green Hydrogen and its Derivatives</p> <p>d)Conducted 6 capacity building forums for energy efficiency practitioners</p> <p>e)Conducted 6 sensitization forums on renewable energy</p> <p>f)Conducted 228 technical audits for petroleum and gas, electricity, renewable energy, and energy efficiency facilities</p> <p>g)Monitored 10 electricity generation, transmission and distribution projects</p> <p>h)Processed 17,906 petroleum and LPG business license applications within an average of 12.82 days</p> <p>i)Processed 448 petroleum and gas construction permits within 16.78 days</p> <p>j)Reviewed and approved 11 PPAs</p>
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Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

Statement of Performance Against Predetermined Objectives For F/Y 2023/24

				<p>within an average of 41 days</p> <p>k)Processed 912 electrical workers' and 524 electrical contractors' license applications within an average of 50 and 15 days, respectively.</p> <p>l)Licensed 154 Solar PV technicians, 355 solar PV manufacturers/importers/manufacturers and 5 energy audit firms within an average of 48, 14 and 21 days, respectively.</p>
Pillar 2- Applied Research and Innovation	To enhance efficient and evidence-based decision-making in the sector	<p>a)Number of study reports</p> <p>b)Number of conferences held</p> <p>c)Percentage implementation of adopted recommendations</p>	<p>a)Organize an Annual Research and Innovation Conference</p> <p>b)Undertake research on emerging areas in the energy and petroleum sector</p> <p>c)Coordinate benchmarking studies/exercises and implementation of recommendations</p>	<p>a)Hosted the 5th Annual EPRA Research and Innovation Conference.</p> <p>b)Conducted research on the impact of clean energy transition</p> <p>c)Incorporated recommendation of the Ancillary Services study to the Energy (Net Metering) Regulations and Draft Energy (System Operations) Regulations.</p>

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

Statement of Performance Against Predetermined Objectives For F/Y 2023/24

Pillar 3 - Data Management	To enhance efficient and evidence-based decision-making in the sector	<p>a)No. of published Energy and Petroleum Statistics Reports</p> <p>b)Percentage level of compliance with the Data Protection Act</p> <p>c)Percentage of records digitized</p>		<p>a)Launched the Annual 2022/2023 and Biannual July 2023 - December 2023 Energy and Petroleum Statistical Reports</p> <p>b)Undertook a voluntary data protection audit coordinated by the Office of the Data Protection Commissioner</p> <p>c)Citizen-facing services were onboarded onto the e-citizen platform.</p>
Pillar 4 - Consumer Protection & Awareness	To empower and protect sector consumers & stakeholders	<p>a)Number of public education and awareness forums</p> <p>b)No. of public safety campaigns conducted</p> <p>c)Number of surveillance inspections</p> <p>d)Number of audited petroleum retail stations</p> <p>e)Turn-around time for review of ESIA reports</p> <p>f)Percentage resolution of complaints and disputes</p> <p>g)Percentage of investigated accidents</p>	<p>a)Organize public education and awareness forums</p> <p>b)Design and implement public safety campaigns</p> <p>c)Undertake inspections of petroleum, LPG, Renewable Energy and Electricity facilities to enforce compliance with Energy Act 2019 and Petroleum Act 2019</p> <p>d)Undertake technical audit of petroleum retail stations to check compliance</p> <p>e)Resolve complaints and disputes for the energy and petroleum sectors</p> <p>f)Investigate petroleum, gas and electricity-related accidents</p>	<p>a)Organized 164 public education and consumer awareness forums across the country</p> <p>b)Undertook 3,383 surveillance inspections to enforce compliance with Energy Act 2019 and Petroleum Act 2019</p> <p>c)Audited 911 petroleum retail stations</p> <p>d)Received 319 complaints and 36 disputes for the energy and petroleum sectors, out of which 295 complaints (92.5%) and 24 disputes (66.7%) were concluded</p> <p>e)Investigated 147 petroleum, gas and electricity-related accidents</p>

Energy & Petroleum Regulatory Authority

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Statement of Performance Against Predetermined Objectives For F/Y 2023/24

Pillar 5 - Partnership & Collaboration	To empower and protect sector consumers & stakeholders	Percentage implementation of partnerships and collaborations	<p>a) Establish strategic partnerships and collaborations</p> <p>b) Implement sustainable collaboration and partnerships for increased surveillance & consumer awareness</p>	<p>a) Established an MoU with Strathmore University</p> <p>b) Partnered with GiZ to develop and update the Minimum Energy Performance Standards for cooling appliances</p> <p>c) Collaborated with UNEP, International Climate Initiative (IKI) and GiZ to undertake a Market Assessment of Electric Two and Three-wheelers</p> <p>d) Collaborated with NTSA and KENAS to provide accreditation services for petroleum road tanker inspectors, sensitize petroleum road tanker drivers.</p>
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Energy & Petroleum Regulatory Authority

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Statement of Performance Against Predetermined Objectives For F/Y 2023/24

<p>Pillar 6 - Institutional Capacity & Development</p>	<p>To enhance institutional capability, effectiveness and efficiency</p>	<p>a) Skill gap analysis report b) Percentage of implemented staff establishment c) Number of interns/ attachés engaged d) Approved Strategic Plan e) Revised ERM framework f) External quality assessment report g) Percentage implementation of cybersecurity programs h) Amount allocated to special groups, i.e., youth, women and PWDs i) Amount allocated to procurement budget for locally sourced goods and services j) No. of CSR activities k) Customer satisfaction & brand perception survey report</p>	<p>a) Undertake skills gap analysis b) Recruit new employees c) Offer youth internship and attachment opportunities d) Develop the Authority's Strategic Plan e) Review and Implement the Enterprise Risk Management framework f) Undertake an external internal audit quality assurance g) Establish and implement cyber security programmes h) Allocate 30% value of available procurement budget to Youth, Women and Persons with Disabilities i) Reserve a minimum of 40% of the procurement budget for locally sourced goods and services j) Conduct Corporate Social Responsibility (CSR) programs k) Undertake an internal customer satisfaction and brand perception survey</p>	<p>a) Undertook an Institutional Skills Gap Analysis b) Finalized recruitment and placement for 61 positions c) Engaged 32 interns and 32 attachés d) Developed the 2023/2024–2027/2028 Strategic Plan e) Reviewed and approved the Enterprise Risk Management policy and risk appetite and tolerance levels f) Undertook an independent external internal audit quality assurance g) Installed and commissioned a Security Information and Event Management (SIEM) system to mitigate cyber threats h) Awarded contracts worth Kshs. 98,329,333.90 to Youth, Women and PWDs categories of suppliers. i) Awarded contracts worth Kshs. 494,195,685.27 for the supply of locally produced and services j) Planted 82,200 seedlings as part of CSR k) Overall Customer Satisfaction Index and Brand</p>
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Energy & Petroleum Regulatory Authority

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Statement of Performance Against Predetermined Objectives For F/Y 2023/24

				Perception Index established to be 63.9% and 70.6% respectively.
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Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

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 recognizes 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 Secretaries in the Ministry of Energy and Petroleum 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 Authority. The Director-General who is the Chief Executive of the Authority, is responsible for the day-to-day management of the Authority subject to the Board's direction.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

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; Ms. Jennipher Nawoi(Chairperson), Mr. Albert Mwendwa, Mr. Barnabus Ng'eno, Mr. Abdulkarim Mohamed and the 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; Mr. Anthony Gachau Mbuthia (Chairman), Mr. Gabriel Katumu, Mr. Abdulkarim Mohamed, Mr. Diba Daudi, Mr. Albert Mwendwa, Ms. Jane Cheptoo Masai and the 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. Diba Daudi (Chairman), Ms. Jane Cheptoo Masai, Mr. Anthony Gachau Mbuthia, and Mr. Gabriel Katumu.

2.8 Board Charter and Work Plan.

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

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

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 Report And Financial Statements for the year ended 30 June 2024

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 2023-2024, the Authority engaged a consultant, M/s Robson Harris Advocates LLP to undertake a Governance Audit of the Authority.

The audit exercise shall enable 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 shall ascertain 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. The implementation of the recommendations following the Legal Audit was undertaken during the financial years 2022-2023 and 2023-2024.

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 Report And Financial Statements for the year ended 30 June 2024

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 Report And Financial Statements for the year ended 30 June 2024

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 (13)	Finance & Administration Committee - Total No. of Meetings (7)	Technical Committee - Total No. of Meetings (7)	Audit & Risk Committee - Total No. of Meetings (4)	Pension Board Meetings (4)
Hon. Justice Jackton Ojwang	Board Chairman	13/13	N/A	N/A	N/A	N/A
Eng. Mercy Wambugu	Member	3/13	N/A	1/7	N/A	N/A
Mr. Daniel Ndonye	Member	2/13	1/7	1/7	N/A	1/4
Mr. Moses Mutuli	Member	2/13	N/A	1/7	1/4	N/A
Mr. George Mwakule	Member	3/13	1/7	N/A	N/A	1/4
Ms. Caroline Gathii	Member	3/13	N/A	N/A	N/A	N/A
Mr. Barnabas Ngeno	Rep. Council of Governors	12/13	5/7	1/7	1/4	3/4
Mr. Albert Mwenda	Rep. National Treasury	1/13	1/7	N/A	1/4	N/A
Mr. Masini Ichwara	Rep. MOE	10/13	3/7	4/7	N/A	1/4
Mr. Isaac Odek	Inspectorate of State Corporation	2/13	1/7	N/A	1/4	N/A
Mr. Antony Gachau	Member	10/13	N/A	6/7	3/4	N/A
Mr. Diba Huka	Member	7/13	N/A	6/7	3/4	N/A
Ms. Jennipher Nawoi	Member	10/13	2/7	N/A	2/4	3/4
Mr. Abraham Kiprutto	Member	10/13	4/7	3/7	N/A	N/A
Mr. Abdulkarim Mohammed	Rep. MOEP	10/13	6/7	6/7	N/A	N/A
Ms. Jane Masai	Member	9/13	N/A	5/7	3/4	N/A
Mr. Gabriel Kitumu	Rep. MOE	3/13	N/A	1/7	1/4	N/A
Mr. Daniel Kiptoo Bargoria	Director General	13/13	7/7	5/7	1/4	N/A

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9. Management Discussion and Analysis

Section A: Operational and Financial Performance.

1. Economic Regulation.

The year ending June 2024 saw Kenya's total interconnected installed capacity decreased to 3,140MW, comprising of 839MW hydroelectric power generators, 940MW of Geothermal, and 512MW of Thermal, 436MW of Wind, 210MW of Solar and 2MW from Biomass. Notable during the year there was the decommission of the Muhoroni Gas Turbine 56MW.

In addition, there is also 43.77MW from isolated public mini grids bringing the total installed capacity to 3,184MW. The highest peak demand of 2,177MW was recorded in February 2024. The contribution of each technology to the interconnected system is illustrated in table 1.

Table 1 Generation Capacity as at June 2024

Technology	June 2023		June 2024	
	Installed MW	Effective (MW)	Installed MW	Effective (MW)
Hydro	839	810	839	810
Geothermal	940	876	940	876
Thermal (MSD)	513	506	513	506
Thermal (GT)	60	56	0	0
Biomass	2	2	2	2
Solar	210	210	210	210
Wind	436	426	436	426
Off-Grid	38	25	44	26
Total	3,238	3,112	3,184	3,113

2. Energy Planning.

Energy Planning cuts across electricity and petroleum subsectors. In the financial year 2023/2024 EPRA sought to undertake several activities as listed below:

i) Least Cost Power Development Plan.

The LCPDP 2024-2043 was completed and sent to the Ministry of Energy and Petroleum for dissemination. 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). The Results of the forecast indicate that peak demand will grow from 2,170 MW in 2023 to 8,152MW, 13,495 MW and 4,996 MW in the Reference, Vision and Low scenarios respectively in 2043. Energy purchased is expected to grow at an annual average rate of 6.6% from 13,627GWh in 2023 to 48,499GWh in 2043 under the Reference scenario, and at a rate of 9.3% to 80,955GWh in 2043 in the Vision scenario. In the Low scenario, the energy purchased is expected to grow at an average rate of 4.0% to 29,742GWh over the same period.

2). Electricity sales on the other hand are expected to grow at an average rate of 6.1% from 10,488GWh in 2023 to 34,239GWh and 9.1% to 60,049GWh in 2043 in the Reference and Vision scenarios respectively. At the same time and based on the current connection trajectory of an average of 300,000 annually, universal electricity access is projected to be achieved by the year 2031 in the Reference scenario. However, in the vision scenario, accelerated connections at the rate of 500,000 annual connections could attain universal connectivity by 2028.

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9. Management Discussion and Analysis

3). In the Reference case scenario, the total interconnected effective capacity 12,800 MW by 2043. Geothermal capacity is expected to contribute the most to the total firm capacity over the planning period. There will also be significant contribution from Battery Energy Storage Systems (BESS) and pumped hydro storage for grid stability by 2043. Notably, all diesel and gasoil power plants are expected to be decommissioned by 2035. In line with the Government target of achieving 100% clean energy by 2030, renewable sources, nuclear and imports will provide the required electricity generation mix by 2043, representing a full transition to clean energy.

4). The overall system cost is projected to increase from Ksh. 234.9 billion in 2024 to Ksh. 488 billion in 2033 in the reference expansion case. The expansion plan projects the end user retail tariff in nominal terms to evolve from Ksh. 24.61/kWh in 2024 to Ksh. 26.76/kWh in 2033. In real terms, the end user tariff decreases from Ksh. 24.61/kWh to Ksh. 17.66/kWh. This scenario could however be affected by low hydrology when more expensive power plants are deployed, hence increasing the resulting end user tariffs.

Based on the transmission plan, the following measures were deemed necessary and urgent:

- 1). Construction of the 69km Ndhiwa-Sondu 132kV line to ensure adequate transmission capacity and resolve voltage issues in South Nyanza and Central Rift Region.
- 2). Construction of Narok-Bomet 132kV line to enhance supply reliability by providing alternative supply route to South Nyanza and parts of Central Rift Region.
- 3). Completion and commissioning of Kitale 220/132kV substation and Turkwel-Ortum-Kitale 220kV transmission line to enhance system reliability by providing alternative route for Turkwel generation evacuation.
- 4). Reconstruction and upgrade of Rabai-Kilifi 132 kV line to double circuit to enhance supply reliability and reduce network losses.
- 5). Commissioning of Mariakani 400/2220kV substation to facilitate operation of Isinya – Mariakani lines at 400 kV to enhance grid reliability in coast region.
- 6). Commissioning of Kimuka 220/66kV 2X200MVA Substation and construction of the proposed 66kV feed-outs from Kimuka Substation to optimize network loading and reduce energy losses.
- 7). Termination of Olkaria-Lessos-Kibos 220kV line at Lessos substation to enable operation of Olkaria-Lessos-Kibos lines as designed and therefore improve grid reliability.
- 8). Completion of Isiolo-Nanyuki 132kV line to complete the Mt. Kenya Ring to enhance grid reliability and reduce network losses.

Ancillary Service study.

Following completion of phase I of study, the study recommended some legal and policy documents to be amended to accommodate ancillary services. The following documents were amended to support procurement of ancillary services in Kenya.

- 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.

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- ◆ The Energy (Electricity Reliability, Quality of Supply and Service) Regulations
- ◆ The Energy (Electricity Supply) Regulations

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 secured funds from GIZ and is in the preliminary stages of procurement of a consultant to undertake Phase II of the ancillary service study.

Cost of service study in petroleum.

The Authority received the first draft of the 2nd cost of service study in petroleum. The broad objective of the study is to analyze the petroleum sector supply chain in Kenya including procurement of imported regulated refined products commonly referred to as the Open Tender System (OTS) as well as the recent Government to Government arrangement, freight and premium under it, handling costs, inland transportation through the Kenya pipeline and last mile delivery to retail outlets through road transportation. These shall then be interpreted into tangible parameters in the pricing formula for purposes of application under the Petroleum (Pricing) Regulations 2022. The study will further identify potential inefficiencies in the supply chain and their causes and propose solutions to remedying them as well as identifying the triggers of the changes in the retail parameters identified and the tolerance levels.

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 Energy & Petroleum Regulatory Authority to process Power Purchase Agreements within 60 days of their receipt.

During the financial year 2023/24, the Authority received and approved thirteen (13) Power Purchase Agreements (PPA) and Network Service Contracts (NSC) as follows:

1. The Solar Operations Agreement between Equator Energy & Saj Ceramics Limited;
2. The Solar Operations Agreement between Equator Energy & Milly Glass Works Limited;
3. A power purchase agreement between DWA Estate Limited and Kenya Power and Lighting PLC;
4. A power purchase agreement between Marco Borero Limited and Kenya Power and Lighting PLC;
5. A Solar Operation Agreement between Ecoligo Limited & Abyssinia Iron & Steel Limited;
6. A Solar Operation Agreement between Ecoligo Limited and Devyani (Daima) Limited;
7. A Solar Operation Agreement between Gridx African Development Limited & Mabati Rolling Mills Limited;
8. A Solar Operation Agreement between Gridx African Development Limited & Mabati Rolling Mills Limited;
9. A Solar Operation Agreement between Ecoligo Energy and Abyssinia Iron & Steel Limited;
10. A Solar Operation Agreement between Ecoligo Limited and Deyvani Food Industries (KE) Limited (Daima Dairy);
11. A power purchase agreement between and Mombasa Cement Factory in Vipingo, Kilifi;

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12. A power purchase agreement between Ecoligo Limited and Abyssinia Iron and Steel Limited in Mariakani;
13. A power purchase agreement between Equator Energy and Mombasa Cement.

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:

- a. PPA between Gusii Tea Solar Company Limited and Kebirigo Tea Factory Company Limited;
- b. PPA between Gusii Tea Solar Company Limited and Sanganyi Tea Factory Company Limited;
- c. Renewvia Mini-grid Tariff Applications for Katiko, Lomekwi, Kapelbok and Kalobeyei Minigrad sites, Turkana County;
- d. Tariff Renewal for Magiro Hydro Electricity Ltd (MHEL) in Gitugu, Kiawambogo and Kahinduini, Muranga County;
- e. PPA between Ecoligo Ltd and DL Koisagat Tea Estate Limited;
- f. PPA between Ecoligo Ltd and Mogogosiek Tea Factory Company Ltd;
- g. PPA between Ecoligo Ltd and Summit Fibres Ltd;
- h. PPA between Ariya Finergy Ltd and Isuzu East Africa Ltd;
- i. PPA between Crossboundary energy Kenya Ltd and Maisha Packaging Company Ltd;
- j. PPA between Ecoligo Ltd and Quality Meat Packers Ltd;
- k. PPA between Farmdo Energy Kenya Ltd and PJ Dave Flora Ltd;
- l. PPA between Gridx Africa Development Ltd and Muthu Keekorok Management Ltd;
- m. PPA between Ofgen Ltd and Tropikal Brands Ltd;
- n. Tariff application between Ecoligo Ltd & Kobel Tea Factory Approved.

iii) Retail Electricity Prices.

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

Further, during the year, the Authority recovered through the pass-through mechanism the revenue deficit arising from extension of discounted end user tariffs between January-March 2023 of KShs.548 Million per month. 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) decreased from Kshs 4.02/kWh in July 2023 to Kshs 3.59/kWh in June 2024 as thermal generation decreased from 9.34% to 7.33% over the same period. Hydropower generation increased over the period from 24.12% to 28.48% due to increased hydrology. WARMA levy was therefore reflected at Kshs 0.0146/kWh and 0.0183/kWh in July 2023 and June 2024 respectively.

FERFA increased over the financial year and was reflected in consumer bills at Kshs +1.7466/kWh in July 2023 and Kshs +1.7600kWh in June 2024. Inflation adjustment increased on end-user tariffs from Kshs 0.23 /kWh to Kshs 0.33/kWh.

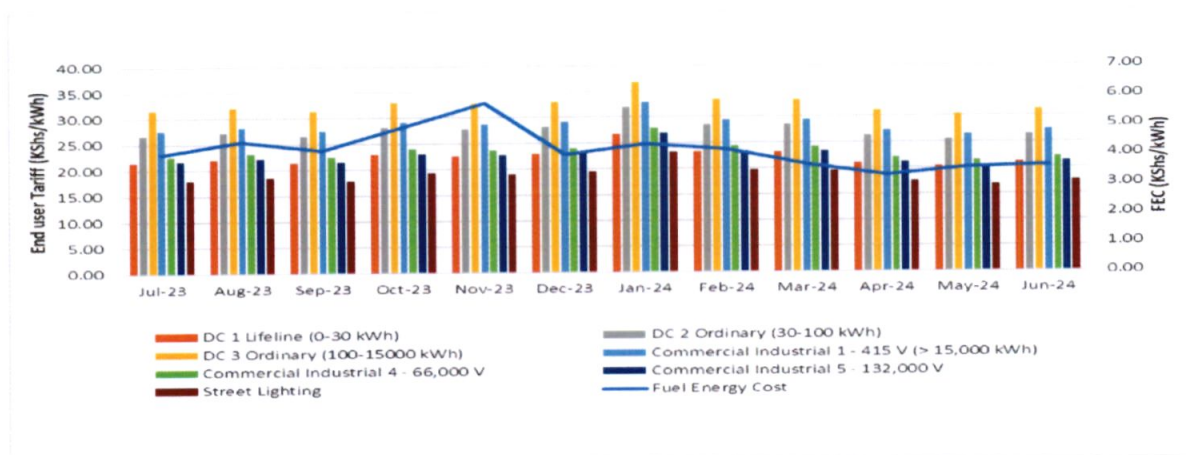
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A trend analysis of the end user tariff for select customer categories is as shown in figure 1.

Figure 1: Tariff evolution



iv) Petroleum Pump Prices.

According to Part III section 11 (b) of the Energy Act 2019, the Energy & Petroleum Regulatory 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 2023/24, the applicable prices of PMS, AGO and DPK were cross subsidized and published at significantly lower prices than their actual prices. This was done in order to cushion citizenry from the recent escalating prices of petroleum.

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 2024, the breakdown of the petroleum pump prices is as shown in table 1.

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Breakdown of the costs of Super Petrol (PMS), Diesel (AGO) and Kerosene (DPK) in Nairobi: 15th June- 14th July 2024				
Cost Item	Cost Description	Super Petrol	Diesel	Kerosene
		KShs/Litre	KShs/Litre	KShs/Litre
Landed Cost (a)	Weighted Average cost for all imports	100.30	92.43	90.60
Pipeline Transport (Msa-Nrb)	Pipeline (100% PMS, AGO & IK)	2.58	2.58	2.58
Road Transport (Msa-Nrb) - Bridging	Road (0% PMS, AGO & IK)	0.00	0.00	0.00
Pipeline Losses	Pipeline (0.04%)	0.07	0.06	0.05
Depot Losses	0.5% PMS; 0.3% For DPK & AGO	0.75	0.39	0.37
Delivery within 40kms of Nrb	Delivery to retail stations	0.54	0.54	0.54
Storage and distribution (b)		3.94	3.57	3.55
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	0.75	0.75	0.75
Railway Development Levy	Levy	1.46	1.33	1.31
Anti-adulteration Levy	Levy	0.00	0.00	18.00
Merchant Shipping Levy	Levy	0.03	0.03	0.03
Import Declaration Fee	Levy	2.43	2.21	2.19
Value Added Tax (VAT)	Tax	26.66	23.59	22.49
Taxes and levies (d)		76.68	62.68	56.54
Retail Prices in Nairobi (a) + (b) + (c) + (d)		193.31	171.05	163.05
Summary		Super Petrol	Diesel	Kerosene
		KShs/Litre	KShs/Litre	KShs/Litre
Products Costs (a)		100.30	92.43	90.60
Distribution and storage Costs (b)		3.94	3.57	3.55
Margins (c)		12.39	12.36	12.36
Taxes & Levies (d)		76.68	62.68	56.54
Retail Prices in Nairobi		193.31	171.05	163.05

Energy & Petroleum Regulatory Authority

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9. Management Discussion and Analysis

4. Regulatory Research and Policy Analysis.

i) EPRA Energy and Petroleum Statistics Report 2024.

Pursuant to Section 10 (jj) of the Energy Act, 2019, the Energy and Petroleum Regulatory Authority is mandated to collect and maintain energy data. During the financial year 2023/2024, the authority undertook the collection, collation, analysis, and maintenance of the energy data and statistics which was used in the preparation of the quarterly, July- December 2023 bi-annual report, and the 2023/2024 annual Energy and Petroleum Statistics Reports.

ii) Research Papers.

During the financial year 2023/2024, the Authority undertook a study on the impact of Adoption of Clean Energy and Sustainability of the Petroleum Industry in Kenya: A Case of E-Mobility. The findings of the study suggest that the impact of mobility on petroleum demand and electricity consumption is expected to be felt post 2035. Higher adoption rates of E-mobility is projected to have a negative net impact on government revenue given the higher taxes and levies imposed on petroleum products. The study recommends the need for the government through the national treasury to explore alternative tax sources to compensate for the potential loss in revenue from petroleum-related taxes, the Authority to enhance its resource mobilization strategies to manage the projected revenue shortfall and the government to consider phasing the fiscal incentives for electric vehicles in the various horizons that is medium term (2024 – 2030) and long term (2030 – 2043) to ensure government revenue is not unduly affected.

iii) Research and Innovation Week.

One of the key strategic priorities of the Energy and Petroleum Regulatory Authority is strengthening Energy and Petroleum Sector Research, data management, and information technology. The EPRA Research and Innovation Conference 2024 was held at the Edge Convention Centre in Nairobi from 4th to 5th June 2024. It was centred on the theme of energy transition.

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

The conference also included two high level panel discussion on the role of applied research and innovation in energy transition; challenges, opportunities and path forward and the Outlook of the Energy Sector in the era of Energy.

Transition. Additionally, Energy entrepreneurs from organizations like KenGen, Sustainable Energy, Safer Power Ltd, M-Gas, Burn Manufacturing, and Chloride Exide showcased their innovative solutions.

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 2023/2024 analyzed the impacts of emerging trends both exogenous and endogenous that have had an impact on the Energy and Petroleum Sectors in Kenya.

With regards to competition in the electricity subsector, the paper established the rate of competition in electricity generation to be low at 0.401 in comparison to the EPRA required threshold of 0.1, signifying a presence of low competition in the environment. 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.

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For the petroleum subsector, competition is moderate as the HHI at 0.104 due to 58.06% 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.

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9. Management Discussion and Analysis

Petroleum and Gas.

Retail station inspection.

It is estimated that Kenya has over 4,500 operating retail petrol stations. EPRA has embarked on a project of mapping out all the stations in the country and making a baseline compliance assessment. The table 1 shows the performance over the last three (3) financial years.

Period	Year Target	Retail Sites Audited
FY 2023/24	910	911
FY 2022/23	900	947
FY 2021/22	700	750

Review of Field Development Plan (FDP) for the South Lokichar Basin.

The first oil discovery was in March 2012 at Ngamia 1 in Block 10BB by Tullow Oil B.V. followed by more discoveries in block 13T all in the South Lokichar basin. So far, discoveries have been made at Twiga, Ngamia, Ekales, Etuko, Agete, Ewoi, Etom, Amosing, Ekunyuk and Erut fields in Blocks 10BB and 13T.

A Field Development Plan (FDP) was submitted to the Authority on 10th December 2021 in line with Section 30 of the Petroleum Act 2019 for review, prior to being recommended to the Cabinet Secretary in charge of Petroleum for approval. The Cabinet Secretary is thereafter required to submit the approved FDP plus the Production Sharing Contract for the respective block to Parliament for ratification in accordance with Article 71 of the Constitution of Kenya.

In recommending the FDP to the Cabinet Secretary, EPRA is required to satisfy itself of its technical and commercial viability. In order to ensure a thorough review of the FDP, EPRA requires the services of highly qualified firms of international repute to provide support during the technical review of the FDP.

Consequently, EPRA procured the services of three upstream consultants in the FY 2023/24 to assist in reviewing the technical, legal and commercial aspects of the FDP. During the FY 2023/2024, the Authority held a multi-sectoral meeting to review the consultants' reports on technical, commercial and legal aspects of the Field Development Plan (FDP) for the South Lokichar Basin as submitted by the upstream contractor. The project is expected to end in the FY 2023/24.

Upstream EHS Baseline Risk Assessment.

The upstream activities are likely to bring environmental and social impacts. EPRA engaged the services of a consultant in a project that will help establish a baseline to enable future monitoring of positive or negative impacts so as to help in early mitigation measures.

Compliance with statutory requirements.

1). Regulations drafted and approved.

Section 101 of the Petroleum Act No. 2 of 2019 ("the Petroleum Act") gives mandate to the Authority to develop and recommend regulations to the Cabinet Secretary for Petroleum for Gazettement. The table 2 shows the performance over the last three (3) financial years.

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9. Management Discussion and Analysis

Period	No. Draft Regulations Developed	Regulations Gazetted
FY 2023/24	1	Nil
FY 2022/23	2	2
FY 2021/22	11	Nil

2). Review of construction permits and licences.

Section 73 of the Petroleum Act requires the Authority to process applications for petroleum and LPG business licences within 30 days from the date of submission of the application.

Section 86 of the Petroleum Act requires EPRA to process applications for construction permits within 45 days from the date of submission of the application to the approval or communication of deferral/rejection.

Section 11(g) of the Energy Act No. 1 of 2019 ("the Energy Act") gives EPRA the mandate to formulate, set, enforce, and review environmental, health, safety and quality standards for the energy and petroleum sector in coordination with other statutory authorities. In this regard, EPRA collaborates with the National Environment Management Authority (NEMA) to review and provide sector specific comments for proposed petroleum and LPG project reports.

EPRA has set internal performance targets which seek to reduce the average number of days taken between receipt of applications and issuance of approvals, deferral/rejection letters. The table 3 shows the performance over the last three (3) financial years.

No.	FUNCTION	FY 2021/22		FY 2022/23		FY 2023/24	
		No.	Days	No.	Days	No.	Days
1	Construction Permit	642	9.00	324	8.49	448	16.98
2	Licences	19,227	9.30	20,528	9.94	17,706	12.82
3	Review of ESIA	250	3.50	149	12.35	181	9.96

3). Technical inspection of petroleum and LPG facilities.

Section 11(n) of the Energy Act requires EPRA to issue orders to licensees requiring them to comply with specific aspects of the statutory provisions or standards. In this regard EPRA carries out technical audits of petroleum and LPG facilities to ensure compliance by entities.

All the technical audit reports generated Corrective Action Plans (CAPs). The CAPs are shared with the licensee for implementation within an agreed time-frame. EPRA monitors the implementation and closing out of CAPs. The reports for the facilities with adverse risk rating of below 40% have had their licences suspended. The table 4 shows the performance over the last three (3) financial years.

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9. Management Discussion and Analysis

Period	Sites Audited (Petroleum)	Sites Audited (LPG)
FY 2023/24	34	33
FY 2022/23	28	32
FY 2021/22	27	27

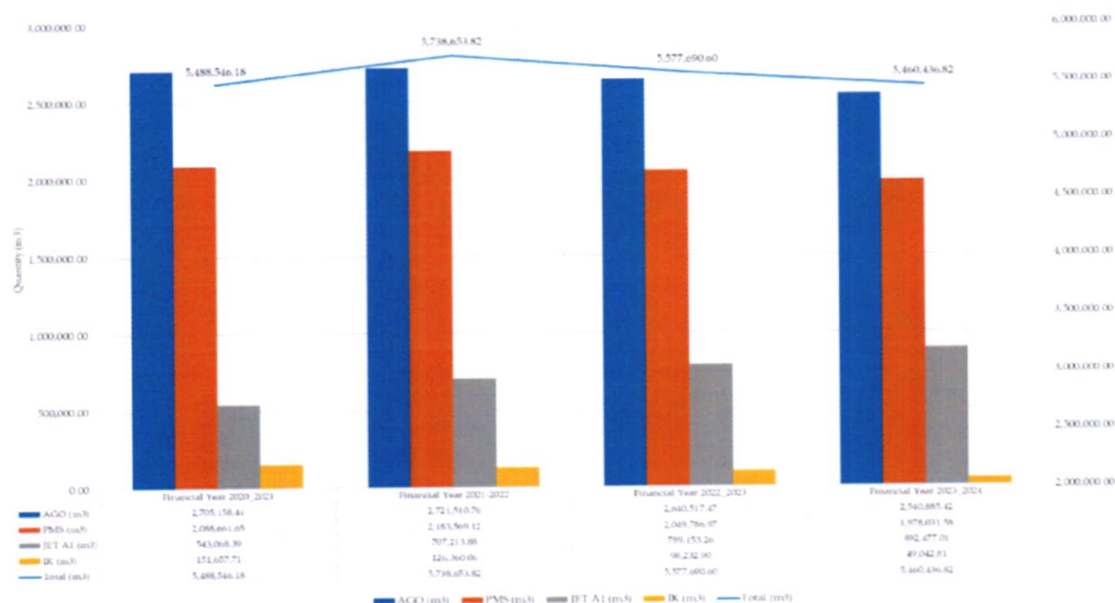
4). Accidents investigated.

EPRA investigates accidents as and when they occur. This is in order to ensure that the industry learns from accidents and to enable EPRA develop robust regulatory framework to enforce compliance in the industry. The table 5 shows the performance over the last three (3) financial years.

Period	Accidents Reported	Accidents Investigated
FY 2023/24	49	49
FY 2022/23	34	34
FY 2021/22	31	31

Petroleum import/ consumption data.

Section 10(ii) of the Energy Act requires EPRA to provide such information and statistics to the Cabinet Secretary as the Cabinet Secretary may from time to time require. This data helps EPRA to monitor security of supply. In this regard, EPRA collects and maintains petroleum import and consumption data. The table 6 below shows the historical petroleum and LPG data.

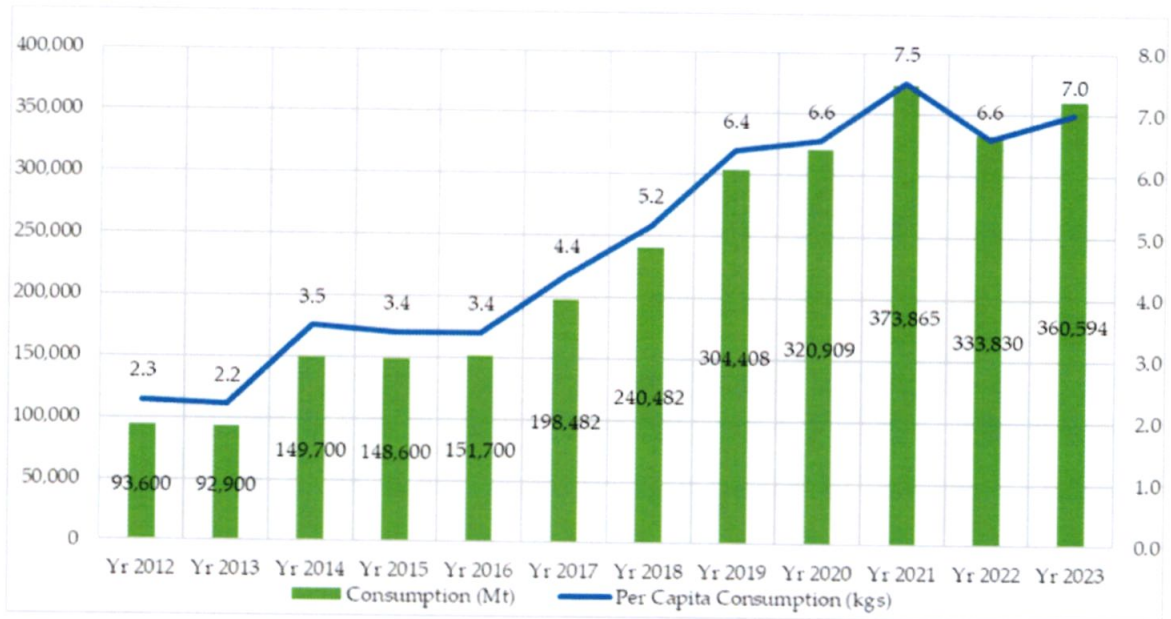


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9. Management Discussion and Analysis

Table 7: Petroleum (non-LPG) consumption data FY2020/21 to FY2023/24



Major risks facing the Authority in the Petroleum sub-sector.

1. Volatile petroleum prices in the international market as well as unpredictable global geopolitical environment

The petroleum sector is affected by unstable geopolitical situation such as the Ukraine-Russia conflict and the Middle East conflict. Further, the unfavourable exchange rate has put pressure on the prices of petroleum products.

2. Reduced revenue from PRL due to shift from consumption of diesel/super-petrol to LPG and electricity for road transport

The Petroleum Regulatory Levy is the main revenue source for EPRA and is charged at KES 0.75 per litre on diesel, super-petrol, industrial diesel oil, heavy fuels oil and kerosene. There is a trend of consumers moving away from use of these products for reasons of majorly cost and for environmental reasons. This will affect the consumption of these products and hence reduction of total revenue collected as PRL.

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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's recruitment is guided by its 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 and 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.

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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, Responsibility to Communities and Environmental Rehabilitation. Here are some highlights of the CSR initiatives undertaken during the year:

a) Responsibility to Communities.

Health for both our staff and stakeholders is a top priority. With this in mind, the Authority sponsored the Kenya Diabetes Management and Information Centre's Annual Diabetes Walk in May 2024, which aimed to raise public awareness about diabetes and its management.

b) Environmental Rehabilitation.

Under the leadership of H.E. President Ruto, the Government launched an ambitious initiative in May 2024 to plant 15 billion trees by 2032. This effort aims to reduce greenhouse gas emissions, halt and reverse deforestation, and restore 5.1 million hectares of degraded and deforested landscapes. To support this initiative, the Authority, with assistance from partners such as the Kenya Forest Service (KFS) and the Ministry of Environment, has planted a total of 82,000 seedlings at Mbagathi Hospital, Defense Forces Memorial Hospital, National Police Service Hospital, Kipkabus Forest, Koibatek Forest and Moi Kapsowar Girls' School. Throughout the initiative, the Authority has actively engaged stakeholders, including staff and local communities, to ensure their involvement and support.

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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, 2024, 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, 2024 are set out from page 51.

3) Board Members

The members of the Board of Directors who served during the year are shown on pages 7-13. The Directors are appointed in line with the 2nd Schedule of the Energy Act 2019.

4) Surplus remission

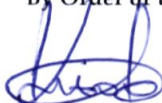
In accordance with section 219(2) of the Public Financial Management Act regulations, regulatory entities shall remit into the consolidated fund, ninety per centum of its surplus funds reported in the audited financial statement after the end of each financial year. The Authority had a surplus of KES 590,120,531.00 hence remittance of KES 531,108,478.00 to the National Treasury.

5) Auditors

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

The annual report and financial statements set out on pages 52 to 57, which have been prepared on the going concern basis, were approved by the on Board on 25th September 2024 and were signed on its behalf by:

By Order of the Board



Mr. Ibrahim Kitoo
Corporation Secretary and Director, Legal Services

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

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, 2024. 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, 2024, 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.

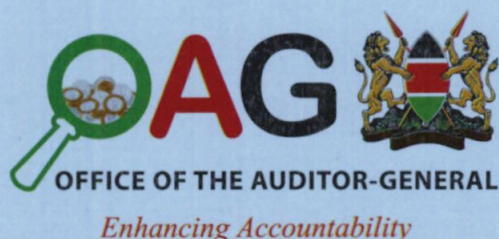
The Authority's financial statements were approved by the Board on 25th September 2024 and signed on its behalf by:

Hon. Justice Prof Jackton B. Ojwang'
Chairman

Mr. Daniel Kiptoo Bargarora
Director General

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON ENERGY AND PETROLEUM REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on 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 the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, 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 is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Energy and Petroleum Regulatory Authority set out on pages 50 to 87, which comprise the statement of financial

position as at 30 June, 2024 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, the financial statements present fairly, in all material respects, the financial position of Energy and Petroleum Regulatory Authority as at 30 June, 2024 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 Energy Act, 2019 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with 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 opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total revenue of Kshs.2,825,636,390 against a budgeted revenue amount of Kshs.3,434,434,334 resulting in underperformance of Kshs.608,797,944 or 18%. In addition, the Authority incurred expenditure of Kshs.2,436,243,026 against an income of Kshs.2,825,636,390 resulting in an under absorption of Kshs.389,393,364 or 14%.

The under collection and under absorption may have impacted negatively on service delivery to the public.

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

Unresolved Prior Year Matters

In the audit of the previous 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. Although Management has indicated as having resolved some of those matters in Appendix 1 to the financial statements, no evidence was provided to support that status.

Other Information

Management is responsible for the other information set out on page 3 to 48 which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Director General, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Authority's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Procurement of Motor Vehicles

During the year under review, Management awarded a tender for supply of two (2) motor vehicles to a local distributor at a contract price of Kshs.20,694,911 using the State Department for Public Works' Supply Branch tender recommendations. Review of the procurement process revealed anomalies as detailed below:

- i. The procurement process did not follow the procedure outlined in Section 52(4) of the Public Procurement and Asset Disposal Act, 2015, which requires the procuring entity to obtain a whole list of relevant categories from the State organ or entity, and together with its own relevant list, and subject the list to the Act.

- ii. Management made full advance payments for the vehicles totaling to Kshs.20,694,911 before delivery contrary to section 146 of the Public Procurement and Asset Disposal Act, 2015 which provides that no works, goods or services contract shall be paid for before they are executed or delivered, and accepted by the Accounting Officer of a procuring entity or an officer authorized by him or her in writing, and that no advance payment shall be made before the contract is signed.
- iii. Letters from the suppliers dated 15 May, 2024 and 16 June, 2024, indicated that the vehicles were at production stage in Japan and were expected in the Country in September, 2024 and November, 2024 respectively. However, an inspection and acceptance committee certified the vehicles as received on 23 May, 2024 and 25 June, 2024 respectively, and additionally certified that the vehicles had been received and taken on charge as per order and specifications.
- iv. As at the time of conclusion of the audit in December, 2024, the two vehicles had not been delivered to the Authority.

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

2. Irregular Procurement of Consultancy Services

During the year under review, Management engaged a Consultancy Company for provision of staff recruitment services of sixty-one (61) and one hundred and twenty-one (121) vacant positions at a contract price of Kshs.50,297,600 and Kshs.69,970,829 respectively, through request for proposals - single source selection method. As at 30 June, 2024 a total of Kshs.95,119,629 had been paid to the consultant in respect of the two contracts. Review of the procurement process revealed anomalies as detailed below:

- i. Management used single source selection method to procure the services in the two tenders. However, the tender did not meet conditions for single source selection set out in Section 124 (12) of the Public Procurement and Asset Disposal Act, 2015 which provides that use of single source selection to situations where it presents a clear advantage over competition and where it can be evidenced that goods, works or services are available only from a particular supplier, or a particular supplier has exclusive rights in respect of the consultancy services, and no reasonable alternative or substitute exists; or for tasks that represent a natural continuation of previous work carried out by the firm.
- ii. No written justification was provided for the use of single source selection method contrary to Section 124 (13) of the Public Procurement and Asset Disposal Act, 2015 which requires the accounting officer to issue a written justification for single-source selection in the context of the overall interests of the procuring entity.
- iii. A report of a negotiation committee dated 21 September, 2022 indicated that, based on a market survey undertaken by the committee on recruitment services for sixty-one (61) vacant positions, the average cost for the services from similar firms and scope

was Kshs.22,500,000. However, despite the quoted prices being higher than the market price, and a recommendation to have the quoted price to be adjusted to match the market price, Management awarded the contract at the higher cost of Kshs.50,297,600.

- iv. The tender for recruitment services for sixty-one (61) positions was awarded at a price of Kshs.50,297,600 against an approved budget of Kshs.30,000,000 exceeding the budget by Kshs.20,297,600 or 68%. Similarly, the tender for recruitment services for one hundred and twenty-one (121) positions was awarded at a price of Kshs.69,970,829 against budgeted amount of Kshs.40,000,000 exceeding the approved budget by Kshs.29,970,829 or 75%. This was contrary to Section 44 (2) and 53 (8) of the Public Procurement and Asset Disposal Act, 2015 which requires the accounting officer to ensure that procurements of goods, works and services of the public entity are within approved budget of that entity and not to commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in its approved budget estimates.
- v. A professional opinion issued on 8 August, 2023 and the contract with the consultant for recruitment services for one hundred and twenty-one (121) positions indicated that the prices were based on the number of positions to be filled. However, the consultant quoted for one hundred and twenty-two (122) positions in the price schedule. Therefore, the quote was overpriced by one position.
- vi. The contract for recruitment of one hundred and twenty-one (121) vacant positions at a cost of Kshs.69,970,829 was entered when the Consultant had already entered into an earlier contract for recruitment services for sixty-one (61) positions at the Authority through request for proposals. This was contrary to Section 130 of the Public Procurement and Asset Disposal Act, 2015 which provides that a person who enters a contract resulting from procurement by a request for proposals shall not enter into any other subsequent contract for the procurement of goods, services or works related to that original contract.

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

3. Lack of Governance Audit

Paragraph 1.13 of the Mwongozo code of governance for State Corporations requires the Board, in consultation with the oversight office, to ensure that the organization is subjected to an annual governance audit by a member registered by the Institute of Certified Public Secretaries of Kenya (ICPSK). Despite Management indicating that a governance audit had been undertaken, no evidence and report of the audit was provided for review.

In the circumstances, Management was in breach of the Code of Governance for State Corporations.

4. Non-Compliance with the One Third Gender Rule

Review of the composition of Authority's Board of Directors revealed that nine (9) out of the eleven (11) Board members were male translating to 82%. This was against the gender equality principle outlined in Article 27 (8) of the Constitution of Kenya, 2010 which requires the State to take legislative and other measures to implement the principle that not more than two-thirds of the members of elective or appointive bodies shall be of the same gender.

In the circumstances, the composition of the Board was in breach of the law.

5. Authentication of Academic Qualifications for Employees Certificate

Review of Human Resources records revealed that Management undertook an authentication of academic certificates exercise during the year under review. However, the authentication only covered certificates from local universities. The other academic certificates such as those on secondary education, diploma courses, and professional courses, academic qualifications obtained from foreign universities for the Authority's fifty-two (52) employees were yet to be authenticated. This was contrary to the Public Service Commission circular issued on 19 October, 2022 which required all Authorized Officers to government institutions to undertake an audit of academic and professional certificates of employees.

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

6. Non-Compliance with the One-Third of Basic Salary Rule

Analysis of the payroll data revealed that during the year under review, one hundred and eighty-five staff (185) employees were paid a net salary which was less than a third (1/3) of their basic pay. This contravened section 19(3) of the Employment Act, 2007 which requires that the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages. No sufficient explanation was given for breach of law on payment of salaries and allowances.

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

7. Non-Compliance with Leave Management Policy

Review of employees' leave records revealed that forty-seven (47) employees had carried forward more than fifteen (15) leave days of their annual leave entitlement and accrued leave allowance totalling to Kshs. 12,194,586. This was contrary to Section 6.3.3 and 6.3.4 of the Authority's Human Resource Policy and Procedures Manual which requires employees to take leave earned within the leave year it falls due or forfeit it and only carry forward not more than half of annual leave entitlement in exceptional circumstances with prior written approval of the Director General.

In the circumstances, Management was in breach of the Authority's policies.

8. Non-Compliance with Migration to E-Citizen Platform

Review of records in respect of revenue collection revealed that the Authority was yet to onboard its services into the e-citizen platform contrary to Presidential directive communicated through the Head of Public and Secretary to the Cabinet circular dated 4 August, 2023. The circular required all Ministries, State Departments and State Agencies to transition all payments to a single payment platform under the designated pay bill number 222222 by 8 August, 2023 and onboard all government services onto the e-citizen platform by 30 September. No explanation or documentary evidence was provided for the non-compliance with the requirements set out in the circular.

In the circumstances, Management was in breach of Government policy directives.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 effect of the matters described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, 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. Long Outstanding Receivables

The statement of financial position and as disclosed in Notes 23 to the financial statements, reflects Kshs.566,886,064 in respect of receivables from non-exchange transactions. The balance includes Kshs.320,899,132 receivable from Kenya Power and Lighting Company PLC and Kenya Revenue Authority which had been outstanding for more than a year. No evidence was provided of actions, if any, taken by Management to recover the long outstanding debts.

In the circumstances, the effectiveness of internal control measures put in place to collect outstanding debts could not be confirmed.

2. Long Outstanding Payables

The statement of financial position and as disclosed in Note 27 to the financial statements reflects payables under exchange transactions balance of Kshs.367,871,990. Review of

the aging analysis provided in support of the balance revealed an amount of Kshs.50,834,864 which had been outstanding for more than one year. Management indicated that part of the payables was subject to an ongoing court case while others were retainers for existing contractual obligations which were yet to be finalized. However, no evidence to support Management claims and the likely implications including chargeable interest was provided. In addition, no contingent liabilities were disclosed in respect of the payables.

In the circumstances, the likely implications, including chargeable interest on overdue amounts, could not be ascertained.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 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 Management and Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements 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 Authority's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 December, 2024

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

14. Statement of Financial Performance for the Year Ended 30 June 2024

Figures in Kenyan Shilling	Note(s)	2023 - 2024	2022 - 2023
Revenue			
Revenue from non-exchange transactions			
Transfer revenue			
Transfers from other government entities	6	200,731,704	21,500,436
Levies	7	2,746,918,810	1,566,917,417
License fees & Miscellaneous	8	65,688,211	61,887,346
Total revenue from non-exchange transactions		3,013,338,725	1,650,305,199
Revenue from exchange transactions			
Other income	9	5,633,157	1,142,402
Interest	10	7,396,212	5,213,789
Total revenue from exchange transactions		13,029,369	6,356,191
Total revenue		3,026,368,094	1,656,661,390
Expenses			
Use of goods and services	11	(1,237,602,063)	(750,637,957)
Employee costs	12	(871,447,380)	(714,041,917)
Remuneration of Directors	13	(29,093,087)	(20,526,228)
Depreciation and Amortisation	14	(61,654,611)	(62,920,691)
Repairs and Maintenance	15	(18,960,459)	(13,370,974)
Contracted services	16	(197,485,426)	(133,955,462)
Transfers	17	(20,000,000)	(40,000,000)
Total expenses		(2,436,243,026)	(1,735,453,229)
Loss on sale of assets	18	(4,537)	-
Surplus (deficit) for the year from continuing operations		590,120,531	(78,791,839)
Remission to National Treasury	19	(531,108,478)	-
Surplus (deficit) for the year		59,012,053	(78,791,839)

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

14. Statement of Financial Performance for the Year Ended 30 June 2024

Figures in Kenyan Shilling

Note(s) 2023 - 2024 2022 - 2023

The notes set out on pages 58 to 83 form an integral part of these financial statements. The annual report and financial statements set out on pages 50 to 57 were signed on its behalf by:


Dk

Mr. Daniel Kiptoo Bargaroria
Director General



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



Hon. Justice Prof Jackton B. Ojwang'
Chairman

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

14. Statement of Financial Position as at 30 June 2024

Figures in Kenyan Shilling	Note(s)	2023 - 2024	2022 - 2023
Assets			
Current Assets			
Cash and cash equivalents	20	525,265,084	255,273,661
KCB-Snr Mgt Gratuity Investment	21	-	18,469,660
Receivables from exchange transactions	22	22,656,050	27,759,178
Receivables from non-exchange transaction	23	566,886,064	348,012,761
Inventories	24	5,492,014	5,426,740
		1,120,299,212	654,942,000
Non-Current Assets			
Property, plant and equipment	25	393,875,963	297,024,497
Intangible assets	26	24,608,982	2,219,719
		418,484,945	299,244,216
Non-Current Assets		418,484,945	299,244,216
Current Assets		1,120,299,212	654,942,000
Total Assets		1,538,784,157	954,186,216
Liabilities			
Current Liabilities			
Payables under exchange transactions	27	367,871,990	163,067,089
Payables under non- exchange transactions	28	641,732,230	294,557,091
Employee benefits	29	74,173,899	102,918,892
		1,083,778,119	560,543,072
Non-Current Liabilities		-	-
Current Liabilities		1,083,778,119	560,543,072
		-	-
Total Liabilities		1,083,778,119	560,543,072
Reserves			
Capital replacement reserve	30	55,000,000	55,000,000
Accumulated surplus		400,006,038	338,643,144
Total Net Assets/Equity		455,006,038	393,643,144
Total Net Assets and Liabilities		1,538,784,157	954,186,216

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

14. Statement of Financial Position as at 30 June 2024

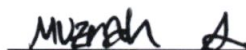
Figures in Kenyan Shilling

Note(s) 2023 - 2024 2022 - 2023

The annual report and financial statements and the notes on pages 58 to 83 were approved by the board on 25th September 2024 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

The accounting policies on page 58 to 64 and the notes on pages 58 to 83 form an integral part of the annual report and financial statements.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

16. Statement of Changes in Net Assets for the Year Ended 30 June 2024

	Capital replacement reserve	Accumulated surplus	Total net assets/equity
Figures in Kenyan Shilling			
Prior year			
Balance at 01 July 2022	55,000,000	417,611,959	472,611,959
Changes in net assets/equity			
Surplus for the year	-	(78,791,839)	(78,791,839)
Total changes	-	(78,791,839)	(78,791,839)
Balance at 30 June 2023	55,000,000	338,643,144	393,643,144
Current year			
Balance at 01 July 2023	55,000,000	338,643,144	393,643,144
Changes in net assets/equity			
Surplus for the year	-	590,120,531	590,120,531
Prior Year Adjustment-Stores and Accruals	-	2,350,841	2,350,841
Provision- 90% Remission to National Treasury	-	(531,108,478)	(531,108,478)
Total changes	-	61,362,894	61,362,894
Balance at 30 June 2024	55,000,000	400,006,038	455,006,038

Prior year adjustments relates to adjustments of stores accruals and audit fees.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

17. Statement of Cashflow for The Year Ended 30 June 2024

Figures in Kenyan Shilling	Note(s)	2023 - 2024	2022 - 2023
Cash flows from operating activities			
Receipts			
Transfers from other government entities		-	92,287,350
Levies		2,553,991,221	1,444,118,629
License fees		65,688,211	61,887,346
Other income(Miscellaneous)		5,633,157	1,142,402
Interest received		7,396,212	684,981
		2,632,708,801	1,600,120,708
Payments			
Use of goods and services		(1,130,286,638)	(745,917,878)
Employee Costs		(866,434,347)	(711,472,226)
Remuneration Directors		(29,093,087)	(20,526,228)
Repairs and Maintenance		(15,747,659)	(14,512,589)
Contracted services		(122,611,148)	(111,425,388)
Transfers		(20,000,000)	(41,500,000)
		(2,184,172,879)	(1,645,354,309)
Total receipts		2,632,708,801	1,600,120,708
Total payments		(2,184,172,879)	(1,645,354,309)
Net cash flows from operating activities	31	448,535,922	(45,233,601)
Cash flows from investing activities			
Purchase of property, plant and equipment	25	(157,961,929)	(22,149,616)
Purchase of other intangible assets	26	(20,582,570)	(2,998,599)
KCB-Snr Mgt Gratuity Investment		-	3,294,991
Net cash flows from investing activities		(178,544,499)	(21,853,224)
Net increase/(decrease) in cash and cash equivalents		269,991,423	(67,086,825)
Cash and cash equivalents at the beginning of the year		255,273,661	322,360,486
Cash and cash equivalents at the end of the year	20	525,265,084	255,273,661

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

18. Statement of Comparison of Budget and Actual Amounts the for the Year Ended 30 June 2024

	Original Annual budget	Adjustments	Final Annual Budget	Actual amounts on comparable basis	Perfomance Difference	% Utilization
Figures in Kenyan Shilling						
Revenue						
Revenue from non-exchange transactions						
Revenue						
Transfers from other government entities	300,000,000	13,580,000	313,580,000	-	313,580,000	-
Levies	2,753,079,205	277,309,253	3,030,388,458	2,746,918,810	283,469,648	91 %
License fees	83,865,876	-	83,865,876	65,688,211	18,177,665	78 %
Total revenue from non-exchange transactions	3,136,945,081	290,889,253	3,427,834,334	2,812,607,021	615,227,313	82 %
Revenue from exchange transactions						
Other income(Miscellenous)	1,100,000	-	1,100,000	5,633,157	(4,533,157)	512 %
Interest Received	3,500,000	2,000,000	5,500,000	7,396,212	(1,896,212)	134 %
Total revenue from exchange transactions	4,600,000	2,000,000	6,600,000	13,029,369	(6,429,369)	197 %
Total revenue	3,141,545,081	292,889,253	3,434,434,334	2,825,636,390	608,797,944	82 %
Expenditure						
Use of goods and services	(1,452,164,797)	38,538,000	(1,413,626,797)	(1,237,602,063)	(176,024,734)	88 %
Employee costs	(1,262,307,318)	79,000,000	(1,183,307,318)	(871,447,380)	(311,859,938)	74 %
Remuneration Directors	(30,000,000)	-	(30,000,000)	(29,093,087)	(906,913)	97 %
Depreciation and amortisation	(123,653,287)	35,300,000	(88,353,287)	(61,654,611)	(26,698,676)	70 %
Repair and Maintance	(18,000,000)	-	(18,000,000)	(18,960,459)	960,459	105 %
Contracted services	(230,300,000)	-	(230,300,000)	(197,485,426)	(32,814,574)	86 %
Transfers	(25,000,000)	-	(25,000,000)	(20,000,000)	(5,000,000)	80 %
Total expenditure	(3,141,425,402)	152,838,000	(2,988,587,402)	(2,436,243,026)	(552,344,376)	82 %
Operating surplus	119,679	445,727,253	445,846,932	389,393,364	56,453,568	
Loss on disposal of assets	-	-	-	(4,537)	- %	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	119,679	445,727,253	445,846,932	389,388,827	56,458,105	87 %

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

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	Perfomance Difference	% Utilization
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Figures in Kenyan Shilling

Budget Differences

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;

- a) Levies received were below budget by Kes. 283,469,648 representing under collection of 9%. This was as a result of depressed economic environment and high fuel prices that led to reduced fuel consumption, leading to lower-than-expected levy collections
- b) License fees was below budget by Kes. 18,177,665 representing an under collection of 22% this is due to low number of new license applicants and renewals than projected.
- c) Miscellaneous income was above budget by 4,533,157 representing a variance of 412% due to increased insurance compensation than projected.
- d) Interest received was above budget by Kes. 1,896,212 representing a variance of 34% this was due to high interest earned on current account as a result of a healthy cash balance due to increased petroleum and electricity levy collection.
- e) Use of goods and services was below budget by 176,024,734 an under expenditure of 12% this was as a result of delayed procurement processes majorly due to non-responsive tenders that required repeat of the tendering process.
- f) Employee costs was below budget by Kes. 311,859,938 representing an under expenditure of 26%. This was due to lengthy recruitment process due to the many positions advertised and high number of applications received.
- g) Depreciation and amortisation expense was below budget by Kes. 26,698,676 an under expenditure of 30% this was majorly as a result of delay in completion of the partitioning works in 5th floor and regional offices and delayed procurement of other office equipment.
- h) Contracted services was below budget by Kes. 32,814,574 representing an under expenditure 14% this is due to delayed procurement processes majorly due to non-responsive tenders.
- i) Transfers was below budget by Kes. 5,000,000 representing an under expenditure 20% this is because transfer to car loan was not effected as the fund was sufficient in the period.

NOTE:

RECONCILIATION

In the period expenses relating to upstream activities and UNEP projects were recognised as income in the statement of financial performance and reduced the deferred upstream Income and UNEP liabilities respectively, hence difference with budget statement.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

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 gazettelement 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 2024

There were no new and amended standards issued in the financial year.

3.2 New and amended standards and interpretations in issue, but not yet effective in the year ended 30 June 2024

	Effective date: Years beginning on or after	Expected impact:
IPSAS 43	01 January 2025	
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	01 January 2025	
IPSAS 45: Property Plant and Equipment	01 January 2025	
IPSAS 46: Measurement		
IPSAS 47: Revenue	01 January 2026	
IPSAS 48: Transfer Expenses	01 January 2026	
IPSAS 49: Retirement Benefit Plans	01 January 2026	

3.3 Early adoption of standards

The Authority did not early- adopt new or amended standards in the financial year 2023/2024.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

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 2023/2024 was approved by the National Treasury through Ministry of Energy and Petroleum on 30th June 2023. Subsequent revision or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities on 11th June 2024. 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 Report And Financial Statements for the year ended 30 June 2024

19. Notes to the Financial Statements

4. Summary of Significant Accounting Policies (continued)

c) Taxation/Transfer to treasury

The Authority remits 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.

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 Report And Financial Statements for the year ended 30 June 2024

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 Report And Financial Statements for the year ended 30 June 2024

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 Report And Financial Statements for the year ended 30 June 2024

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.

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, 2024.

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 Report And Financial Statements for the year ended 30 June 2024

19. Notes to the Financial Statements

Figures in Kenyan Shilling	2023 - 2024	2022 - 2023
6. Transfers from other government entities		
Deferred Upstream Regulatory support	191,249,815	10,990,986
Deferred Income-Energy Act	-	3,009,450
Government support	-	7,500,000
UNEP	9,481,889	-
	200,731,704	21,500,436

Transfers from other government entities

Name of Entity	Amount recognized to Statement of Financial Performance (Kshs)	Amount recognised in capital fundKShs	Total income during the period	Comparative Period
Ministry of Energy & Petroleum conditional	191,249,815	Nil	191,249,815	10,990,986
Ministry of Energy & Petroleum conditional	-	-	-	7,500,000
Other Stakeholders conditional	9,481,889	-	9,481,889	3,009,450
	200,731,704	-	200,731,704	21,500,436

7. Levies

Electricity Levy	830,413,932	406,046,291
Petroleum Levy	1,916,504,878	1,160,871,126
	2,746,918,810	1,566,917,417

Electricity Levy-Energy Act 2019

Petroleum Levy-Legal Notice No. 45 of 2024

8. License fees & Miscellenous

License fees	65,688,211	61,887,346
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9. Other Income(Miscellenous)

Other income(Miscellenous)	5,633,157	1,142,402
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10. Interest received - investment

Interest	7,396,212	5,213,789
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Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

19. Notes to the Financial Statements

Figures in Kenyan Shilling	2023 - 2024	2022 - 2023
11. Use of goods and services		
Training seminars and workshops	86,515,712	71,324,269
Subscriptions	3,572,537	3,079,034
Staff Welfare	11,207,554	7,585,566
General office expenses	24,908,770	22,442,441
Fuel	16,444,358	11,600,393
Insurance license & MV subscriptions	2,966,466	3,997,708
Travel, inspections, surveillance & audit	426,999,222	162,243,756
Corporate subscriptions	22,801,513	19,220,952
Seminars workshops, public hearings	35,926,992	32,364,087
Advertising and gazette notices	61,050,716	86,024,086
Bank charges	2,494,026	1,903,135
Branding/Printing	2,986,972	9,275,131
Telephone and Internet	12,840,903	11,286,959
Software licenses support and disaster recovery	37,982,748	24,274,771
Rent and service charges	60,277,240	62,396,058
Security	13,396,547	8,393,269
Electricity	8,185,699	6,084,447
Office cleaning	7,325,606	6,757,065
Consultancies	319,672,696	148,720,539
HIV, safety, culture change and related	39,715,035	24,043,525
Energy Act expenses	507,200	3,313,950
Water	148,951	42,858
Corporate social responsibility	7,231,939	7,129,318
Audit fees	748,000	714,085
Legal fees & regulatory expenses	31,694,661	16,420,555
	1,237,602,063	750,637,957

12. Employee costs

Basic Salaries	502,822,495	408,453,590
Pension and Gratuity	109,853,369	94,691,654
Special Duty / Acting Allowance	6,662,078	20,691,635
Car and Commuter allowance	36,801,020	29,188,141
House Allowance	106,382,579	89,671,899
Fringe benefits	10,866,797	6,311,904
Leave & Other Allowances	16,098,090	8,349,100
Medical	55,709,875	44,533,901
General Life & Personal Insurance	18,131,532	12,132,093
Meal Allowance	-	18,000
Affordable Housing Levy	8,119,545	-
	871,447,380	714,041,917

Energy & Petroleum Regulatory Authority

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19. Notes to the Financial Statements

Figures in Kenyan Shilling	2023 - 2024	2022 - 2023
13. Remuneration of Directors		
Monthly fees and honorarium	6,456,774	6,908,548
Sitting allowance	9,034,428	5,340,000
Meeting, entertainment and other allowances	2,470,774	1,476,180
Seminars, travel, and accomodation	10,580,891	6,395,502
Insurance & medical	550,220	405,998
	29,093,087	20,526,228
14. Depreciation and Amortisation		
Property, plant and equipment	60,486,304	59,047,162
Intangible assets	1,168,307	3,873,529
	61,654,611	62,920,691
15. Repairs and Maintenance		
Repair & service motor vehicle	16,675,247	11,607,414
Repair & maintenance office equip	2,285,212	1,763,560
	18,960,459	13,370,974
16. Contracted Services		
Fuel Marking	158,668,179	92,161,102
LPG Inspection	38,817,247	41,794,360
	197,485,426	133,955,462
17. Transfers		
Transfers to Mortgage & Car Loan	20,000,000	40,000,000
18. Gain on sale of assets		
Property, plant and equipment & Intangible Assets	(4,537)	-
There was no gain on sale of assets during the period.		
19. Remission to National Treasury		
Surplus (deficit) for the year	590,120,531	(78,791,839)
Realised surplus	590,120,531	(78,791,839)
90% of released profit	531,108,478	-

Energy & Petroleum Regulatory Authority

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19. Notes to the Financial Statements

Figures in Kenyan Shilling

2023 - 2024

2022 - 2023

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 had a surplus of KES 590,120,531.00 hence remittance of KES 531,108,478.00 to the National Treasury.

20. Cash and cash equivalents

Cash and cash equivalents consist of:

Mpesa	1,176,990	6,487,030
Bank balances	479,221,534	160,829,059
KCB-Snr Mgt Gratuity Current Account	44,866,560	87,957,572
	525,265,084	255,273,661

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	473,715,064	155,911,086
National Bank	01003003110800	4,578,167	3,978,510
NCBA Bank	6959370012	928,303	939,463
		479,221,534	160,829,059
Gratuity Custody Accounts			
KCB-Snr Mgt Gratuity Current Account	1273022599	44,866,560	87,957,572
Others			
Mobile Money Accounts M-pesa	923311	1,176,990	6,487,030
		1,176,990	6,487,030
Total cash and cash equivalents		525,265,084	255,273,661

21. KCB-Snr Mgt Gratuity Investment

KCB-Snr Mgt Gratuity Investment	-	18,469,660
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Prior and current year KCB-Snr Mgt Gratuity current Account has been split to disclose investment in treasury bills

Energy & Petroleum Regulatory Authority

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19. Notes to the Financial Statements

Figures in Kenyan Shilling	2023 - 2024	2022 - 2023
22. Receivables from exchange transactions		
Prepayments	1,004,994	2,293,049
Deposits	21,651,056	21,411,056
Interest Receivable	-	4,055,073
	22,656,050	27,759,178

Ageing analysis for receivables from exchange transactions

	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	3,935,533	17 %	3,426,763	12 %
1-2 years	4,252,088	18 %	1,118,652	5 %
2-3 years	3,363,678	15 %	2,109,012	8 %
Over 3 years	11,104,751	50 %	21,104,751	75 %
	22,656,050	-	27,759,178	-

23. Receivables from non-exchange transactions

Board imprest	90,999	209,999
Staff imprest	24,993,691	5,900,320
Other receivables	21,528,670	16,915,401
KPLC-Electricity levy	236,654,619	221,300,026
KRA-Petroleum levy	277,172,102	99,599,106
Staff salaries & medical advances	6,445,983	4,087,909
	566,886,064	348,012,761

Ageing analysis for receivables from non-exchange transactions

	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	393,561,817	64 %	113,810,320	32 %
1-2 years	14,045,645	3 %	24,567,598	7 %
2-3 years	10,400,338	2 %	10,993,813	4 %
Over 3 years	148,878,264	31 %	198,641,030	57 %
Total	566,886,064	-	348,012,761	-

24. Inventories

Inventories	5,492,014	5,426,740
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Energy & Petroleum Regulatory Authority

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19. Notes to the Financial Statements

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2022 - 2023

25. Property, plant and equipment

Controlling entity	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	412,654,145	(161,396,650)	251,257,495	213,754,600	(147,387,012)	66,367,588
Motor vehicles	180,017,506	(141,683,148)	38,334,358	158,959,527	(125,217,075)	33,742,452
Office equipment	51,301,276	(25,868,346)	25,432,930	36,838,701	(22,931,893)	13,906,808
IT equipment	227,854,717	(149,003,537)	78,851,180	141,110,966	(122,295,761)	18,815,205
Other property, plant and equipment	-	-	-	164,192,444	-	164,192,444
Total	871,827,644	(477,951,681)	393,875,963	714,856,238	(417,831,741)	297,024,497

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19. Notes to the Financial Statements

Figures in Kenyan Shilling

2023 - 2024 2022 - 2023

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 2022	212,014,850	135,739,527	33,379,621	140,199,777	146,421,067	667,754,842
Additions	1,739,750	23,220,000	3,459,080	4,203,700	17,771,377	50,393,907
Disposal	-	-	-	(3,292,511)	-	(3,292,511)
At 30 June 2023	213,754,600	158,959,527	36,838,701	141,110,966	164,192,444	714,856,238
Additions	5,636,576	21,057,979	14,102,575	87,114,651	29,430,525	157,342,306
Disposal	-	-	-	(370,900)	-	(370,900)
Transfers	193,262,969	-	360,000	-	(193,622,969)	-
At 30 June 2024	412,654,145	180,017,506	51,301,276	227,854,717	-	871,827,644
Depreciation and impairment						
At 01 July 2022		(133,136,344)	(106,711,849)	(19,933,413)	(102,295,484)	(362,077,090)
Disposal		-	-	-	3,292,511	3,292,511
Depreciation		(14,250,668)	(18,505,226)	(2,998,480)	(23,292,788)	(59,047,162)
At 30 June 2023		(147,387,012)	(125,217,075)	(22,931,893)	(122,295,761)	(417,831,741)
Disposal		-	-	-	368,799	368,799
Depreciation		(14,009,638)	(16,466,073)	(2,936,453)	(27,076,575)	(60,488,739)
At 30 June 2024		(161,396,650)	(141,683,148)	(25,868,346)	(149,003,537)	(477,951,681)
Net book values						
Cost	412,654,145	180,017,506	51,301,276	227,854,717	-	871,827,644
Accumulated depreciation and impairment	(161,396,650)	(141,683,148)	(25,868,346)	(149,003,537)	-	(477,951,681)
At 30 June 2023	66,367,587	33,742,452	13,906,808	18,815,205	164,192,445	297,024,497

Energy & Petroleum Regulatory Authority

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19. Notes to the Financial Statements

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2023 - 2024 2022 - 2023

25. Property, plant and equipment (continued)

At 30 June 2024	251,257,495	38,334,358	25,432,930	78,851,180	-	393,875,963
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As at 30 June 2024, property and equipment with cost amounting to KES 343.5M were fully depreciated and intangible assets with cost amounting to 115.4M were fully amortized.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2024

19. Notes to the Financial Statements

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2023 - 2024

2022 - 2023

25. Property, plant and equipment (continued)

Property plant and Equipment includes the following assets that are fully depreciated 203-2024

Description	Cost	Normal annual depreciation charge
Furniture and fixtures	127,452,291	15,931,536
Motor vehicles	89,312,619	22,328,155
Office equipment	15,937,441	1,992,180
IT equipment	110,786,614	33,269,253
<u>TOTAL</u>	<u>343,488,965</u>	<u>73,521,124</u>

Property plant and Equipment includes the following assets that are fully depreciated 2022-2023

Description	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
<u>TOTAL</u>	<u>274,976,077</u>	<u>38,415,309</u>

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19. Notes to the Financial Statements

Figures in Kenyan Shilling	2023 - 2024	2022 - 2023
26. Intangible assets		
Reconciliation of intangible assets		
Cost		
Opening balance	118,414,054	115,415,454
Additions	23,557,570	2,998,600
Closing balance	141,971,624	118,414,054
Amortisation and impairment		
Opening balance	(116,194,335)	(112,320,806)
Amortisation	(1,168,307)	(3,873,529)
Closing balance	(117,362,642)	(116,194,335)
Made up as follows:		
Cost	141,971,624	118,414,054
Amortisation and impairment	(117,362,642)	(116,194,335)
Net book value	24,608,982	2,219,719

Included in intangible assets at 30 June 2024 are assets with a gross value of Shs 115.4M and Shs 114.4M in 2023 which are fully amortised but still in use. The notional amortisation charge on these assets for the year would have been Shs 34.7 and Shs 28.6 M in 2023.

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19. Notes to the Financial Statements

Figures in Kenyan Shilling

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27. Payables under exchange transactions

Suppliers	366,247,862	159,187,243
Accruals	1,624,128	3,879,846
	367,871,990	163,067,089

Ageing analysis-Payables under exchange transactions	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	313,481,304	85 %	61,213,970	40 %
1-2 years	2,467,865	1 %	24,719,945	16 %
2-3 years	3,529,516	1 %	38,446,680	14 %
Over 3 years	48,393,305	13 %	38,686,494	30 %
	367,871,990	-	163,067,089	-

28. Payables under non-exchange transactions

Deferred Income-Energy Act	15,900,051	15,900,051
Taxes and other statutory deductions	26,211,870	8,588,919
Other Employee payables	827,228	1,651,814
Provision- 90% Remission to National Treasury	531,108,478	-
Deferred Income- Upstream petroleum	66,941,692	258,191,507
Deferred Income-UNEP project	742,911	10,224,800
	641,732,230	294,557,091

Energy & Petroleum Regulatory Authority

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19. Notes to the Financial Statements

Figures in Kenyan Shilling

2023 - 2024

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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	258,191,507	15,900,051	10,224,800	284,316,358
Transfers to capital fund	-	-	-	-
Transfers to income statement	(191,249,815)	-	(9,481,889)	(200,731,704)
Balance carried forward	66,941,692	15,900,051	742,911	83,584,654

Ageing analysis-Payables under non-exchange transactions

	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	551,059,287	84 %	75,000,000	5 %
1-2 years	14,106,451	3 %	194,182,493	66 %
2-3 years	66,728,692	11 %	15,402,023	10 %
Over 3 years	9,837,800	2 %	9,972,575	19 %
	641,732,230	-	294,557,091	-

29. Employee benefit obligations

Snr Mgnt Gratuity Payable	43,783,987	84,940,794
Contract Staff Gratuity Payable	1,145,116	2,424,792
Salary Payable	4,565,025	1,205,499
Other payroll benefits	24,679,771	14,347,807
	74,173,899	102,918,892

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

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19. Notes to the Financial Statements

Figures in Kenyan Shilling	2023 - 2024	2022 - 2023
31. Cash Generated in operations		
Surplus (deficit)	59,012,053	(78,791,839)
Adjustments for:		
Depreciation and amortisation expense	61,654,611	62,920,691
Changes in working capital:		
(Increase) Decrease in Inventories	(65,274)	(1,104,537)
(Increase) Decrease in Receivables from exchange transactions	5,103,128	(5,478,142)
(Increase) Decrease in gratuity	18,469,660	-
(Increase) Decrease in Receivables from non-exchange transactions	(218,873,303)	(129,611,717)
Increase(Decrease) in Payables under exchange transactions	204,804,901	6,368,699
Increase (Decrease) in Payables under non-exchange transactions	347,175,139	89,016,765
Increase (Decrease) in Employee Benefit Provision	(28,744,993)	11,446,479
Cash Generated in operations	448,535,922	(45,233,601)

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

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19. Notes to the Financial Statements

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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 2024	Fully performing Ksh	Past due Ksh	Impairment Ksh	Total
Receivables from non exchange transactions	566,886,064	-	-	566,886,064
Receivables from exchange transactions	22,656,050	-	-	22,656,050
Bank Balances	525,265,084	-	-	525,265,084
	1,114,807,198	-	-	1,114,807,198

As at June 2023	Fully performing Ksh	Past due Ksh	Impairment Ksh	Total
Receivables from non exchange transactions	348,012,761	-	-	348,012,761
Receivables from exchange transactions	27,759,178	-	-	27,759,178
Bank Balances	273,743,321	-	-	273,743,321
	649,515,260	-	-	649,515,260

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:

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19. Notes to the Financial Statements

Figures in Kenyan Shilling 2023 - 2024 2022 - 2023

32. Financial risk management (continued)

As at 30 June 2024	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	-	-	14,493,451	14,493,451
Accrual	3,183,846	-	-	3,183,846
Taxes and other statutory deductions	2,609,572	-	-	2,609,572
Other Payables	827,228	-	-	827,228
Employee benefits obligation	74,173,899	-	-	74,173,899
UNEP Project	9,787,350	-	437,450	10,224,800
Deferred Income- Upstream Petroleum	-	-	66,341,692	66,341,692
	187,595,642	14,671,871	123,325,214	325,592,727

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	20,120,875	42,052,621	159,187,243
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 Employee Payables	1,651,814	-	-	1,651,814
Employee benefits Obligation	102,918,892	-	-	102,918,892
UNEP Project	9,787,350	-	437,450	10,224,800
Deffered Income- Upstream Petroleum	-	-	258,191,507	258,191,507
	223,840,568	20,120,875	316,581,629	560,543,072

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:

	2023-2024	2022-2023
Retained Earnings	400,006,038	338,643,144
Capital replacement reserve	55,000,000	55,000,000
Less: Cash and Bank Balances	-	(525,265,084)
	(70,259,046)	119,899,823

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19. Notes to the Financial Statements

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33. Related party Disclosures

Transactions with related parties

Purchases from related parties

Purchases of Electricity from KPLC	8,185,699	6,084,447
Rent expenses paid to Government agencies (Lake Basin)	2,486,400	3,104,289
Training and Conferences fees paid to Govt Agencies(KSG)	4,489,382	2,372,548

Transfers from the Government and other stakeholders

Ministry of Petroleum and Mining	-	82,500,000
Energy Act	-	5,600,000
UNEP	-	9,787,350

Key management compensation

Compensation to Senior Managers	105,761,366	104,505,931
Compensation to Director General	11,520,000	11,040,000
	117,281,366	115,545,931

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19. Notes to the Financial Statements

Figures in Kenyan Shilling

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34. Contingency liabilities

Court cases against EPRA

100,000,000

50,000,000

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. Below is a summary of key matters whose contingent liability is high.

No.	Case
1.	Apollo Mboya & Electricity Consumers Society of Kenya vs. KPLC & 4 Others- Petition No. 6 of 2018;
2.	Okiya Omtatah Okoiti -vs- ERC -Petition No. 38 of 2017;
3.	HCC Misc. Application No. 518 of 2016-S.M Kilonzo & Associates Advocates Versus Energy & Petroleum Regulatory Authority Kenya Petroleum Refineries Limited Vs Total Kenya Limited & Energy Regulatory Commission;
4.	EPRA v Gitson Energy Limited, Cabinet Secretary of the National Treasury, Ministry of Energy, Central Bank of Kenya, Kenya Power & Lighting Company & Attorney General -HCCA No. E190 of 2022-;
5.	Samwel Owino and Geoffrey Obegi & 4 Others Vs Derdols Petroleum Limited and Derdols Petroleum Limited T/A Maxxis Nairobi Energy & 7 Others -HCHHR E242 of 2024;
6.	Francis Mureithi Vs EPRA and 5 Others -HCCHR PET/E101/2024.

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 and Petroleum. Its ultimate parent is the Government of Kenya.

Energy & Petroleum Regulatory Authority

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37. Currency

The financial statements are presented in Kenya Shillings (Kshs)

Energy & Petroleum Regulatory Authority

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Appendix I: Progress on Follow up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe
1	Budgetary and performance	Revenue is affected by economic conditions resulting in low consumption of petroleum products than projected. Under absorption is attributed to delays in recruitment and procurement process	Not Resolved	
2	Unresolved prior year matters	All issues relating to financial year 2021/2022 were all resolved in the financial years 2022/2023 and 2023/2024	Not Resolved	

Energy & Petroleum Regulatory Authority

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3	Irregular procurement for Fuel Marking, Testing and Monitoring Process Services	1).The Accounting Officer recommended termination of the tender on 28th December,2021 pursuant to section 63 a (i) and 63 (e) with the reason that the subject procurement had been overtaken by operation of law as per the Government policy communicated to the Authority vide letter MICNE/Sec. 1/43 dated 6th December,2021 directing on the integration of the fuel Marking program under the IPMAS EGMS system and recommending rescission of the ongoing tendering and procurement process for provision of Fuel Marking and Monitoring Services).2).Termination Letters were done to the bidders notifying them of the termination pursuant to section 63 (4) of the PPADA 2015 and a termination report to Public Procurement Regulatory Authority done pursuant to section 63 (3) of the PPADA 2015.	Resolved
4	Non-compliance with E-Procurement Requirements	The Authority has partially implemented e-procurement as follows;Outward facing web-based supplier portal where the following functions are executed; 1. Registration of Suppliers. 2. Publishing of procurement opportunities. 3. Submission of bids is under piloting and improvements are ongoing.This can be verified under portal.erc.go.ke:8447/site/login	Resolved

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Appendix I: Progress on Follow up of Auditor Recommendations

5	Employees on Acting Appointments beyond stipulated Periods.	The Authority could not undertake recruitment as recruitment in the Public Service remained frozen as explained above understaff establishment. Request for approval to undertake recruitment on numerous occasions went without success as earlier explained.	Not Resolved
6	Lack of Governance Audit	Governance audit was undertaken in FY 2021/2022. Management was still working and closing on the Audit Findings. It was noted that it would not have been prudent to undertake the same audit in the subsequent year having undertaken Legal Audit and the findings/recommendations having not been conclusively implemented. Governance Audit is scheduled for FY 2023/2024.	Not Resolved
7	Lack of follow up on Violations by petroleum outlets	The Authority has completed recruitment of staff in the year 23-24 to make sure our objectives are achieved	Resolved
8	Inadequate capacity to undertake Authority functions due to understaffing	The Authority has completed recruitment of staff in the year 23-24 to make sure our objectives are achieved	Resolved
9	Lack of Valid License for Garissa Solar Power Plant	Garissa Solar Power Plant is owned by the Government of Kenya (REREC) and currently operated by KenGen. It has not been issued with a generating license due to pending land title or lease for the power plant that is a prerequisite for licensing. The issue is being handled by MOEP and Garissa County government.	Not Resolved

Energy & Petroleum Regulatory Authority

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Appendix I: Progress on Follow up of Auditor Recommendations

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Lack of facilitation to regional offices

Management has reviewed the finance policies and procedures manual to provide guidelines on management and administration of petty cash at the regional offices

Not Resolved



Digitally signed by DANIEL KIPTOO BARGARJA
DN: cn=DANIEL KIPTOO BARGARJA, o=ENERGY AND PETROLEUM REGULATORY AUTHORITY, ou=DIRECTOR GENERAL, email=DANIELKIPTOO@EPRA.GO.KE, c=KE
Date: 2024.12.24 11:27:26 +03'00'

Mr. Daniel Kiptoo Bargarja
Director General

Date: