

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 10 FEB 2021

Day
Wednesday

TABLED

BY: OF

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CLERK-AT
THE-TABLE:

Anne Musandu

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2019**





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

12 MAY 2020

RECEIVED

**KENYA ENERGY ENVIRONMENT & SOCIAL RESPONSIBILITY
PROGRAMME FUND**

STATE DEPARTMENT FOR ENERGY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

30TH JUNE 2019

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

Kenya Energy Environment & Social Responsibility Programme Fund (KEEP)
Annual Reports and Financial Statements
For the year ended June 30, 2019

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**Kenya Energy Environment & Social Responsibility Programme Fund (KEEP)
Annual Reports and Financial Statements
For the year ended June 30, 2019**

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Kenya Energy Environment and Social Responsibility Programmer Fund was formed by an Act of parliament on 1st July, 2010 and was expected to run until 30 June 2029. The Fund is under the supervision of Ministry of Energy.

The Fund is wholly owned by the government of Kenya and is domiciled in Kenya.

(b) Principal Activities

The principal activity of keep is supporting production of bio fuels and growing of trees in order to conserve soil.

Vision

Provision of affordable, quality energy for all Kenyans

Mission

To facilitate provision of clean, sustainable, affordable, reliable, and secure energy services for national development while protecting the environment.

Core Values

The fund upholds the values of integrity, transparency, accountability, professionalism, prudent utilization of resources and open to constructive suggestions

(c) Key Management

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

- Fund Administrator, Principal Secretary, State Department for Energy
- Secretary, Renewable Energy Department, State Department for Energy
- Head of Supply Chain Management Unit, State Department for Energy
- Fund Accountant, Head of Accounting Unit, State Department for Energy
- Head of Finance Section, State Department for Energy

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

Ref	Name	Position
1	Dr. Eng. Joseph Njoroge, CBS	Principal Secretary
2	Eng Isaac Kiva	Secretary, Renewable Energy
3	Moses Gitari	Assistant Accountant General
4	Felista N Ng'ang'a	Senior Assistant Director Supply Chain
5	Walter Oselu	Chief Finance Officer

(e) Fiduciary Oversight Arrangements

(i) Budget Implementation Committee

Responsibilities of Budget Implementation Committee are:

- To review and consider the cash flow plans-this shall involve a regular review of the Ministerial cash plan and approval of any changes to the initial cash flow plan to be communicated to National Treasury;
- To review the utilization of cash limits and consider any changes as may be required;
- To advise the Fund Administrator on any challenges related to the budget implementation;
- To review and recommend reallocation of expenditures;
- To review and approve the submission of the expenditure returns, IPPD, pending bills and recommend actions to be taken;
- To participate in Sector Working Groups; and
- To prepare the budget for the Fund in consultation with key management.

(ii) Internal Audit Unit

The mandate of Internal Auditors includes:

- Review and evaluate of budgetary performance, financial management, transparency and accountability mechanisms and processes relating to the Fund;
- Giving reasonable Fund; and
- Reviewing the effectiveness of the financial and non-financial performance management systems of the Fund.

(iii) Parliamentary Committee Activities

- Public Accounts Committee invites the Principal Secretary to appear before it to adduce evidence on the Report of the Auditor-General on the financial statements of the Fund.
- Budget and Appropriations Committee approves expenditure budget of the State Department for the execution of governance.
- Energy Committee examines special matters relating to energy

(f) Registered Offices

Ministry of Energy,Headquarters
P.O. Box 30582 – 00100
Nyayo House Building
Kenyatta Avenue
Nairobi, KENYA

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(g) Fund Contacts

State Department for Energy
Telephone: (254) 310112
E-mail: info@energy.go.ke
Website: www.go.ke

(h) Fund Bankers

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

(i) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(j) Principal Legal Adviser

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

II. MANAGEMENT TEAM

The management during the financial year consisted of:



Dr. Eng. Joseph Njoroge, CBS

Principal Secretary

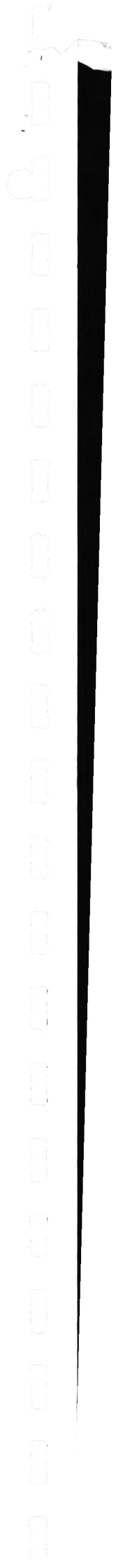
Eng. Dr. Joseph Njoroge has wide experience in power engineering and management. He previously worked at Kenya Power and rose through the ranks to become Managing Director before being nominated to the position of Principal Secretary in the Ministry of Energy and Petroleum. Eng. Njoroge holds a Bachelor of Science degree in electrical engineering and Master of Business Administration with a major in strategic management. He is a Chartered Electrical Engineer, a member of the Institution of Engineering and Technology, UK, a Registered Consulting Engineer, and is also a Fellow of the Institution of Engineers of Kenya. He is also Chairman of the MBA Chapter of University of Nairobi Alumni Association. He also holds a PhD from University of Nairobi's School of Business.






Eng. Isaac N. Kiva, OGW

Secretary for Renewable Energy

Isaac Kiva is the Secretary for Renewable Energy since 1 June, 2017. Previously, he had served as the Director of Renewable Energy from 30th August, 2013. He heads the Directorate charged policy formulation, and promotion of development and utilization of renewable energy, energy efficiency and conservation, including facilitation of private sector investment. Eng. Kiva has wide experience in public sector management, having worked in energy and senior Government positions for over 20 years. He holds a Bachelor's Degree in Electrical Engineering from the University of Nairobi, and has undergone several professional courses in management, leadership, energy development and financial and economic analysis and modeling. He is a registered Professional Engineer with the Engineers Board of Kenya and a member of the Institution of Engineers of Kenya.



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	<p>Moses Gitari Assistant Accountant General</p> <p>CPA Moses Gitari is the Head of Accounting Unit, State Department for Energy. He holds an MBA in Strategic Management from Nairobi University and BBA in Accounting and Finance from KEMU.</p> <p>Mr Gitari is a practicing Accountant and a member of Institute of Certified Public Accountant of Kenya (ICPAK) ICPAK. He has vast experience in Accounting Systems Implementation and Business process re-engineering.</p> <p>He has previously worked in the Ministry of Health as an Accountant and at the National Treasury IFMIS Department as the Head of as the head of business processed re-engineering.</p>
	<p>Felista N Ng'ang'a Assistant Director Supply Chain & Management</p> <p>Felista Njoki Ng'ang'a is the head of Supply Chain Management Service Unit in the Ministry of Energy. She is a holder of MBA (Strategic Management)</p> <p>She is a holder of a B.Com (Business Administration) professionally, she is a member of KISM and KIM. She has a Diploma in Purchasing and Supplies Management She has 15years of experience in Public Procurement particularly in areas of Strategy, Contract Management and Binding process having worked in various government ministries and departments.</p>
	<p>FA. Walter Oselu Senior Chief Finance Officer</p> <p>FA Walter J. Oselu is the Director of Finance in the Ministry of Energy. He has served in the Civil Service for 27 years and Head of Finance Department for 11 years. He has served in various ministries such as Agriculture, Livestock and Fisheries, Office of the Director of Public Prosecution, National Treasury, Ministry of State for Special Programmes, Public Works, and Ministry of Education. He holds an MBA in Finance from University of Pune, India and a Bachelors' degree in Business Studies and Economics from University of Nairobi. He is a Certified Investment Financial Analyst and a member of the Institute of the Certified Investment and Financial Analysts (ICIFA)</p>

**Kenya Energy Environment and Social Responsibility Programme Fund (KEEP)
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III. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the Kenya Energy Environment and Social Responsibility Programme Fund financial statements for the year ended 30th June 2019. The financial statements present the financial performance of the fund over the past year.

The fund was established on 17 October 2007, through Legal Notice No.188 and collects contributions from other Government entities affiliated to the Ministry of Energy for production of wood fuel, power distribution poles and energy crops for production of bio fuels and growing of trees in order to conserve soil and preserve catchment areas for hydro-power dams.

Financial Performance

a) Revenue

In the year ended 30th June 2019, the fund utilized brought forward amount from prior year of Kshs.. 183,613,101. Out of the brought forward revenue, the fund was able to meet its obligations. In addition, an amount was realised of Kshs. 3,229,900 from transfer from Government entities and Kshs. 3,854,628 from interest income in actual revenues in the year.

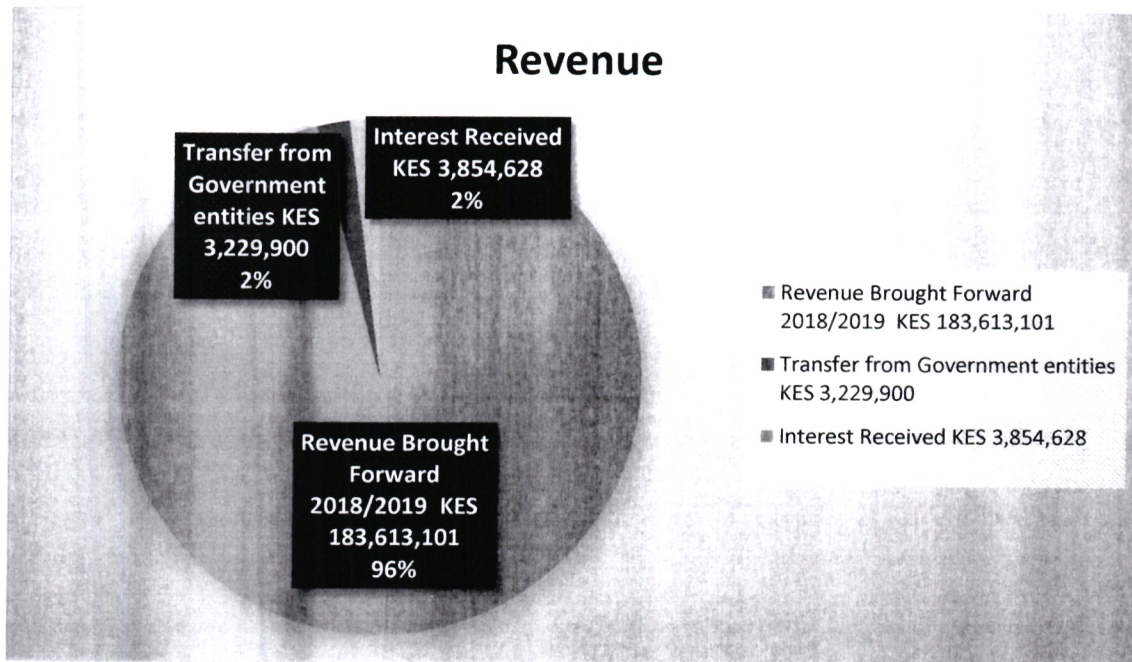
In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue Brought Forward	Actual	Realization (%)
Revenue	Kshs.	Kshs.	
Brought Forward Revenue	183,613,101	183,613,101	100%
Transfer from other Government entities	-	3,229,900	-100%
Interest received	-	3,854,628	-100%
Total income	183,613,101	190,697,629	

REPORT OF THE FUND ADMINISTRATOR (Continued)

A graphical representation of the revenue is as shown below:

Revenues Received in 2018/2019



b) Expenditure

During the financial year 2018/2019, the fund had expenses estimates amounting to Kshs. 250,000,000 and actual expenses of Kshs. 71,775,972 resulting in under- utilization of Kshs. 178,224,028 (29%). The underutilization was occasioned by few activities in the year due to Government directive not to implement new projects.

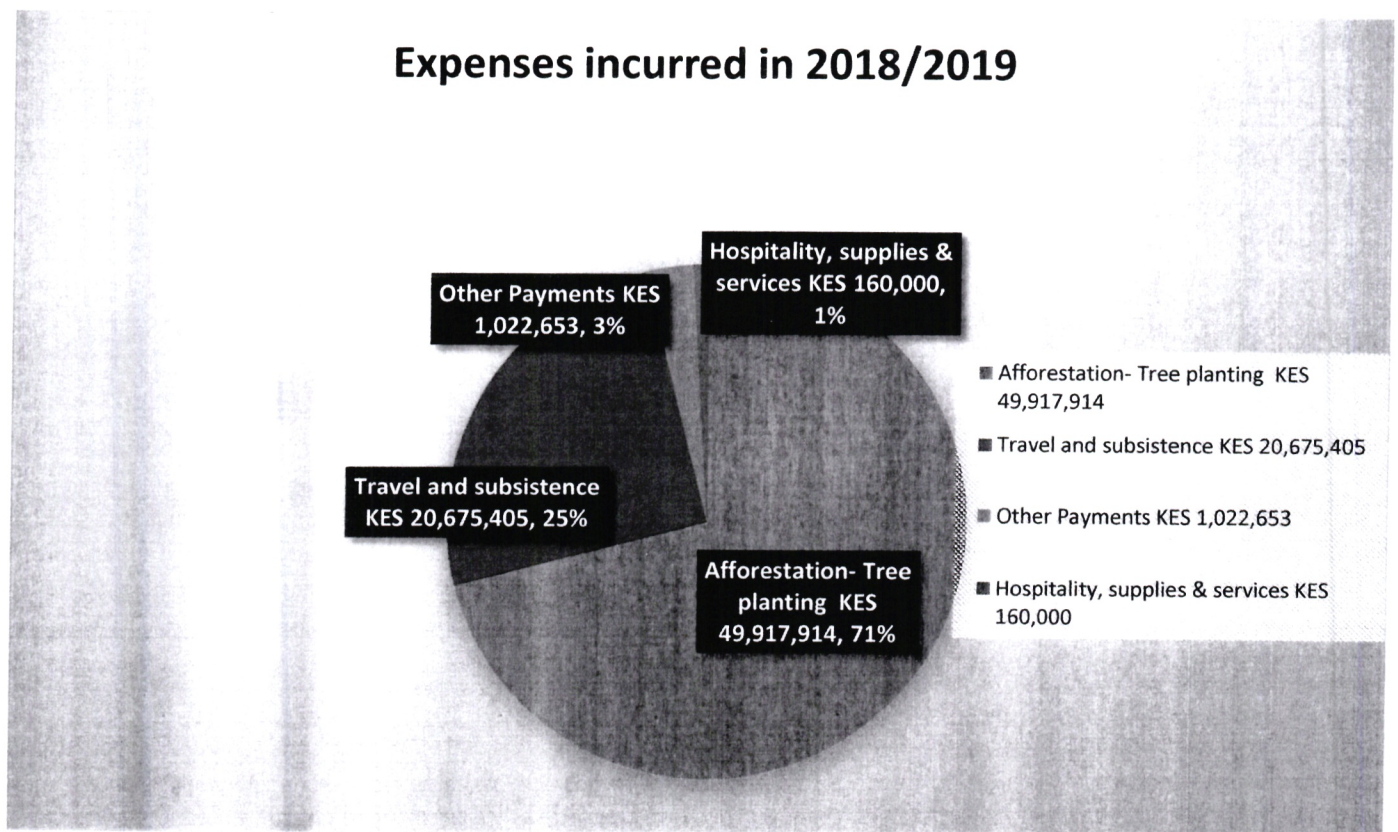
**Kenya Energy Environment and Social Responsibility Programme Fund (KEEP)
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REPORT OF THE FUND ADMINISTRATOR (Continued)

The following are tabular graphical representation of the actual expenses of Kshs. 71,775,972.

Description	Amount (Kshs)
Domestic travel and subsistence	20,675,405
Afforestation –tree planting	49,917,914
Other payments	1,022,653
Hospitality , supplies and services	160,000
Total	71,775,972

A graphical representation of the expenditure is as shown below:



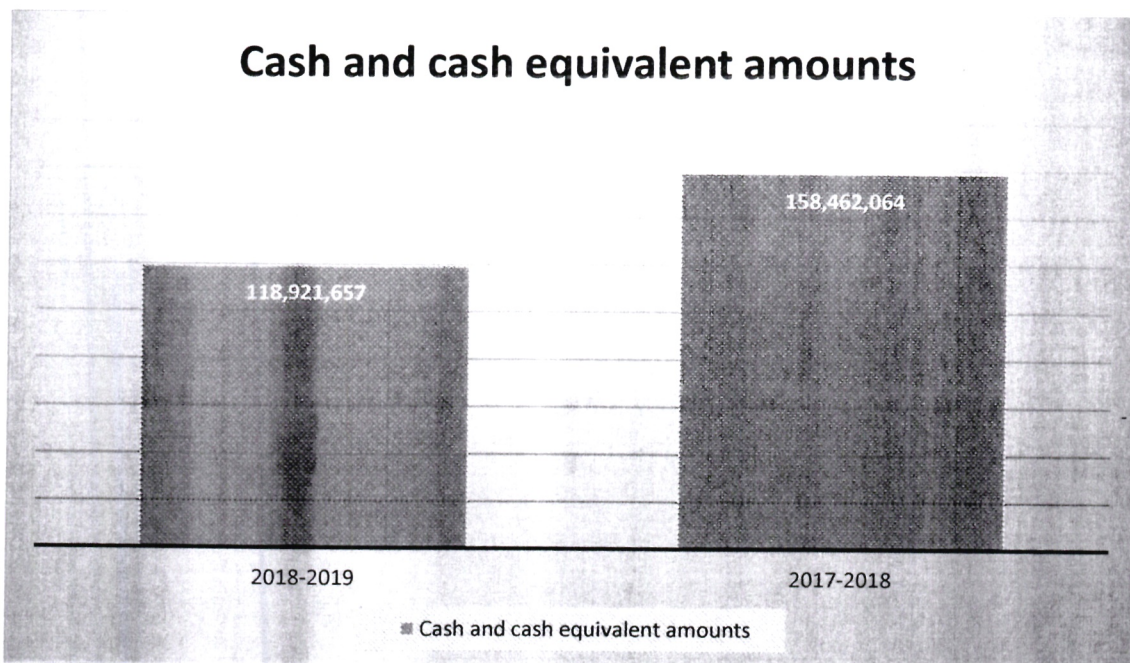
**Kenya Energy Environment and Social Responsibility Programme Fund (KEEP)
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REPORT OF THE FUND ADMINISTRATOR (Continued)

c) Cash flows

In the FY 2018/2019, we have not had any liquidity disruptions as the amount brought forward of Kshs. 183,613,101 was sufficient to meet the liquidity needs. However, even though the amounts received from other government entities reduced by 98% the fund had cash and cash equivalents balances brought forward to meet the liquidity needs. The cash and cash equivalents reduced from Kshs. 158,462,064 as at 30th June 2018 to Kshs. 118,921,657 as at 30th June 2019.

A graphical representation of the cash and cash equivalent amounts is as shown below:



d) Conclusion

FY 2018/2019 was a good year in general. Good progress was made and the momentum has been created to enable Kenya Energy Environment and Social Responsibility Programme Fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

I take this opportunity to thank the management team for their support. I would also want to thank all staff who we have worked hand in hand to ensure that Kenya Energy Environment and Social Responsibility Programme Fund achieves its mission.

Signed: _____

**Dr. Eng. Joseph Njoroge CBS
FUND ADMINISTRATOR**

**Kenya Energy Environment and Social Responsibility Programme Fund (KEEP)
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For the year ended June 30, 2019**

V. REPORT OF THE MANAGEMENT COMMITTEE

The Management committee submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Fund's affairs.

Principal activities

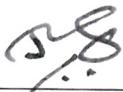
The principal activities of the Fund continue to be supporting production of bio fuels and growing of trees in order to conserve oil.

Results

The results of the entity for the year ended June 30, 2019 are set out on page 1 to 12.

Auditors

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



Fund Administrator
Name: Dr. Eng. Joseph Njoroge, CBS



Fund Accountant
CPA Moses Gitari
ICPAK Number: 4204

**Kenya Energy Environment & Social Responsibility Programme Fund (KEEP)
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VI. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 require the Fund Administrator to prepare financial statements in respect of that Kenya Energy Environment & Social Responsibility Fund, which give a true and fair view of the state of affairs of the entity at the end of the financial year and the operating results of the Kenya Energy Environment & Social Responsibility Fund for that year. The Fund Administrator is also required to ensure that the Kenya Energy Environment & Social Responsibility Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Fund Administrator is also responsible for safeguarding the assets of the Kenya Energy Environment & Social Responsibility Fund.

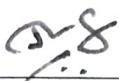
The Fund Administrator is responsible for the preparation and presentation of the Kenya Energy Environment & Social Responsibility Fund's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Kenya Energy Environment & Social Responsibility Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Fund Administrator accept responsibility for the Kenya Energy Environment & Social Responsibility Fund'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 Accrual), and in the manner required by the PFM Act, 2012. The Fund Administrator is of the opinion that the Kenya Energy Environment & Social Responsibility Fund's financial statements give a true and fair view of the state of Kenya Energy Environment & Social Responsibility Fund's transactions during the financial year ended June 30, 2019, and of the Kenya Energy Environment & Social Responsibility Fund's financial position as at that date. The Fund Administrator further confirm the completeness of the accounting records maintained for the Kenya Energy Environment & Social Responsibility Fund, which have been relied upon in the preparation of the Kenya Energy Environment & Social Responsibility Fund's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Fund Administrator to indicate that the Kenya Energy Environment & Social Responsibility Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Kenya Energy Environment & Social Responsibility Fund's financial statements were approved by the Fund Administrator on _____ 2019 and signed on its behalf by:



Fund Administrator

Name: Dr. Eng. Joseph Njoroge, CBS



Fund Accountant

CPA Moses Gitari

ICPAK Number: 4204

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KENYA ENERGY-SECTOR ENVIRONMENT AND SOCIAL RESPONSIBILITY PROGRAMME FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Kenya Energy Sector Environment and Social Responsibility Programme Fund set out on pages 1 to 12, which comprise of the statement of financial position as at 30 June, 2019, 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 the Kenya Energy-Sector Environment and Social Responsibility Programme Fund as at 30 June, 2019, 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 Government Financial Management (Kenya Energy-Sector Environment and Social Responsibility Programme Fund) Regulations, 2007 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Budget Performance and Control

The budgeted receipts of the Fund for the year under review amounted to Kshs.250,000,000 but actual receipts were Kshs.3,229,900 resulting to a deficit of Kshs.246,770,100 equivalent to 99% of the budget. In the absence of sufficient receipts, the Fund spent a portion of its accumulated surplus to finance its expenditure for the year totalling Kshs.71,775,972.

The Fund did not therefore execute some of its intended activities which in turn implies that citizens were denied services. No explanations have been provided for the Fund's failure to fully implement the budget as approved by the National Assembly.

2. Production of Energy Crops for Bio-Fuels

Audit review of the strategic objectives of the Fund as described in its action plan for the 2008-2018 period indicated that one of the main objectives of the Fund, namely production of energy crops for bio-fuels, was not achieved. Although the Fund has, through the State Department of Energy, identified croton and jatropha crops for production of bio-diesel, significant investment in their cultivation and processing is yet to be made in spite of the Fund's activities being set to end in 2029.

As a result of the financing shortfall, many projects and activities planned for the year under review were not implemented, and the Fund may not attain its goals and objectives.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 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 control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

In addition to the responsibility for preparing and presenting 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.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Fund to sustain its services. If I conclude that a material uncertainty exists, I am

required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund not to sustain its services.

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

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

19 January, 2021

Kenya Energy Environment & Social Responsibility Programme Fund (KEEP)
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VII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

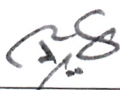
	Note	2018-2019	2017-2018
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfer from other government entities	4	3,229,900	62,000,000
Revenue from exchange transactions			
Interest income	5	3,854,628	12,971,469
Total revenue		7,084,528	74,971,469
Expenses			
Use of goods and services	6	71,775,972	451,007,436
Total expenses		71,775,972	451,007,436
Deficit for the year		-64,691,444	-376,035,967

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VIII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

	Note	2018-2019 Kshs.	2017-2018 Kshs.
Assets			
Current assets			
Cash and cash equivalents	7	118,921,657	158,462,064
Accounts receivables		-	25,151,037
Total Assets		118,921,657	183,613,101
Fund			
Accumulated Fund		118,921,657	183,613,101
Total Assets and Fund		118,921,657	183,613,101

The Financial Statements set out on pages 1 to 12 were signed on behalf of the Management on _____
 _____ by;



 Fund Administrator
 Dr. Eng. Joseph Njoroge, CBS



 Fund Accountant
 CPA Moses Gitari
 ICPAK Number: 4204

Kenya Energy Environment and Social Responsibility Programme Fund (KEEP)
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IX. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Accumulated Surplus
	Kshs.
At July 1, 2017	558,649,068
Deficit for the year	(376,035,967)
Prior year adjustment-refund of contribution to GES	1,000,000
At June 30, 2018	183,613,101
At July 1, 2018	183,613,101
Deficit for the year	(64,691,444)
At June 30, 2019	118,921,657

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X. STATEMENT OF CASH FLOWS AS AT 30TH JUNE 2019

	Note	2018-2019 Kshs.	2017-2018 Kshs.
Cash flows from operating activities			
Receipts			
Transfer from other government entities	4	3,229,900	62,000,000
Interest income	5	3,854,628	12,971,469
Total Receipts		7,084,528	74,971,469
Payments			
Use of goods and services	6	71,775,972	451,007,436
Total payments		71,775,972	451,007,436
Adjustments			
Prior year adjustment-refund of contribution to GES		-	1,000,000
Decrease/(Increase) in receivables	8	25,151,037	(9,515,076)
Total adjustments		25,151,037	(8,515,076)
Net cash flows from operating activities		(39,540,407)	(384,551,043)
Net decrease in cash and cash equivalents		(39,540,407)	(384,551,043)
Cash and cash equivalents at 1.07.18		158,462,065	543,013,107
Cash and cash equivalents at 30.06.19	7	118,921,657	158,462,065

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XI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2019	2019	2019	2019	2019	2019
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Revenue						
Transfer from other government entities	250,000,000	-	250,000,000	3,229,900	246,770,100	1%
Total income	250,000,000	-	250,000,000	3,229,900	246,770,100	1%
Expenses						
Use of goods and services	250,000,000	-	250,000,000	71,775,972	178,224,028	29%
Total expenditure	250,000,000	-	250,000,000	71,775,972	178,224,028	29%

- i. Transfer from other government entities is at 1% due to not receiving funds from the state corporations
- ii. Use of goods and services is at 29% the under expenditure was due the reduction of the budget funding.

XII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Kenya Energy –Sector Environment & Social Responsibility Programme Fund was established by the Public Finance Management (Kenya Energy- Sector Environment and Social Responsibility Programme Fund, Regulations,2007, through Legal Notice No. 188 of 2007. The Fund is under the supervision of Ministry of Energy.

The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity’s principal activity is supporting production of bio fuels and growing of trees in order to conserve soil.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

The financial statements have been prepared in accordance with the Public Finance Management Act 2015, the Public Finance Management (Kenya Energy- Sector Environment and Social Responsibility Programme Fund, Regulations 2007, and International Public Sector Accounting Standards (IPSAS Accrual). The accounting policies adopted have been consistently applied to all the years presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions -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 entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income.

ii) Revenue from exchange transactions- 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly on June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The Fund's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

c) Provisions

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

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

Contingent liabilities

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

Contingent assets

The Fund 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 Fund in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

d) Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements.

e) Changes in accounting policies and estimates

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

f) Related parties

The Fund 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 Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

g) 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.

h) Comparative figures

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

i) 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, 2019.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

j) Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity'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. State all judgements, estimates and assumptions made: e.g

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 Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. 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:

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. REVENUE FROM NON- EXCHANGE TRANSACTIONS -TRANSFER FROM OTHER GOVERNMENT ENTITIES

	2018-2019	2017-2018
	Kshs.	Kshs.
Contribution from State department for Energy	-	60,000,000
Contribution from Energy Regulatory Commission	2,000,000	2,000,000
Contribution from Chambre De commerce	1,229,900	-
Total	3,229,900	62,000,000

5. REVENUE FROM EXCHANGE TRANSACTIONS- INTEREST INCOME

	2018-2019	2017-2018
	Kshs.	Kshs.
Interest income from bank deposits	3,854,628	12,971,469
Total	3,854,628	12,971,469

6. USE OF GOODS AND SERVICES

	2018-2019	2017-2018
	Kshs.	Kshs.
Domestic travel and subsistence	20,675,405	86,103,049
Afforestation –tree planting	49,917,914	364,784,387
Other payments	1,022,653	120,000
Hospitality , supplies and services	160,000	-
Total	71,775,972	451,007,436

7. CASH AND CASH EQUIVALENTS

	2018-2019	2017-2018
	Kshs.	Kshs.
Current account		
KCB- 1104175894	118,921,657	158,462,064
Total	118,921,657	158,462,064

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The Fund is related to the following entities:

- i) State Department of Energy;
- ii) Petroleum Development Fund
- iii) Other government entities
- iv) Key management personnel
- v) Related party's transactions

	2018-2019	2017-2018
	Kshs.	Kshs.
Transactions from related parties		
Transfers from related parties	3,292,900	62,000,000
Transfers to related parties	16,721,168	25,151,037

9. EVENTS AFTER THE REPORTING PERIOD

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

10. ULTIMATE AND HOLDING ENTITY

The entity is a Fund under the State Department of Energy. Its ultimate parent is the Government of Kenya.

11. Currency

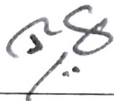
The financial statements are presented in Kenya Shillings (Kshs.).

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APPENDIX 1: 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	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	Interest on Bank deposit	The Ministry engaged the management of Kenya Commercial Bank to harmonise the rates	Moses Gitari Fund Accountant	Resolved	N/A
1.	Expenditure not included in the annual work programme	The Management has noted with concern and is streamlining its expenditures as approved.	Moses Gitari Fund Accountant	Resolved	N/A
2.	Ineligible Expenditure	The Ministry engaged the National Treasury for a clearance of this funds and it was approved.	Moses Gitari Fund Accountant	Resolved	N/A



Fund Administrator
Name: Dr. Eng. Joseph Njoroge, CBS