

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 04 DEC 2024

WEDNESDAY

OF

HON. OWEN BANYA

THE AUDITOR-GENERAL

DAVID

ON

**KENYA ELECTRICITY EXPANSION PROJECT
(CR NO. 1487P)**

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

**RURAL ELECTRIFICATION AND RENEWABLE
ENERGY CORPORATION**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 20084 - 00100, NAIROBI
REGISTRY

27 AUG 2024

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**KENYA ELECTRICITY EXPANSION PROJECT
(KEEP)**

RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION

**PROJECT CREDIT NUMBER:
1487P**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

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1. Acronyms and Definition of Terms

REREC	Rural Electrification and Renewable Energy Corporation
KEEP	Kenya Electricity Expansion Project
CBK	Central Bank of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
OFID	Organization for Petroleum Exporting Countries Fund for International Development
OSHA	Occupational Safety and Health Administration
DOHS	Director of Occupational Health and Safety
Comparative FY	Financial year preceding the current financial year

2. Project Information and Overall Performance

2.1 Name and registered office

Name: Kenya Electricity Expansion Project.

Objective: The key objective of the project:

The Government aims to achieve universal access to electricity by the year 2028. The Project objective is to assist the Government in achievement of this target by enhancing electrification access in off-grid areas. This involves deploying resources and infrastructure to remote regions that are not connected to the national grid, ensuring that even the most isolated communities can benefit from reliable electricity. By focusing on these underserved areas, the Project plays a crucial role in bridging the energy access gap, thus contributing to the broader national target of universal electricity access within the set timeframe.

Address

The project headquarters offices are in Nairobi, Kenya.

The address of its registered office is:

Kawi House, Off Red Cross Road, South C
P.O Box 34585 - 00100,
Telephone: (254) 709 193 000/3600
E-mail: info@rerec.co.ke
Website: www.rerec.co.ke

2.2 Project Information

Project Start Date:	01 st October, 2017
Project End Date:	31 st December, 2024
Project Coordinator:	Mr. Edward Gakunju
Project Sponsor:	Opec Fund for International Development, through the National Treasury of Kenya.

2.3 Project Overview

Line Ministry	The project is under the supervision of the Ministry Of Energy and Petroleum.
Project number	Credit Number : 1487P
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> (i) To connect public facilities in selected areas: Enhance accessibility and efficiency by linking key public institutions like schools, hospitals, and government offices in selected areas. (ii) To connect household in the selected areas: Provide reliable connectivity to residential areas to bridge the digital divide, improve access to services, and support socio-economic development.
Summary of Project Strategies for achievement of strategic goals	<p>The project management aims to achieve the goals through the extension of electricity supply through the following means:</p> <ul style="list-style-type: none"> (i) Construction of powerlines: Building infrastructure to deliver electricity to targeted areas. (ii) Installation of transformers: Setting up equipment to regulate and distribute electricity efficiently.
Other important background information of the project	The project will provide electricity access to households and public facilities in off-grid areas. By constructing distribution lines, it will significantly enhance electricity availability and reliability in these regions, fostering improved connectivity and supporting local development.
Areas that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> (i) Attainment of universal access to power by 2030: Ensure that all targeted areas have reliable electricity

	access by the year 2030. (ii) Improve the living standards of citizens: Enhance the quality of life for residents by providing better access to electricity and its associated benefits.
Project duration	The project started on October 1, 2017 and is expected to run until December 31, 2024. (7) years, (3) months and (0) days.

2.4 Bankers

The project does not operate a separate bank account. All approved project-related costs are paid directly by the financier (OFID) into the contractors' bank accounts.

2.5 Auditor

The project is audited by the:

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

Project Information and Overall Performance (Continued)**2.6 Roles and Responsibilities**

No.	Names and contact details	Title designation	Key Qualifications	Responsibilities
1.	Mr. Edward Gakunju +254722244879 Edward.gakunju@rerec.co.ke	Project Coordinator	Master's Degree in Economic Policy Management	<ul style="list-style-type: none">• Overall coordination of Project activities.• Coordinate Project implementation activities as per the work plan.• Prepare project implementation reports.• Attend project coordination meetings.
2.	Dr. Eng. James Muriuki +254723820885 James.muriuki@rerec.co.ke	Project Manager	Ph.D. in Electrical Engineering	<ul style="list-style-type: none">• Overall management of project activities• Coordinate and approve project implementation

No.	Names and contact details	Title designation	Key Qualifications	Responsibilities
				on activities as per the work plan and reports <ul style="list-style-type: none"> • Coordinate the review of project designs. • Attend project coordination and management meetings
3.	CPA Walter Nduta +254707879796 Walter.nduta@rerec.co.ke	Project Accountant	BBM (Accounting), CPA (K)	<ul style="list-style-type: none"> • Preparation of the project's financial reports. • Process of project-related payments.
4.	Mr Festus Kasonzo +254722138880 Festus.kasonzo@rerec.co.ke	Procurement Specialist	Master's Degree in Procurement and Supplies	<ul style="list-style-type: none"> • Preparation of projects procurement plans. • Preparation

No.	Names and contact details	Title designation	Key Qualifications	Responsibilities
				of bid documents. <ul style="list-style-type: none"> • Coordinate tendering evaluation and award notifications. • Coordination of procurement activities of the project.
5.	Mr Nicholas Muigai +254722269540 Nicholas.muigai@rerec.co.ke	Project Engineer	Bsc in Electrical Engineering	<ul style="list-style-type: none"> • Review of project designs. • Analyse all the Technical aspects of the project.

2.7 Funding summary

The Project is for duration of (7) years, (3) months and (0) days from October 1, 2017 to December 31, 2024 with an approved budget of US\$ 15,000,000 equivalent to Kshs 1,500,000,000 as highlighted in the table below:

Project Information and Overall Performance (Continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date (30.06.2024)		Undrawn balance to date (30.06.2024)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
OPEC Fund For International Development (OFID)	15,000,000	1,500,000,000	8,701,846	1,030,016,643	6,298,154	469,983,357
(ii) Counterpart funds						
Government of Kenya (GOK)	-	-	671,654	79,142,646	-	-
Total	15,000,000	1,500,000,000	9,373,500	1,109,159,289	6,298,154	469,983,357

Project Information and Overall Performance (Continued)

B. Application of Funds

Application of funds	Amount received to date (30th June, 2024)		Cumulative amount paid to date (30th June, 2024)		Unutilised balance to date (30th June, 2024)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
OPEC Fund For International Development (OFID)	8,701,846	1,030,016,643	8,701,846	1,030,016,643	-	-
(ii) Counterpart funds						
Government of Kenya (GOK)	671,654	79,142,646	671,654	79,142,646	-	-
Total	9,373,500	1,109,159,289	9,373,500	1,109,159,289	-	-

Project Information and Overall Performance (Continued)

2.8 Summary of Overall Project Performance

- i. Budget performance against actual amounts for current year and for cumulative to-date.
- ii. Physical progress based on outputs, outcomes, and impacts since project commencement.
- iii. Comment on value-for-money achievements.
- iv. Indicate the absorption rate for each year since the commencement of the project.
- v. List the implementation challenges and recommended next steps.

i) Budget performance against actual amounts for current year and for cumulative to-date.

During the year under review, the project did not receive any funds, with receipts recorded as Kshs. 0.00. Similarly, the total expenditure incurred for the year was Kshs. 0.00. The final approved budget for the year was also Kshs. 0.00, indicating no financial activity within the period under review.

Cumulatively, since the inception of the project, the total receipts amount to Kshs. 1,109,159,289, which matches the total expenditure of Kshs. 1,109,159,289. This indicates that the project has fully utilized all funds received up to date, with no outstanding balances or discrepancies between the amounts received and expended. The alignment of cumulative receipts and payments reflects accurate and complete financial management throughout the project's lifecycle.

During the financial year 2023/24, the project did not receive a budgetary allocation according to the printed estimates. To address this issue and facilitate the project's implementation, the Corporation formally requested the National Treasury through the Ministry in September 2023 to request Authority to Incur

Project information and overall performance (continued)

Expenditure (AIE). The National Treasury reviewed the request and approved an AIE amounting to Kshs. 243,755,083.

Following the approval of the AIE, the National Treasury advised the Corporation to seek a budget allocation through Supplementary I. Acting on this recommendation, the Corporation submitted a formal request for the required funds under Supplementary I. Unfortunately, despite the formal request, no allocation was recorded in the Government Integrated Management Information System (GIMIS).

In response to the absence of allocation under Supplementary I, the Corporation submitted an additional request under Supplementary II. Unfortunately, this subsequent request was also denied. The ongoing lack of budgetary allocation has impeded the project’s financial progress, underscoring the urgent need for further intervention to secure the necessary funding. Consequently, the Corporation has requested consideration for budgetary allocation under Supplementary I for the next financial year 2024/25.

ii) Physical progress based on outputs, outcomes and impacts since project commencement Budget

Activities planned for the reporting period	Activity Implementation Status	Narration
Preparation of projects designs and lotting	Design and surveying of projects	Completed
Recruitment of Construction contractors	Bid preparation, advertisements, bid opening, bid evaluation and job awards	Completed

Submission of Performance bonds and guarantees	For the Lots awarded	Completed
Site and design files handing over	For the Lots awarded	Completed
Payment of advances	For materials both local and foreign	Completed
Factory Acceptance Tests	For materials already completed was done virtually	Completed
Delivery of materials	For the Lots awarded	94% complete
Installation of power lines and commissioning	For the Lots awarded	On going

iii) Comment on value-for-money achievements

The project credit was extended, and the new closure date is set on December 31, 2024. The Corporation is overseeing activities of the construction Contractors to ensure implementation of the planned activities is achieved. The following are the achievements: -

- a) **Timely Completion of Distribution Line Designs:** The design phase for the distribution lines was successfully completed on schedule. This crucial step involved detailed planning and layout, ensuring that the project could proceed smoothly to the construction phase without any design-related delays.
- b) **Recruitment of Construction Contractors:** In 2020, the project successfully recruited construction contractors, selecting firms with the necessary expertise and resources to carry out the construction of the power distribution lines. This recruitment process was critical to mobilizing the necessary workforce and initiating the project activities.

Project information and overall performance (continued)

- c) **Virtual Factory Acceptance Tests:** To overcome the challenges posed by travel restrictions during the COVID-19 pandemic, the Corporation innovatively conducted Factory Acceptance Tests (FAT) virtually. This allowed for the inspection and approval of manufactured materials without physical presence, ensuring that material quality standards were met and that the project timeline remained on track.
- d) **High Rate of Material Delivery:** As of June 30, 2024, approximately 94% of the construction materials have been successfully delivered to the project sites, according to the latest progress report. This high delivery rate reflects effective logistics and supply chain management, ensuring that the necessary resources are available for ongoing construction activities.
- e) **Construction Progress:** The construction of the power distribution lines is currently at about 72% completion. This significant progress demonstrates the project's advancement towards its goal of enhancing electrification in off-grid areas. The remaining construction work is actively being pursued, with a focus on achieving full completion and commissioning in the near future.

iv) Indicate the absorption rate for each year since the commencement of the project.

The absorption rate stands at 58% of the total donor commitment. As of the current reporting period, the Opec Fund has disbursed USD 8,701,846 against its total commitment of USD 15,000,000.

For each year since the project's inception, the absorption rate has been calculated based on the disbursed amounts relative to the total committed funds. The project began with an initial commitment, and as the years progressed, annual disbursements were made to support ongoing project activities. The absorption

Project information and overall performance (continued)

rate reflects the proportion of these funds that have been utilized each year, indicating the project's financial management and progress in drawing down the committed resources.

v) Implementation challenges and recommended next steps.

- a) COVID-19 Pandemic (2020-2022): The pandemic caused significant disruptions due to social distancing measures, which adversely affected material manufacturing, travel, and document sharing. These restrictions hindered project progress as efforts to control the virus disrupted essential operational processes.
- b) Insecurity Impact: Project implementation has slowed due to heightened insecurity, particularly in the regions of Turkana, Samburu, and Mandera. These areas, where a substantial portion of the project work is concentrated, have experienced significant delays. Although contractors have continued work in less affected areas, projects in insecure regions remain stalled. To address this, we are collaborating with local authorities to enhance security in the affected regions and ensure the safe continuation of project activities.
- c) Delays in Material Delivery: There have been delays in the delivery of critical powerline materials, such as transformers, by contractors. These delays have impeded the timely completion of the project. To address this issue, we are working closely with contractors to enforce timely delivery schedules for essential materials.
- d) Lack of Budget Provision for the Financial Year 2023/2024: The absence of budget allocation for the financial year 2023/2024 has severely impacted contractors' cash flow and caused substantial delays in project implementation. To address outstanding financial obligations and facilitate project progress, the Corporation has requested budget approval for FY 2024/25 under Supplementary I estimates. We are also following up with

Project information and overall performance (continued)

the National Treasury to secure the required funds and support continued project implementation.

2.9 Summary of Project Compliance

The Project has rigorously adhered to all legal requirements and regulations of the Republic of Kenya throughout its implementation. This includes strict compliance with the Public Procurement and Assets Disposal Act, 2015, which outlines the procedures for procurement and disposal of assets. The Corporation ensured that the recruitment of contractors was conducted in full accordance with this Act, involving the preparation and publication of tender notices, comprehensive evaluation of bids, and the transparent awarding of contracts. These steps were crucial in upholding the principles of fairness, accountability, and transparency in the procurement process.

Additionally, the Corporation ensured that all contractual agreements with contractors adhered to the statutory requirements set by the Public Procurement and Assets Disposal Act. This included rigorous verification of all documentation and processes to align with legal standards. By following these procedures, the Corporation effectively managed and utilized project resources while maintaining compliance with all relevant laws and regulations, thereby promoting the integrity and efficiency of the project.

3. Statement of Performance against Project's Predetermined Objectives

The overall objective of the project is to foster sustainable national economic growth by enhancing access to modern, clean, and affordable energy services. The project aims to increase the capacity, efficiency, and quality of electricity supply while expanding access to electricity in urban, peri-urban, and rural areas of north-eastern Kenya.

- (i) **Expansion and Upgrading of the Distribution Network:** The project focuses on the expansion and upgrading of the distribution network to connect 300,000 new customers during the project period.

- (ii) **Additional Scope:** The expansion of the 33 kV distribution lines will enable connections to un-electrified public facilities, households, and market centers in the region. The selected mini-grid stations are located in the counties of Mandera, Wajir, Marsabit, and Turkana. Market centers within 30 km of the mini-grid stations will be connected to ensure reliable power supply. The expansion also includes other market centers and households in the nearby counties of Laikipia and Samburu. In total, approximately 500 km of 33 kV distribution lines will be constructed to connect over 50 market centers and over 200,000 households.

Introduction

Section 81(2)(f) /Section 164 (2)(f) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the national/county government entity's performance against predetermined objectives at the end of each financial year.

The key development objectives of the project's agreement/ plan are to:

- a) To help achieve sustainable national economic growth by improving access to Modern, clean and affordable energy services.
- b) Increasing the capacity, efficiency and quality of electricity supply.
- c) To expand the access to electricity in urban, peri-urban and rural areas of the North-Eastern region of Kenya.

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable,

realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement:

Below, we provide progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Kenya Electricity Expansion Project	To help achieve sustainable national economic growth by improving access to modern, clean and affordable energy services	Improved economic growth.	No of connections to households.	By the end of FY 2023/24, the project successfully connected 896 customers through the completion and commissioning of 12 projects. This achievement highlights significant progress in expanding service access and meeting project goals.
	To increase the capacity, efficiency and quality of electricity supply	Increased electricity capacity	No of connections to households.	
	To expand the access to electricity in urban, peri-urban and rural areas of the North-Eastern, Western, Central and Nyanza Provinces of Kenya	Electricity access expanded	Area covered with electricity	

4. Environmental and Sustainability Reporting

The Kenya Electricity Expansion Project is fundamentally committed to transforming lives, a mission that serves as the cornerstone of all our endeavors. This overarching purpose guides our strategic framework, which is structured around five key pillars: prioritizing the needs of the customer or citizen, delivering essential and relevant goods and services, and continuously improving operational excellence.

Our focus on putting the customer first ensures that their needs and expectations are central to our planning and execution, driving us to deliver high-quality, accessible services. By prioritizing the delivery of relevant goods and services, we aim to address critical needs and contribute to the overall well-being of the communities we serve. Additionally, our commitment to operational excellence involves optimizing our processes, enhancing efficiency, and ensuring that every aspect of our operations meets the highest standards of quality and sustainability.

Below is a brief highlight of our achievements in each pillar.

i. Sustainability strategy and profile

In the execution of its projects, the Corporation remains deeply aware of the social and environmental impacts on host communities. To address these concerns, the Corporation has established a robust Corporate Social Responsibility (CSR) framework aligned with its mission: "To provide sustainable energy solutions for all through rural electrification and renewable energy for socio-economic transformation."

The CSR policy framework underscores the importance of evaluating our performance in relation to societal impact and environmental stewardship. Recognizing that our long-term success is intertwined with the health of the ecosystems we operate within, the Corporation is committed to ensuring sustainable practices that promote environmental health, social equity, and effective organizational governance. This approach reflects our growing awareness of the necessity for a balanced and responsible approach to development, ensuring that our operations contribute positively to the environment and communities we serve.

ii. Environmental performance

All major projects undertaken by the Corporation are subjected to comprehensive Environmental Impact Assessments (EIAs) as required by Kenyan law. This includes adherence to the Constitution of Kenya, 2010, the Environmental Management and Coordination Act, 1999, and the Environmental (Impact Assessment and Audit) Regulations, 2003, Legal Notice No. 101. These assessments are critical in ensuring that environmental considerations are thoroughly evaluated and integrated into our project planning and implementation processes.

The EIA process involves a detailed analysis of potential environmental impacts, both positive and negative, that a project may have on its surroundings. It encompasses various factors such as air and water quality, biodiversity, land use, and socio-economic effects on local communities. By conducting these assessments, the Corporation aims to mitigate adverse environmental impacts, promote sustainable development, and ensure compliance with national and international environmental standards.

Furthermore, the EIA process includes public participation, ensuring that the views and concerns of stakeholders, including local communities and environmental experts, are taken into account. This collaborative approach not only enhances transparency and accountability but also helps in identifying and addressing potential environmental issues early in the project lifecycle.

By adhering to these stringent environmental regulations and incorporating sustainable practices, the Corporation demonstrates its commitment to environmental stewardship and responsible project management. This approach not only safeguards the environment but also ensures the long-term viability and success of our projects, contributing to the overall well-being of the communities we serve.

iii. Employee welfare

The Corporation is committed to upholding comprehensive employee welfare standards through its Human Resource and Procedures Manual, which includes the following policy statements:

- a) **Equal Opportunity Employment:** The Corporation is dedicated to being an equal opportunity employer. Our recruitment and selection processes are designed to prevent discrimination based on gender, race, disability, religion, ethnicity, or any other form of bias.
- b) **Affirmative Action and Gender Mainstreaming:** The Corporation adheres to principles of affirmative action and ensures that gender and disability considerations are integral to our recruitment process. We are committed to maintaining gender balance in appointments and promotions, with a mandate that no less than one-third (1/3) of positions are filled by each gender.
- c) **Merit-Based Shortlisting:** Our shortlisting criteria are based on meeting minimum constitutional and statutory requirements, focusing on merit as outlined in the job advertisements. Gender and disability mainstreaming considerations are also taken into account.
- d) **Flexible Working Hours and Parental Leave:** The policy includes provisions for flexible working hours, particularly for expectant employees who are entitled to paid time off for antenatal clinics and hospital appointments related to their pregnancy.

In addition, management has established an Occupational Safety and Health Administration (OSHA) committee with the following Terms of Reference:

- a) **Safety and Welfare Assurance:** Ensure the safety, health, and welfare of all personnel working at the Corporation's offices and premises.

- b) Information and Training: Provide employees with information on the safe use of plants, equipment, and tools to prevent accidents and promote a safe working environment.
- c) Registration and Compliance: Ensure that all Corporation offices and premises are registered with the Director of Occupational Health and Safety (DOHS).
- d) Health and Safety Audits: Conduct annual health and safety audits by an external auditor who is approved and certified by the Director of Occupational Health and Safety.
- e) These measures reflect the Corporation's commitment to fostering a safe, inclusive, and supportive work environment.

iv. Market place practices

- a) In carrying out its activities, the Corporation is guided by its Customer Service charter that outlines the services provided and expected timelines of the service to be provided.
- b) The Corporation has also put in place a Complaints Handling System where Complaints received are managed from a central point. Monthly and quarterly reports are generated on the same. Quarterly reports are sent to the Commission on Administrative Justice for their information and annual rating on complaints handling and management.
- c) The Corporation is currently implementing the Access to Government Procurement Opportunities (AGPO) programme whose objective is to facilitate the youth, women and persons with disability-owned enterprises to be able to participate in government procurement. The Corporation has set aside 30% of its procurement spent for purposes of empowering youth, women and persons with disability-owned enterprises.
- d) The Corporation embarked on the automation of its procurement system in February 2017 in response to the Presidential Directive that all State Corporations adopt E-Procurement in a bid to enhance efficiency and transparency in planning,

budgeting and procurement of goods and services in the Public Service. SRM has enabled the Corporation to organize its interactions with its critical suppliers in a more efficient and effective and transparent manner and thereby reduce the time taken to procure project materials.

v. Community Engagements

To ensure the successful acceptance and integration of its projects within the communities surrounding the project areas, the Corporation has implemented several key measures. These include the establishment of Stakeholder Coordination Committees and the rollout of a comprehensive community engagement strategy and policy. These mechanisms are designed to facilitate active communication and collaboration with local communities throughout the project lifecycle.

The Corporation has also prioritized local community involvement by providing employment opportunities during the energy project implementation. This approach not only supports local economies but also fosters a sense of ownership and involvement among community members. Additionally, local communities played a crucial role in the wayleave acquisition process, which is essential for the project's infrastructure development. By involving community members in these critical stages, the Corporation ensures that their interests and concerns are addressed, further enhancing project acceptance and success.

5. Statement of Project Management Responsibilities

The Chief Executive Officer, Rural Electrification and Renewable Energy Corporation and the Project Manager are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the financial year ended on June 30, 2024.

This responsibility includes:

- i) Maintaining adequate financial management arrangement 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 project;
- iii) Designing, Implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv) Safeguarding the assets of the project;
- v) Selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

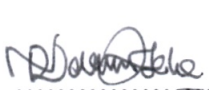
The Chief Executive Officer and the Project Manager for KEEP Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS).

The Chief Executive Officer and the Project Manager for KEEP Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2024, and of the Project's financial position as at that date. The Chief Executive Officer and the Project Manager for further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

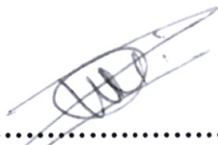
The Chief Executive Officer and the Project Manager for KEEP Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Project financial statements were approved by the Chief Executive Officer and the Project Manager for **KEEP** on 26th Aug, 2024 and signed by them.


.....
CS Dr. Rose Mkalama
Chief Executive Officer


.....
Mr. Edward Gakunju
Project Coordinator


.....
CPA Walter Nduta
Project Accountant
ICPAK Member No:23665

REPUBLIC OF KENYA



Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY EXPANSION PROJECT (CR NO. 1487P) FOR THE YEAR ENDED 30 JUNE, 2024 - RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Electricity Expansion Project set out on pages 1 to 42 which comprise of the statement of financial assets

Report of the Auditor-General on Kenya Electricity Expansion Project (Cr No. 1487P) for the year ended 30 June, 2024 - Rural Electrification and Renewable Energy Corporation

as at 30 June, 2024 and the statement of receipts and payments, statement of cash flows and the 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 Kenya Electricity Expansion Project 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 (Cash Basis), Financing Agreement No. 1487P dated 17 October, 2017, between OPEC Fund for International Development (OFID) and the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Electricity Expansion Project 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.

Key Audit Matters

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

Other Matter

1. Low Budget Absorption

As disclosed under Paragraph 2.7 of the Project information, the Donor had made commitment of USD.15,000,000 equivalent to Kshs.1,500,000,000 for the Project which was set to close on 31 December, 2024. However, actual drawdowns during the project life amounted to USD.8,701,846 equivalent to Kshs.1,030,016,643 leaving Kshs.469,983,357 or 31% undrawn. The credit was set to lapse in six months without being fully utilized as planned. In addition, there was no expenditure incurred during the year under review which further contributed to underutilization of project funds.

The National Treasury in a letter dated 30 August, 2024 granted additional funding of Kshs.243,755,082 to the project from the Donor Funding. However, no assurances were provided on the utilization of the additional funding before expiry of the credit on 31 December, 2024.

In the circumstances, the effectiveness in implementation of the project, and value for money obtained for financing project activities could not be confirmed.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several matters were raised under the Report on Financial Statements and in the Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management had not resolved the matters in the year under review citing challenges of lack of budgetary provision delay in implementation of the project. In addition, Management did not indicate steps taken to implement recommendation arising from those prior matters.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Delay in Project Implementation

The statement of receipts and payments reflects cumulative payments amounting to Kshs.1,109,159,289 as at 30 June, 2024 in respect of acquisition of non-financial assets. The payment represented 82% of the total contracted works amounting to Kshs.1,35,919,371 for the three (3) lots under the Project. The contracts were signed in June, 2020 and were expected to be completed by 31 December, 2024. However, the progress provided indicated an overall progress of works as 82% comprising of 94% of delivered materials and 72% of executed works. This implies that over 18% of the contract had not been executed.

In addition, no payments were made on verified contracted works during the year under review which Management attributed to lack of budget allocation in supplementary estimates I and II as was recommended by The National Treasury. The lack of budget impacted negatively on contractors' cash flows which further delayed execution of works.

In the circumstances, the value for money realized from the project could not be confirmed as the credit agreement was set to lapse with substantial works not executed.

2. Unconfirmed Project Implementation

Annex 4(a) to the financial statements reflects Kshs.75,231,232 in respect to pending bills relating to activities carried out in Lot 1 and Lot 3 by two local contractors. Review of the project progress report revealed that activities under Lot 2 undertaken in Mandera, Isiolo,

Wajir and Marsabit counties had two (2) commissioned projects, four (4) projects set for commissioning and three (3) projects awaiting transformer installation. However, it was not confirmed whether any works were carried out during the year since documents in respect of works executed such as invoices, delivery notes, and detailed inspection reports were not provided for review contrary.

In the circumstances, the value for money incurred on works executed under the two lots could not be confirmed.

3. Reconciliation of Retention Funds

As disclosed in annex 4c to the financial statements containing an analysis of other pending payables, an amount of Kshs.39,775,445 was outstanding in respect of retention monies. Review of payment schedules supporting the amount revealed that the total amount paid to the contractors as at 30 June, 2024 was Kshs.1,109,159,928 with an expected retention of Kshs.123,239,921. However, the financial statements reflect retained amount of Kshs.39,775,445 during the year resulting in unexplained and unreconciled variance of Kshs.83,464,476.

In addition, the retention monies were awaiting issuance of completion certificate and lapse of the defect's liability period as per the contractual guidelines. However, Kshs.30,952,470 relates to previous years, which exceeded the one (1) year retention period stipulated in the contract. No evidence was provided to indicate that the Corporation had made efforts to have the amount paid. In the event that these payments will not be made by 31 December, 2024 when the credit period lapses, the Corporation may be compelled to incur the cost from own funds since the financier had indicated that unutilized loan balance would automatically be cancelled upon expiry of the agreement on 31 December, 2024.

In the circumstances, the implementation of the Project by Management was not effective.

4. Misallocation of Funds

Note 15 to the financial statements reflects Kshs.1,109,159,289 (US\$.9,373,500) in respect to prior year adjustments for OPEC Fund for International Development (OFID) funding. However, a review of the loan schedule revealed that the actual amount received from OFID was Kshs.1,030,016,643 (US\$.8,701,846) resulting in a variance of Kshs.79,142,646 (US\$.671,654). The variance relates to payments for Lot 3 works paid to a local company from the Corporation's Bank account instead of the project fund yet the Project was fully funded by the financier (OFID). This is contrary to Regulation 4 (c) of the Public Finance Management (National Government) 2015 which provides that a standardized financial management system be in place capable of producing accurate and reliable accounts free from errors, fraud and which will be useful in management decisions and statutory reporting.

Even though Management acknowledged these payments as erroneously paid, the errors remained uncorrected for over the eleven (11) months.

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

5. Material Discrepancies in Targeted Customer Connectivity

Review of the financing agreement revealed that the targeted number of new customers was 300,000. However, the progress reports as at 30 June, 2024 revealed that only 896 or approximately 0.3% of the customers had been connected despite 82% of funds having been paid to contractors, and the project set to close on 31 December, 2024.

Further, a review of the project description and scope of works contained in the contract agreements revealed a contradiction of the above data. While agreement indicate that customers ranging between 4,000 to 4,398 would be connected, the financing agreement indicated 300,000 customers resulting in a variance of 296,000 customers. Management admitted that during the time of signing of the financing agreement on 4 February, 2013, survey and project designs had not been done and, therefore, the targeted number of customers were overestimated. This casts doubt on whether the donor funds were adequately planned for and whether it was necessary to commit public funds on loans as at 30 June, 2024 only 896 customers or approximately 20% were connected with Kshs.1,109,159,289 or 82% of the contracted sums .

In the circumstances, realization of value for money secured from the donor funds for the project could not be confirmed.

6. Lack of Project Designs and Drawings during Bidding

An Internal Audit report on implementation of Donor Funded Projects issued on 2 October, 2023 revealed that none of the bidders were issued with project design and drawings. This was contrary to Section 60(1) of the Public Procurement and Asset Disposal Act, 2015 which requires the procuring entity to furnish the bidders with all specific requirements relating to the goods, works and services being procured.

In addition, lack of the designs and drawing resulted in variation of a contract issued to a local contractor by Kshs.38,181,354 on materials procured for the projects occasioned by changes in prices and quantities in the estimates.

Further, during a site handover to a local contractor for Lot 3 in Kirimon, Laresoro and Morijo it was established that the projects had already been constructed by Kenya Power and Lighting Company Limited (KPLC), thus necessitating a replacement with seven other projects. However, the change led to a difference in specifications and materials quantities causing further delays in project's completion.

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

The audit was conducted in accordance with (ISSAIs) 4000. The Standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed 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

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 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 (Cash 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 overall governance.

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are

in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Project'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 INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires 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 IFPP 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 also 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

30 October, 2024

7. Statement of Receipts and Payments for the year ended 30th June 2024

Description	Note	2023 - 2024			2022 - 2023			Cummulative to date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payments controlled by the entity	Payments made by third parties	Total	
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Receipts								
Transfer From Government Entities (REREC)	1	-	-	-	-	-	-	79,142,646
Proceeds From Domestic And Foreign Grants	2	-	-	-	-	-	-	-
Loan From External Development Partners	3	-	-	-	-	465,887,700	465,887,700	1,030,016,643
Miscellaneous Receipts	4	-	-	-	-	-	-	-
Total Receipts		-	-	-	-	465,887,700	465,887,700	1,109,159,289
Payments								
Compensation Of Employees	5	-	-	-	-	-	-	-
Purchase Of Goods And Services	6	-	-	-	-	-	-	-
Social Security Benefits	7	-	-	-	-	-	-	-
Acquisition Of Non-Financial Assets	8	-	-	-	-	465,887,700	465,887,700	1,109,159,289
Transfers To Other Government Entities	9	-	-	-	-	-	-	-
Other Grants And Transfers And Payments	10	-	-	-	-	-	-	-
Total Payments		-	-	-	-	465,887,700	465,887,700	1,109,159,289
Surplus/(Deficit)		-	-	-	-	-	-	-

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



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CS Dr. Rose Mkalama
Chief Executive Officer



.....
Mr. Edward Gakunju
Project Coordinator




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CPA Walter Nduta
Project Accountant
ICPAK Member No: 23665

8. Statement of Financial Assets as at 30th June 2024

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Financial Assets			
Cash And Cash Equivalents			
Bank Balances	11.A	-	-
Cash Balances	11.B	-	-
Cash Equivalents (Short Term Deposits)	11.C	-	-
Total Cash And Cash Equivalents		-	-
Accounts Receivables – Imprest And Advances	12	-	-
Total Financial Assets (A)		-	-
Financial Liabilities			
Third party Deposits and Retention	13	-	-
Total Financial Liabilities (B)			
Net Financial Assets (A-B)			
Represented By			
Fund Balance B/Fwd	14	-	-
Prior Year Adjustments	15	-	-
Surplus/Deficit For The Year		-	-
Net Financial Position		-	-

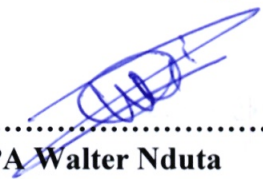
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 26th Aug, 2024 and signed by:



CS Dr. Rose Mkalama
Chief Executive officer



Mr. Edward Gakunju
Project Coordinator

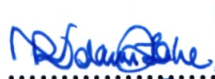


CPA Walter Nduta
Project Accountant
ICPAK Member No:23665

9. Statement of Cash flow for the year ended 30th June 2024

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Cashflows From Operating Activites			
Receipts			
Transfer From Government Entities	1	-	-
Proceeds From Domestic And Foreign Grants	2	-	-
Miscellaneous Receipts	4	-	-
Total Receipts			
Payments			
Compensation Of Employees	5	-	-
Purchase Of Goods And Services	6	-	-
Social Security Benefits	7	-	-
Transfers To Other Government Entities	9	-	-
Other Grants And Transfers	10	-	-
Total Payments			
Adjustments During The Year			
Prior Year Adjustments	15		
Decrease/ (Increase) In Accounts Receivables	16	-	-
Increase/(Decrease) In Accounts Payable	17		
Net Cash Flow From Operating Activities		-	-
Cashflow From Investing Activities			
Acquisition Of Non-Financial Assets	8	-	(465,887,700)
Net Cash Flows From Investing Activities		-	(465,887,700)
Cashflow From Financing Activities			
Proceeds From Foreign Borrowings	3	-	465,887,700
Net Cash Flow From Financing Activities		-	465,887,700
Net Increase In Cash And Cash Equivalent		-	-
Cash And Cash Equivalent At Beginning Of The Year	11	-	-
Cash and cash equivalent at end of the Year	11	-	-


The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 26th Aug, 2024 and signed by:



CS Dr. Rose Mkalama
Chief Executive Officer



Mr. Edward Gakunju
Project Coordinator



Walter Nduta
Project Accountant
ICPAK Member No:23665



10. Statement of Comparison of Budget and Actual Amounts for year ended 30th June 2024

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget Utilisation Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer From Government Entities	-	-	-	-	-	-
Proceeds From Domestic And Foreign Grants	-		-	-	-	-
Proceeds From Borrowings	-	-	-	-	-	-
Miscellaneous Receipts			-	-	-	-
Total Receipts	-	-	-	-	-	-
Payments						
Compensation To Employees	-	-	-	-	-	-
Purchase Of Goods And Services	-	-	-	-	-	-
Social Security Benefits			-	-	-	-
Acquisition Of Non-Financial Assets	-	-	-	-	-	-
Transfers To Other Government Entities	-	-	-	-	-	-
Other Grants And Transfers	-	-	-	-	-	-
Total Payments	-	-	-	-	-	-
Surplus Or Deficit	-	-	-	-	-	-

Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 2** to these financial statements.



.....
CS Dr. Rose Mkalama
Chief Executive Officer



.....
Mr. Edward Gakunju
Project Coordinator



.....
CPA Walter Nduta
Project Accountant
ICPAK Member No:23665

11. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

b) Reporting entity

The financial statements are for the Project KEEP under the National Government of Kenya. The financial statements are for the reporting entity Project Kenya Electricity Expansion Project as required by Section 81 of the PFM Act, 2012 .

c) Reporting currency

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

d) Recognition of receipts

The Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

i) Transfers from the Exchequer

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

Significant Accounting Policies (continued)

ii) External Assistance

External assistance is monies received through grants and loans from multilateral and bilateral development partners.

iii) Other receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements at the time associated cash is received.

iv) Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

v) Proceeds from borrowing

Borrowing includes external loans acquired by the Project or any other debt the Project may take and will be treated on cash basis and recognized as a receipt during the year they were received.

vi) Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary.

e) Recognition of payments

The Project recognises all payments when the event occurs, and the related cash has actually been paid out by the Project.

Significant Accounting Policies (continued)

i) Compensation to employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

ii) Use of goods and services

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

iii) Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incur and paid for.

iv) Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

f) In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of

Significant Accounting Policies (Continued)

receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

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) Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

i) Imprests and Advances

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

Significant Accounting Policies (Continued)

j) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

The Entity 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. **Annex 6** of this financial statement is a register of the contingent liabilities in the year.

k) Contingent Assets

The Entity 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 Entity 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.

Significant Accounting Policies (Continued)

l) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as ‘memorandum’ or ‘off-balance’ When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

m) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project’s budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation. A high-level assessment of the Project’s actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

n) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties’ column in the statement of receipts and payments.

o) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign

Significant Accounting Policies (Continued)

currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2024.

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented in note 15 of these financial statements

12. Notes to the Financial Statements

1. Transfers from Government entities

These represent counterpart funding and other receipts from government as follows:

Description	2023-2024	2022-2023	Cumulative to date (from inception)
	Kshs	Kshs	Kshs
Counterpart funding through Ministry of Energy	-	-	-
Counterpart funds Quarter 1	-	-	-
Counterpart funds Quarter 2	-	-	-
Counterpart funds Quarter 3	-	-	-
Counterpart funds Quarter 4	-	-	-
Total (See Annex 3)	-	-	-
Other transfers from government entities	-	-	-
Transfer from REREC	-	-	79,142,646
Appropriations-in-Aid	-	-	-
Total	-	-	79,142,646

Notes to the Financial Statements (Continued)

2. Proceeds From Domestic and Foreign Grants

During the financial period to 30 June 2024, we received grants from donors as detailed in the table below:

Description	2023 - 2024				2022 - 2023	Cumulative to date	
	Name of Donor	Date received	Amount received in donor currency	Grants Received in Cash	Grants received as direct payments		Grants Received in Kind
		USD	Kshs	Kshs	Kshs	Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)							
N/A			-	-	-	-	-
Grants Received from Multilateral Donors (International Organisations)							
Opec Fund for International Development (OFID)			-	-	-	-	-
Grants Received from Local Individuals and organisations							
N/A			-	-	-	-	-
Total		-	-	-	-	-	-

Notes to The Financial Statements (Continued)

3. Loan from External Development Partners

During the financial period to 30 June 2024, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Description	Date received	2023-2024				2022-2023	Cumulative to date (from inception)
		Amount in loan currency	Amount Received in Cash	Loan Received as Direct Payment	Total amount	Total amount	
		USD	Kshs	Kshs	Kshs	Kshs	
Loans Received from Bilateral Donors (Foreign Governments)	-						
N/A	-						
Loans Received from Multilateral Donors (International Organisations)	-						
OFID	-	-	-	-	-	465,887,700	1,030,016,643
Total	-	-	-	-	-	465,887,700	1,030,016,643

Notes to the Financial Statements (Continued)

4. Miscellaneous receipts

Description	2023-2024			2022-2023	Cumulative to- date (from inception)
	Receipts controlled by the entity	Receipts controlled by third parties	Total Receipts	Total Receipts	
	Kshs	Kshs	Kshs	Kshs	Kshs
Property income	-	-	-	-	-
Sales of goods and services	-	-	-	-	-
Administrative fees and charges	-	-	-	-	-
Fines, penalties and forfeitures	-	-	-	-	-
Voluntary transfers other than grants	-	-	-	-	-
Other receipts not classified elsewhere	-	-	-	-	-
Total	-	-	-	-	-

Notes to the Financial Statements (Continued)

5. Compensation to Employees

Description	2023-2024			2022-2023	Cumulative to date
	Payments made by the entity in cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Basic salaries of permanent employees	-	-	-	-	-
Basic wages of temporary employees	-	-	-	-	-
Personal allowances paid as part of salary	-	-	-	-	-
Personal allowances paid as reimbursements	-	-	-	-	-
Personal allowances provided in kind	-	-	-	-	-
Pension and other social security contributions	-	-	-	-	-
Compulsory national social security schemes	-	-	-	-	-
Compulsory national health insurance schemes	-	-	-	-	-
Social benefit schemes outside government	-	-	-	-	-
Other Personal Payments	-	-	-	-	-
Total	-	-	-	-	-

Notes to The Financial Statements (Continued)

6. Purchase of Goods and Services

Description	2023-2024			2022-2023	Cumulative to date
	Payments made in cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Utilities, supplies and services	-	-	-	-	-
Communication, supplies and services	-	-	-	-	-
Domestic travel and subsistence	-	-	-	-	-
Foreign travel and subsistence	-	-	-	-	-
Printing, advertising and - information supplies & services	-	-	-	-	-
Rentals of produced assets	-	-	-	-	-
Training expenses	-	-	-	-	-
Hospitality supplies and services	-	-	-	-	-
Insurance costs	-	-	-	-	-
Specialised materials and services	-	-	-	-	-
Other operating payments	-	-	-	-	-
Routine maintenance - vehicles and other transport equipment	-	-	-	-	-
Routine maintenance - other assets	-	-	-	-	-
Exchange rate losses/gains (net)	-	-	-	-	-
Total	-	-	-	-	-

Notes to the Financial Statements (Continued)

7. Social Security Benefits

Description	2023-2024			2022-2023	Cumulative to date
	Payments made by the Entity in cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Government pension and retirement benefits	-	-	-	-	-
Social security benefits in cash and in kind	-	-	-	-	-
Employer social benefits in cash and in kind	-	-	-	-	-
Total	-	-	-	-	-

Notes to the Financial Statements (Continued)

8. Acquisition of Non-Financial Assets

Description	2023-2024			2022-2023	Cumulative to date
	Payments made by the Entity in cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Acquisition of Project Materials	-	-	-	392,859,128	954,391,005
Local Transportation and Insurance Services	-	-	-	73,028,571	135,388,571
Installation and other Services				-	19,379,712
Total	-	-	-	465,887,700	1,109,159,289

Notes to the Financial Statements (Continued)

9. Transfers to other Government Entities

During the financial period to 30 June 2024, we transferred funds to reporting government entities as shown below:

Description	2023-2024			2022-2023	Cumulative to date
	Payments made by the Entity in cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers to National Government entities					
Ministry of Energy	-	-	-	-	-
Transfers to County Government	-	-	-	-	-
N/A					
Total	-	-	-	-	-

Notes to the Financial Statements (Continued)

10. Other Grants, Transfers and Payments

Description	2023-2024			2022-2023	Cumulative to date
	Payments made by the Entity in cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Grants for scholarships	-	-	-	-	-
Transfers to lower levels of government	-	-	-	-	-
Miscellaneous expenditure	-	-	-	-	-
Total	-	-	-	-	-

Notes to the Financial Statements (Continued)

11. Cash And Cash equivalents

Description	2023-2024	2022-2023
	Kshs	Kshs
Bank accounts (Note 11.A)	-	-
Cash in hand (Note 11.B)	-	-
Cash equivalents (short-term deposits) (Note 11.C)	-	-
Total	-	-

11. A Bank Accounts

Project Bank Accounts

Description	2023-2024	2022-2023
	Kshs	Kshs
Foreign Currency Accounts		
N/A	-	-
Total foreign currency Balances	-	-
Local Currency Accounts		
Co-operative Bank of Kenya [A/c No.]	-	-
Total local currency balances	-	-
Total bank account balances	-	-

(The Project does not operate a separate bank account. Instead, the financier, OFID, directly disburses funds into contractors' accounts for all approved project-related costs.)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2024 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Notes to the Financial Statements (Continued)

Special Deposit Accounts Movement Schedule

Description	2023-2024	2022-2023
	Kshs	Kshs
(i) A/c Name [A/c No.....]		
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
Closing balance (as per SDA bank account reconciliation attached)	-	-
(ii) A/c Name [A/c No.....]		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
Closing balance (as per SDA bank account reconciliation attached)	-	-

(The Project does not maintain a Special Deposit Account. Instead, all financial transactions are managed through the financier, who directly disburses funds to contractors for approved project expenses.)

Notes to the Financial Statements (Continued)

11 B Cash in hand

Description	2023-2024	2022-2023
	Kshs	Kshs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other locations (<i>specify</i>)	-	-
Total cash in hand balances	=	=

11 C Cash equivalents (short-term deposits)

Description	2023-2024	2022-2023
	Kshs	Kshs
Kenya Commercial Bank [A/C No.....]	-	-
Co-Operative Bank of Kenya [A/C No.....]	-	-
Others (<i>Specify</i>)	-	-
Total	=	=

12. Imprests and Advances

Description	2023-2024	2022-2023
	Kshs	Kshs
Government Imprests	-	-
Salary advances	-	-
Total	-	-

Notes to the Financial Statements (Continued)

12A: Breakdown of Imprests and Advances

Name of Officer or Institution	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance 2023-2024	Balance 2022-2023
	Kshs	Kshs	Kshs	Kshs	Kshs
Officer 1	-	-	-	-	-
Officer 2	-	-	-	-	-
Officer 3	-	-	-	-	-
Officer 4	-	-	-	-	-
Officer 5	-	-	-	-	-
Programme 1	-	-	-	-	-
Total	=	=	-	-	-

13. Third-Party Deposits and Retention

Description	2023-2024		2022-2023	
	Kshs		Kshs	
Retention	-		-	
Deposits	-		-	
Total	-		-	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	-	-	-
1-2 years	-	-	-	-
2- 3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	-	-	-	-

Notes to the Financial Statements (Continued)

14. Fund Balance Brought Forward

Description	2023-2024	2022-2023
	Kshs	Kshs
Bank accounts	-	-
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	-	-

Notes to the Financial Statements (Continued)

15. Prior Year adjustment

Description of the error	Balance b/f 2022/2023 (audited financial statements)	Adjustments	Adjusted balance b/f 2023/2024
	Kshs	Kshs	Kshs
External Funding by OFID	1,109,159,289	(79,142,646)	1,030,016,643
Government of Kenya Funding	0.00	79,142,646	79,142,646
Total	1,109,159,289	0.00	1,109,159,289

Note: Source of funds Reclassification

During the financial year 2022/23, a total loan amount of US\$9,373,500 (equivalent to Kshs.1,109,159,289) was reported as received from OFID. However, a detailed reconciliation carried out in FY 2023/24 indicated that the actual amount received from OFID was US\$8,701,846 (Kshs.1,030,016,643). Furthermore, an amount of US\$671,654 (Kshs.79,142,646) was erroneously debited from the Corporation's KCB Bank account instead of being claimed from OFID. This amount pertained to payments for Lot 3: Integrated Supplies and Consultancy Ltd, which should have been covered under special commitment (letters of credit) from OFID.

The Corporation is proactively working with the National Treasury, OFID, and KCB Bank to address and resolve this issue. Efforts are focused on correcting the financial records and recovering the misallocated funds to ensure compliance with project agreements and financial reporting standards.

Due to the unresolved nature of this issue as of June 30, 2024, an accounting reclassification was necessary. This reclassification involved reallocating amounts between funding sources to enhance the accuracy and transparency of the financial statements. Although the total receipts and payments remained unchanged, this adjustment was essential for accurately reflecting and categorizing financial transactions. It ensures a precise representation of the project's financial position, adheres to International Public Sector Accounting Standards (IPSAS), and provides a clear and transparent overview of the project's financial activities.

Notes to the Financial Statements (Continued)

16. Changes in Accounts Receivables (Imprests and Advances)

Description	2023-2024	2022-2023
	Kshs	Kshs
Opening Receivables as at 1 st July 2023	-	-
Closing account receivables as at 30 th June 2024	-	-
Change in Imprests and advances	-	-

17. Changes in Accounts Payables (Deposits and Retention)

Description	2023-2024	2022-2023
	Kshs	Kshs
Deposit and Retentions as at 1 st July 2023	-	-
Closing accounts payables as at 30 th June 2024	-	-
Change in deposit and retention	-	-

13. Other Important Disclosures

1. Pending Accounts Payable (See Annex 4a)

Description	Balance b/f From 2022-2023	Additions for the period	Paid during the year	Balance c/f For 2023-2024
	Kshs	Kshs	Kshs	Kshs
Supply of Project Materials	0.00	68,676,715	0.00	68,676,715
Installation and Local Transportation services	0.00	6,554,517	0.00	6,554,517
Total	0.00	75,231,232	0.00	75,231,232

2. Pending Staff Payables (See Annex 4b)

Description	Balance b/f from 2022-2023	Additions for the period	Paid during the year	Balance c/f for 2023-2024
	Kshs	Kshs	Kshs	Kshs
Senior management	-	-	-	-
Middle management	-	-	-	-
Union employees	-	-	-	-
Others	-	-	-	-
Total	-	-	-	-

Other Important Disclosures (Continued)

3. Other Pending Payables (See Annex 4c)

Description	Balance b/f From 2022-2023	Additions for the period	Paid during the year	Balance c/f for 2023-2024
	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	-	-	-	-
Amounts due to County Government entities	-	-	-	-
Amounts due to third parties - Retention Monies payable Upon issuance of final Completion Certificate.	30,952,470	8,822,975	0.00	39,775,445
Total	30,952,470	8,822,975	0.00	39,775,445

4. External Assistance

Description	2023-2024	2022-2023
	Kshs	Kshs
External assistance received as grants	-	-
External assistance received as loans	0.00	465,887,700
External assistance received in kind- as payment by third parties	-	-
Total	0.00	465,887,700

Other Important Disclosures (Continued)

a) External assistance relating loans and grants

Description	2023-2024	2022-2023
	Kshs	Kshs
External assistance received as loans	-	465,887,700
External assistance received as grants	-	-
Total	-	465,887,700

b) Undrawn external assistance

Description	Purpose for which the undrawn external assistance may be used	2023-2024	2022-2023
		Kshs	Kshs
Undrawn external assistance - loans	Payment of the project material balance, installation, and other services.	469,983,357	469,983,357
Undrawn external assistance - grants	Not applicable	-	-
Total		469,983,357	469,983,357

Other Important Disclosures (Continued)

c) Classes of providers of external assistance

Description	2023-2024	2022-2023
	Kshs	Kshs
International assistance organization- OFID	-	465,887,700
NGOs	-	-
National Assistance Organization	-	-
Total	-	465,887,700

d. Non-monetary external assistance

Description	2023-2024	2022-2023
	Kshs	Kshs
Goods	-	-
Services	-	-
Total	-	-

e. Purpose and use of external assistance

Payments made by third parties	2023-2024	2022-2023
	Kshs	Kshs
Acquisition of Non-financial assets	-	465,887,700
Other payments	-	-
Total	-	465,887,700

Other Important Disclosures (Continued)

f. External Assistance paid by third parties on behalf of the Entity by Source

This relates to external assistance paid directly by third parties to settle obligations on behalf of the entity.

Description	2023-2024	2022-2023
	Kshs	Kshs
International assistance organization - OPEC Fund	0.00	465,887,700
Total	0.00	465,887,700

5. Payments By Third Party on Behalf of The Project

This relates to payments done directly to supplier on behalf of the project such as; national government may fund the operation of health or education program; a donor may pay directly for construction of a given activity

5.1 Classification by Source

Description	2023-2024	2022-2023
	Kshs	Kshs
National government	-	-
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
Total	-	-

Other Important Disclosures (Continued)

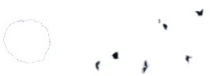
5.2 Classification of payments made by Third Parties by Nature of expenses

Payments made by third parties	2023-2024	2022-2023
Description	Kshs	Kshs
Compensation of employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to other government units	-	-
Other grants and transfers	-	-
Social security benefits	-	-
Acquisition of assets	-	-
Finance costs, including loan interest	-	-
Other payments	-	-
Total	-	-

6. Related Party Disclosures

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS. The comprise of related parties to the Project

- i) Key management personnel including the program director/manager
- ii) The implementing entity/ministry/ department
- iii) Other Ministries and Departments.
- iv) The National Treasury



Other Important Disclosures (Continued)

Related party transactions:

Description	2023 - 2024	2022 - 2023
	Kshs	Kshs
Compensation to Key Management		
Compensation to the program manager/ director	-	-
Key Management Compensation others (specify)	-	-
Total Compensation to Key Management	-	-
<u>Transfers to related parties</u>	-	-
Transfers to other government entities	-	-
Total Transfers to related parties	-	-
<u>Transfers from related parties</u>	-	-
Transfers from the Ministry/ department	-	-
Payments made on behalf of the project by other govt. entities (RREC)	-	-
(Insert any other transfers received)	-	-
Total Transfers from related parties	-	-

7. Contingent Liabilities

Description of Contingent liabilities	2023 - 2024	2022 - 2023
	Kshs	Kshs
Court case against the project	-	-
Bank guarantees in favour of other govt. entities	-	-
contingent liabilities arising from PPPs/ donor agreements	-	-
Total	-	-

(Give details- Update Annex 6 Contingent liabilities register)

14. Annexes

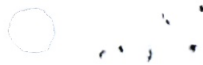
Annex 1: Prior Year Auditor-General’s Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Detailed Management comments	Status: (Resolved / Not Resolved)	Timeframe:
No. 1	<p>Low Budget Absorption and Delay in Implementation of the Project.</p> <p>As disclosed in paragraph 2.7 of the funding summary, the Donor had made commitment of USD 15,000,000 equivalent to Kshs.1,500,000,000. However, with the Project targeted completion date set for 30 December, 2023, actual drawdowns amounted to USD 9,373,500 equivalent to Kshs.1,109,159,289 leaving Kshs.390,840,711 or 26% of Donor commitment undrawn. With over 95% of the project duration passed, the credit is set to lapse without being fully utilized and the project's planned deliverables earmarked for completion using the funding may not be realized.</p> <p>Management did not provide documentary evidence for audit review to indicate whether any mitigation measures</p>	<p>The Kenya Electricity Expansion Project (KEEP) is designed to electrify public facilities in off-grid areas and is financed by the Opec Fund for International Development (OFID). Implementation began in June 2020 with contracts signed with three contractors. The project has faced several challenges impacting its progress:</p> <p>The COVID-19 pandemic, which disrupted manufacturing, inspection, and delivery of materials from abroad in 2020, 2021, and early 2022, was a significant hurdle. To address travel restrictions that hindered inspections, the</p>	The challenges have not been fully resolved due to a lack of budgetary provision for the financial year 2023/24.	31 st Dec,2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Detailed Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>had been taken to secure an extension of the project from the Donor.</p> <p>In the circumstances, the Project objectives may not be achieved.</p>	<p>Corporation introduced virtual inspections, allowing for the successful manufacturing, inspection, and delivery of most materials, thereby facilitating continued project implementation.</p> <p>Audit observations indicate that the donor committed USD 15,000,000 (equivalent to Kshs 1,500,000,000) for the project. Progress has been steady with the three contractors, as detailed in the progress report. However, since early 2023, the project has experienced delays due to insecurity in the regions of Turkana, Samburu, and Mandera—areas heavily involved in the project. For instance, the contractor for Lot 1—Mayleen—reported withdrawing teams</p>		

**Kenya Electricity Expansion Project
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Reference No. on the external audit Report	Issue / Observations from Auditor	Detailed Management comments	Status: (Resolved / Not Resolved)	Timeframe:
		<p>from the site in February 2023. Despite efforts to resolve these issues through meetings and engagement, insecurity has continued to impact the project's pace.</p> <p>Payments to date have been primarily for materials, which constitute approximately 70% of project costs, with the remaining 30% allocated to design, transport, and installation services. To enhance project completion, management has implemented several measures, including:</p> <ul style="list-style-type: none"> • Establishing a dedicated supervision team led by Regional Managers and supported by County Supervisors. 		






Reference No. on the external audit Report	Issue / Observations from Auditor	Detailed Management comments	Status: (Resolved / Not Resolved)	Timeframe:
		<ul style="list-style-type: none"> • Daily progress reporting. • Monthly progress meetings with contractors and the supervision team, urging enhanced site teams to accelerate implementation. <p>The project status shows that eleven projects have been completed and commissioned, with sixteen awaiting transformer installation and commissioning. Additionally, eleven projects are at various stages of completion. A total of 896 customers have been connected through the twelve completed and commissioned projects.</p> <p>Regarding payment status, approximately Kshs 1.1 billion has been</p>		

**Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

Reference No. on the external audit Report	Issue / Observations from Auditor	Detailed Management comments	Status: (Resolved / Not Resolved)	Timeframe:
		paid to date out of a total contract value of approximately Kshs 1.35 billion, representing about 84.4%. Joint measurements for completed work under Lot 3 have been submitted, and invoice processing is underway, pending the approval of the budgetary allocation.		

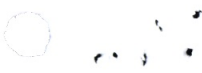
Signed by:



Chief Executive Officer
CS Dr. Rose Mkalama



Project Coordinator
Mr. Edward Gakunju



Annex 2: Variance Explanations - Comparative Budget and Actual Amounts for FY 2023-2024

Receipts/Payments Item	Final Budget	Actual on comparable basis	Budget Utilisation Difference	% of Utilisation	Comments on Variance (Below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
	Kshs	Kshs	Kshs		
Receipts					
Transfer From Government Entities	-	-	-	-	
Proceeds From Domestic And Foreign Grants	-	-	-	-	
Proceeds From Borrowings	-	-	-	-	
Miscellaneous Receipts	-	-	-	-	
Total Receipts	-	-	-	-	The project did not receive any revenues for FY 2023/24 due to the absence of budgetary provision.
Payments					
Compensation To Employees	-	-	-	0%	
Purchase Of Goods And Services	-	-	-	0%	
Social Security Benefits	-	-	-	0%	
Acquisition Of Non-Financial Assets	-	-	-	0%	
Transfers To Other Government Entities	-	-	-	0%	
Other Grants And Transfers	-	-	-	0%	
Total Payments	-	-	-	-	Due to the lack of budgetary provision for the project in FY

**Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

Receipts/Payments Item	Final Budget	Actual on comparable basis	Budget Utilisation Difference	% of Utilisation	Comments on Variance (Below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
	Kshs	Kshs	Kshs		
Surplus or Deficit	-	-	-		2023/24, no payments were made.

Annex 3: Reconciliation of Inter-Entity Transfers


Project Name: Kenya Electricity Expansion Project				
Break down of transfers from the State Department of Energy				
A.	Government Counterpart funding			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			0.00	Not Applicable
		Total	0.00	
B.	Direct payments			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			0.00	Not Applicable
		Total	0.00	
C.	Others			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			0.00	Not Applicable
		Total	0.00	
		Total (A+B+C)	0.00	

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

**Project Coordinator
(REREC)**

Sign: 

**Head of Accounting Unit
(Ministry Of Energy)**

Sign: 

*Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Annex 4a: Analysis of Pending Bills

Supplier of Goods or Services	Date Contracted/ Invoiced	Original Amount	Amount Paid To- Date	Outstanding Balance 2023/24	Outstanding Balance 2022/23	Comments
Lot 1: Mayleen (k) Limited						
<i>Supply of goods (Project Materials)</i>						
Invoice No.MY-REREC-053	29.04.2024	21,640,080	0.00	21,640,080	0.00	
Invoice No.MY-REREC-052	29.04.2024	2,774,311	0.00	2,774,311	0.00	
Sub-Total (a)		24,414,391	0.00	24,414,391	0.00	
<i>Local Transportation Services</i>						
Invoice No.MY-REREC-055	23.05.2024	2,800,000	0.00	2,800,000	0.00	
Sub-Total (b)		2,800,000	0.00	2,800,000	0.00	
Lot 3 : Integrated Supplies						
<i>Supply of goods (Project Materials)</i>						
Invoice No.P7501	19.12.2023	11,025,216	0.00	11,025,216	0.00	
Invoice No.P7395	31.03.2024	33,237,108	0.00	33,237,108	0.00	
Sub-Total (c)		44,262,324	0.00	44,262,324	0.00	
<i>Installation and other Services</i>						
Invoice No.P7396	29.03.2024	3,754,517	0.00	3,754,517	0.00	
Sub-Total (d)		3,754,517	0.00	3,754,517	0.00	
Grand Total (e=a+b+c+d)		75,231,232	0.00	75,231,232	0.00	

Note: Pending bills - The pending bills have arisen due to the absence of budgetary provision for the financial year 2023/24. This shortfall in allocated funds has impeded the project's ability to meet its financial commitments, leading to an accumulation of Kshs.75,231,232 unpaid invoices. The lack of sufficient budgetary support has disrupted cash flow and delayed payments to contractors. To address these outstanding obligations, we have requested budget approval for FY 2024/25 under Supplementary I estimates through the National Treasury. Securing these allocations will enable timely disbursements and help maintain project implementation momentum.

Annex 4b: Analysis of Pending Staff bills

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2023-2024	Outstanding Balance 2022-2023	Comments
Permanent Employees - Management							
1.							
Sub-Total							
Permanent Employees - Others							
2.							
Sub-Total							
Temporary employees							
3.							
Sub-Total							
Others (specify)							
4.							
Sub-Total							
Grand Total							

Note: There were no pending Staff bills

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Annex 4c: Analysis of Other Pending Payables

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid to date	Outstanding Balance 2023-2024	Outstanding Balance 2022-2023	Comments
		Kshs		Kshs	Kshs	Kshs	
Amounts due to Third Parties	Retention Monies payable upon issuance of final completion certificate to project Contractors						
Mayleen(k) Ltd	MY-REREC-040	3,042,840	06.06.2022	0.00	3,042,840	3,042,840	Retention Monies
Mayleen(k) Ltd	MY-REREC-043	1,458,839	20.06.2022	0.00	1,458,839	1,458,839	Retention Monies
Mayleen(k) Ltd	MY-REREC-044	1,445,320	20.06.2022	0.00	1,445,320	1,445,320	Retention Monies
Mayleen(k) Ltd	MY-REREC-046	1,198,010	20.06.2022	0.00	1,198,010	1,198,010	Retention Monies
Mayleen(k) Ltd	MY-REREC-047	6,086,555	20.06.2022	0.00	6,086,555	6,086,555	Retention Monies
Mayleen(k) Ltd	MY-REREC-049	2,696,977	20.06.2022	0.00	2,696,977	2,696,977	Retention Monies
Mayleen(k) Ltd	MY-REREC-027	5,943,000	16.12.2022	0.00	5,943,000	5,943,000	Retention Monies
Mayleen(k) Ltd	MY-REREC-048	185,701	30.06.2022	0.00	185,701	185,701	Retention Monies
Mayleen(k) Ltd	MY-REREC-051	8,895,228	10.11.2022	0.00	8,895,228	8,895,228	Retention Monies
Mayleen(k) Ltd	MY-REREC-053	3,091,440	29.04.2024	0.00	3,091,440	-	Retention Monies
Mayleen(k) Ltd	MY-REREC-052	396,330	29.04.2024	0.00	396,330	-	Retention Monies
Integrated	P7395	3,693,012	31.03.2024	0.00	3,693,012	-	Retention Monies

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Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid to date	Outstanding Balance 2023-2024	Outstanding Balance 2022-2023	Comments
		Kshs		Kshs	Kshs	Kshs	
Supplies							
Integrated Supplies	P7501	1,225,024	19.04.2024	0.00	1,225,024	-	Retention Monies
Integrated Supplies	P7396	417,169	29.03.2024	0.00	417,169	-	Retention Monies
Grand Total		39,775,445		0.00	39,775,445	30,952,470	

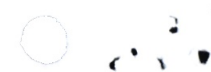
Note: Other Pending bills (Retention Monies)

Retention monies will be released to the contractors once the final completion certificate is issued. This certificate signifies that the project has been completed in accordance with the contract terms, including quality standards and performance requirements. The issuance of the final completion certificate confirms that all project deliverables have been met, allowing for the release of the retained funds as stipulated in the contractual agreement. As of FY 2023/24, retention monies remain unpaid due to pending issuance of the final completion certificate. This process ensures that contractors fulfil their obligations and address any potential defects or issues before receiving the full payment.

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Annex 5: Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2023/2024	Donations in form of assets (KShs) 2023/2024	Purchases/ Additions in the Year (KShs) 2023/2024	Disposals in the Year (KShs) 2023/2024	Transfers in/(out) Kshs 2023/2024	Closing Cost (KShs) 2024
	<i>(a)</i>	<i>(b)</i>	<i>(c)</i>	<i>(d)</i>	<i>(d)</i>	<i>(e) = (a) + (b) + c - (d) + (-) d</i>
Work in Progress	1,109,159,289	0.00	0.00	0.00	0.00	1,109,159,289
Total	1,109,159,289	0.00	0.00	0.00	0.00	1,109,159,289



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Annex 6: Contingent Liabilities Register

No.	Nature of contingent liability	Payable to	Estimated Amount Kshs	Expected date of payment	Remarks
1					
2					
3					
4					
5					

Note: There was no information relating to contingent liabilities.

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Annex 7: Reporting Of Climate Relevant Expenditure

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Note: There was no information on climate-relevant expenditure for the project.



Annex 8: Reporting Disaster Management Expenditure

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

Note: There was no information on disaster management expenditure for the project.

Annex 9: Other Support Documents

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2024
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)
- v. GOK IFMIS comparison Trial Balance (Where applicable)