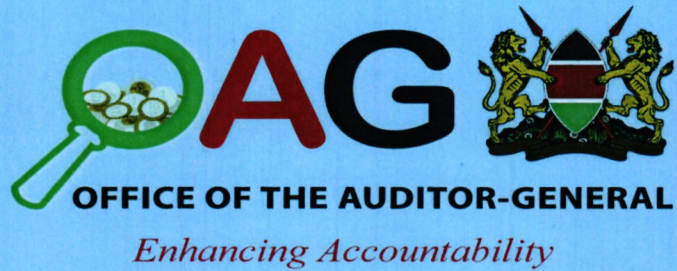


REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY	
P	
DATE: 23 NOV 2022	DAY: Wednesday
BY: Magrity Whip	
AT: Miriam	

REPORT

OF

THE AUDITOR-GENERAL

ON

**RURAL ELECTRIFICATION AND
RENEWABLE ENERGY CORPORATION**

**FOR THE YEAR ENDED
30 JUNE, 2021**



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

30 SEP 2021

RECEIVED

Rural Electrification and Renewable Energy Corporation

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2021**

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

Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2021

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Rural Electrification and Renewable Energy Corporation (REREC) is a State Corporation established under section 43 of the Energy Act, of 2019. The Corporation as established shall be the successor to the Rural Electrification Authority established under section 66 of the Energy Act No. 12 of 2006 (now repealed) and subject to this Act, all rights, duties, obligations, assets and liabilities of the Rural Electrification Authority existing at the commencement of this Act shall be automatically and fully transferred to the Corporation and any reference to the Rural Electrification Authority in any contract or document shall, for all purposes, be deemed to be a reference to the Corporation established under the Act.

(b) Principal Activities

Vision & Mission

Vision: “A green energy driven nation”.

Mission: “To provide sustainable energy solutions for all through rural electrification and renewable energy for social economic transformation.”

Mandate of Rural Electrification & Renewable Energy Corporation

- (a) Oversee the implementation of the Rural Electrification Programme;
- (b) Manage the Rural Electrification Programme Fund established under section 143;
- (c) Source additional funds for the Rural Electrification Programme and renewable energy;
- (d) Develop and update the rural electrification master plans in consultation with County Governments;
- (e) Develop and update the renewable energy master plan taking into account county specific needs and the principle of equity in the development of renewable energy resources;
- (f) Support the establishment of energy centres in the counties;
- (g) Establish framework for collaboration with County Governments in the discharge of its mandate;
- (h) Undertake on-farm and on station demonstration of wood-fuel species, seedling production and management;
- (i) Undertake feasibility studies and maintain data with a view to availing the same to developers of renewable energy resources;
- (j) Develop, promote and manage in collaboration with other agencies, the use of renewable energy and technologies, including but not limited to biomass (biodiesel, bio-ethanol, charcoal, fuel-wood, biogas) municipal waste, solar, wind, tidal waves, small hydropower and co-generation but excluding geothermal;
- (k) Formulate, in conjunction with the Agency, a national strategy for coordinating research in renewable energy;

- (l) Undertake, in conjunction with the Agency, research, development and dissemination of appropriate renewable energy technologies;
- (m) Provide an enabling framework for the efficient and sustainable production, conversion, distribution, marketing and utilization of biomass, solar, wind, small hydro's, municipal waste;
- (n) Promote, in conjunction with the agency responsible for forests, the use of fast maturing trees for energy production including bio-fuels and the establishment of commercial woodlots including peri-urban plantations;
- (o) Promote, in collaboration with other agencies, the development of appropriate local capacity for the manufacture, installation, maintenance and operation of renewable technologies such as bio-digesters, solar systems, turbines and other renewable energy technologies;
- (p) Promote international co-operation programmes focusing on renewable energy sources;
- (q) Harness opportunities offered under clean development mechanism and other mechanisms including, but not limited to, carbon credit trading to promote the development and exploitation of renewable energy sources;
- (r) Promote the development of electricity generation through co-generation by sugar millers;
- (s) Provide technical and other capacity building support to County Governments in the discharge of the function of electricity reticulation and energy regulation; and
- (t) Undertake any other duty or perform such other function as may be necessary for the execution of its mandate under this Act.

(c) Key Management

The day to day management of the Corporation is under the following;

- i. Board of Directors
- ii. Chief Executive Officer
- iii. General Managers
- iv. Managers.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were;

No.	Designation	Name
1	Chief Executive Officer	CPA Peter K Mbugua
2	G.M. Corporate Services	CS Dr. Rose Mkalama
3	G.M. Power Distribution and Regional Coordination.	Eng. Esther Ruto
4	G.M. Strategy and Business Development	David Gitonga

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5	Manager Finance & Accounts	CPA Davis Cheruiyot
6	Manager Administration	Elizabeth Onoka
7	Manager Legal Department	Sharon Tugee
8	Manager ICT	Alex Kangethe
9	Manager Human Resource	Evelyne Koech
10	Manager, Advocacy, Public Education & Awareness.	Wangari Githii
11	Manager, Research, Monitoring and Evaluation	Wilfred Oduor
12	Manager Procurement	Joel Omusebe
13	Manager Process Audit	CPA Emmanuel Odera
14	Manager Renewable Energy	Eng Jonathan Mbutu
15	Principal Officer, Constructions	Eng Joni Anyango
16	Member, S4/Hanna Implementation Team	Eric Jaoko
17	In charge of Audit issues, both internal and external	CPA. Joan Ritho
18	Manager, Strategy Planning	CPA. Francis Mutua
19	Manager Renewable Energy, Research & Innovation	Eng. Ephantus Kamweru
20	Manager Business Development	Edward Gakunju
21	Lucky Limo Rono	Ag. Corporation Secretary

(e) Fiduciary Oversight Arrangements

The oversight for financial management is vested in the three Board Committees as discussed below;

Audit Committee

The Audit Committee is basically the watchdog for the Corporation. It ensures that all the systems in the Corporation are functioning properly. The main terms of reference as provided for in the Board manual are as follows;

- (i) Support the Board of Directors in reviewing the effectiveness of the Corporation's processes of Corporate Governance;
- (ii) Review the annual financial statements and consider whether they are complete, consistent and reflect appropriate accounting principles and make appropriate recommendations for necessary action;
- (iii) Recommending financial statements to the Board for approval before submission to the Controller and Auditor General for audit;

- (iv) Review the result of the audit on the financial statements by the External Auditor or any other inspector or investigator engaged by REREC;
- (v) Consider the effectiveness of the REREC internal control systems established by management to ensure compliance with policies, laws and regulations;
- (vi) Review the risk management framework and assess policies and controls developed by Management for risk assessment and risk management;
- (vii) Review and approve the internal audit plan, charter and manual.
- (viii) Review the activities, organizational structure and qualifications of the internal auditors;
- (ix) Assess managements' action on significant findings and audit recommendations and ensure that action taken is adequate to maintain the integrity of the financial systems.

In addition to the Terms of Reference, the committee also has an Audit Committee Charter that defines how they are supposed to execute their responsibilities.

Finance Committee

The committee is responsible for Financial Management and proper resource allocation in the Corporation. The Terms of reference of the committee are as follows;

- (i) Develop and recommend to the Board the Corporation's Annual Budget;
- (ii) Develop, review and approve major changes in the Corporation's accounting policies;
- (iii) Oversee the preparation of year-end financial statements of the Corporation;
- (iv) Develop strategies aimed at achieving financial sustainability for the Corporation;
- (v) Consider and recommend to the Board Banking facilities and Corporation levels;
- (vi) Ensure proper financial management systems are in place;
- (vii) Develop a financial monitoring system for the Organization

Procurement Oversight Committee

The overall responsibility of the committee is to ensure that the annual procurements undertaken by Management are able to support the annual business plans for the Corporation. The Terms of Reference are provided for in the Board manual and are summarized as follows;

- (i) Discuss and propose to the Board the Corporation's annual procurement plan for approval
- (ii) Review of the annual procurement plan when need arises.
- (iii) Ensure adherence to the procurement plan
- (iv) Ensure that the Corporation's procurement plan is capable of enabling the Corporation achieve its mandate.
- (v) Monitor the implementation of the procurement plan to ensure that it conforms to the approved budget.
- (vi) Ensure that procurement reports are submitted to the Board

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

Kawi House
Red Cross road
P.O Box 34585-00100
NAIROBI

(g) Entity Contacts

Telephone: (254) 709 193 000
E-mail: info@rerec.co.ke
Website: www.rerec.co.ke

(h) Entity Bankers

1. The Co-operative Bank of Kenya Ltd
P.O. Box 48231 – 00100
Nairobi Business Centre
NAIROBI

Kenya Commercial Bank of Kenya Ltd
P.O Box 69695-00400
Milimani Branch
NAIROBI

Standard Chartered Bank Kenya Ltd
P.O Box 98683-80100
Kenyatta Avenue Branch
NAIROBI

CFC Stanbic Bank Kenya Ltd.
P.O Box, 72833-00200
Upper Hill Branch
NAIROBI

Equity Bank Kenya Ltd
P.O Box 75104-00200
Equity Centre Branch
NAIROBI

National Bank of Kenya Ltd
P.O Box 38645-00100
South C-Red Cross Branch
NAIROBI

Citi Bank N.A Kenya
P.O Box 30711-00100
Citibank House
NAIROBI

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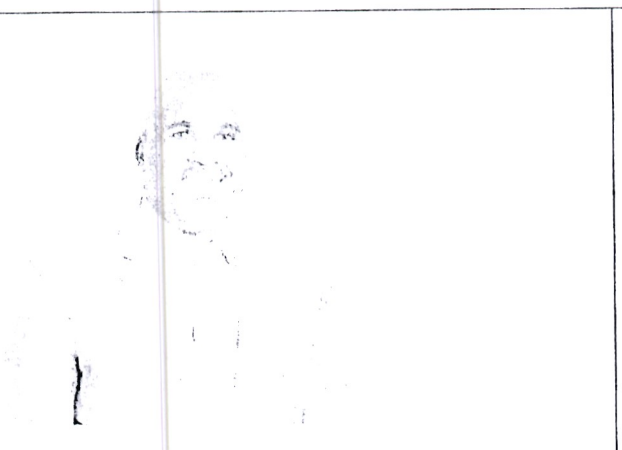

(i) Independent Auditors




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

(j) Principal Legal Adviser




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



2. THE BOARD OF DIRECTORS

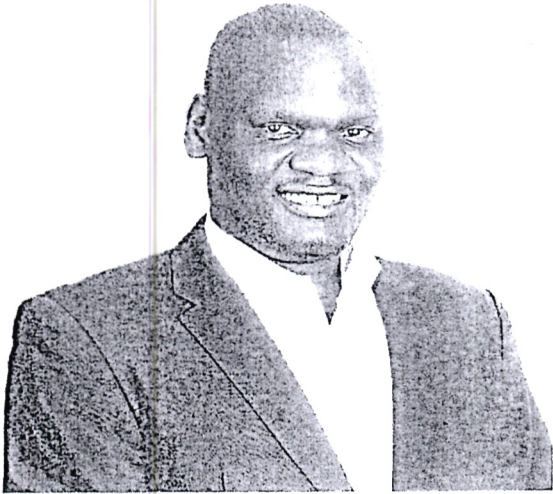

<p>1.</p>	 <p>Prof. Simon Gicharu (CBS) – Chairman of the Board Of Directors</p>	<p>Prof. Simon N. Gicharu was born in the year 1962. He was re-appointed as a non-executive chairman of the Corporation on 08/02/2019 for a period of three (3) years up to 07/02/2022.</p> <p>He holds a Bachelor of Education Science degree from Kenyatta University, and a postgraduate certificate in Managing Enterprise Development from Cranfield University, Britain. He is also a published author in Mathematics.</p> <p>He has previously served in the Government in similar capacity at the Geothermal Development Company. He is a career educationist an entrepreneur, and is the founder and chairman of Mount Kenya University, which is Eastern and Central Africa’s largest private institution of higher learning Prof. Gicharu is also the patron of the Inter Universities Root Moot Court by the Kenya National Scouts Association.</p>
<p>2.</p>	 <p>Dr. Julius Muia - Principal Secretary, The National Treasury</p>	<p>Dr. Julius Muia is the Principal Secretary at The National Treasury. Prior to this, he was the Principal Secretary at the State Department for Planning - The National Treasury and Planning. Before his appointment as PS Planning, he was the Director General, Vision 2030 Delivery Secretariat which operated under the Office of the President, Republic of Kenya to facilitate the implementation of Vision 2030.</p> <p>An alumnus of the University of Nairobi’s School of Business, Dr Julius Muia graduated with a First Class Honours Degree in Accounting; Masters Degree and PhD in Finance from the same university. His professional qualifications include: Certified Public Accountant (CPA-K); Certified</p>


		<p>Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach.</p>
<p>3.</p>	 <p>Dr. Eng. Joseph K. Njoroge (CBS) - Principal Secretary, Ministry of Energy</p>	<p>Dr. Eng. Joseph K. Njoroge was born in the year 1958. He is the Principal Secretary, Ministry of Energy & Petroleum. Before joining the Ministry, he worked in Kenya Power as the Managing Director. He has wide range of experience in power engineering and management of the power sector, having joined Kenya Power in 1980 and serving in various senior positions prior to his appointment as the Principal Secretary, Ministry of Energy.</p> <p>Dr. Eng is a holder of a PhD in Business Administration and a BSC in electrical Engineering.</p>
<p>4.</p>	 <p>Eng. Benson Kamau Kariuki PEng, MIEK, MNQI, MAEE, CEM</p>	<p>Eng. Benson Kamau Kariuki was born in the year 1959.</p> <p>He was appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years up to 07/02/2022.</p> <p>He holds a MSc. Degree (Environmental Engineering (Built Space Environment)) (CNAU-UK - 1990).</p> <p>He is a member of both Strategy and Project Implementation Committee and Finance Committee of the Board.</p>
<p>5.</p>	 <p>Mr. Alex Kiptekwei Chesosi</p>	<p>Mr. Alex Kiptekwei Chesosi was born in the year 1976.</p> <p>He was appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years up to 07/02/2022.</p> <p>He is a holder of an MBA Degree (Public Policy and Management) at Strathmore Business School; He holds a Bachelor of Commerce Degree (Management Option) Catholic University of Eastern Africa in Nov 2017; Diploma in Travel Operations from Kenya Utalii College in Sept. 1997.</p>

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		<p>He is a member of the Strategy and Project Implementation Committee and Finance Committee of the Board.</p>
6	 <p>Mrs. Beatrice C. Kemei</p>	<p>Mr. Beatrice C. Kemei was born in the year 1969. She was appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years up to 07/02/2022. She holds an MBA Degree (Environmental Planning and Management) - Kenyatta University - 2014-2015 Bachelor of Education Degree (Arts) - Kenyatta University - 1990-94 She is the Chairperson of the Human Resource Committee and a member of the Audit Committee of the Board.</p>
7.	 <p>Hon. Nicholas Ngikor Nixon</p>	<p>Hon. Nicholas Ngikor Nixon was born in the year 1976. He was appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years up to 07/02/2022. Degree of Bachelor of Arts in Leadership Management - St. Pauls University - 2-14-2017 Diploma in Community Based Project Planning and Management C.B.P.P.M. He is the Chairman of the Audit Committee and member of Human Resource Committee of the Board</p>
8.	 <p>Mrs. Josephine Waceke Muritu</p>	<p>Mrs. Josephine Waceke Muritu was born in the year 1974. She was re-appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years. She chairs the Finance committee of the board and is also a member of the Human Resource Committee. She is the Senior Legal Counsel, in charge of legislative drafting, Conveyancing and Contract</p>



		<p>negotiations in the County Government of Kiambu.</p> <p>She holds Bachelor of laws degree (LLB) from University of Nairobi, Diploma in Laws from Kenya School of Law and she is currently pursuing a Master Degree in Organizational Leadership from African International University, Kenya. Mrs. Muritu is member of the Law society of Kenya and an Advocate of the High Court of Kenya</p>
9	 <p>Hon. Bernard Bett</p>	<p>Hon. Bernard Bett was born in the year 1981.</p> <p>He was appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years up to 07/02/2022.</p> <p>He is currently Pursuing Master of Philosophy in Economics from Moi University, Eldoret and Bachelors of Education Degree from Moi University Eldoret (2002-2006)</p> <p>He is a member of the Audit Committee and Strategy and Project Implementation Committee of the Board.</p>
10.	 <p>Mr. Ezekiel Weya</p>	<p>Mr. Ezekiel Weya was born in the year 1968.</p> <p>He was appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years up to 07/02/2022.</p> <p>He holds BSc. (Hons) Mechanical Engineering (UON – 1984, and Bachelor of Commerce (Accounting from University of Poona India in 1991. He also holds MBA (Finance Option) from University of Poona India in 1994;</p> <p>He is a member of the Finance Committee and Human Resource Committee of the Board.</p>




<p>11.</p>	 <p>Hon. George Oner Ogalo</p>	<p>Hon. George Oner Ogalo was born in the year 1976. He was appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years up to 07/02/2022.</p> <p>He holds a BSc (Eng) Surveying - University of Nairobi - 1996-2001. Currently pursuing a MSc Degree (Information Systems) University of Nairobi June 2004 to Present;</p> <p>He is the Chairman of Strategy and Project Implementation Committee and a member of the Audit Committee of the Board.</p>
<p>12.</p>	 <p>Mr. Evans Mutari, MBS Alternate Director to Principal Secretary Ministry of Energy</p>	<p>Evans Mutari is the Alternate Director Minister Of Energy from 8th February 2019. He has MBA (Business Administration) from Jomo Kenyatta University of Agriculture and Technology. Bachelor of Arts (Public Administration and Management) from Moi University Certificate in Leadership Development Course from Kenya School of Adventure Certificate in Paramilitary Training from Administration Police Training College.</p> <p>He is a member of Strategy and Project Implementation committee and the Human Resource Committee of the Board.</p>




13	 <p>Mr. James Kimathi Mugambi, HSC Alternate Director to Cabinet Secretary, The National Treasury</p>	<p>Mr. James Kimathi Mugambi, HSC was appointed to REREC's Board of Directors on 12.09.2019</p> <p>He has a Degree in Business Accounting and Economics from Kenyatta University, an Advanced Management Programme from Strathmore Business School and MBA (Finance) from University of Wales-Cardiff</p> <p>He is a member of the Finance Committee and Audit Committee of the Board.</p>
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3. MANAGEMENT TEAM




<p>1</p>	 <p>CPA Peter Mbugua Chief Executive Officer</p>	<p>CPA Peter Mbugua assumed the position of CEO on 20th December 2017. Prior to that, he was the Manager Finance. He holds an MBA (Finance) and a Bachelor of Commerce (B.COM) Hons from University of Nairobi. He has worked with Telkom Kenya as head of treasury and assistant manager. Peter is a Certified Public Accountant and has been an active member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is also a finalist of Certified Public Secretaries of Kenya (ICPSK).</p>
<p>2</p>	 <p>Dr. Rose N. Mkalama</p> <p>General Manager Information, Education & Communication Directorate</p>	<p>CS Dr. Rose Ndanu Mkalama assumed the General Manager position in November 2020. She is charged with the responsibility coordinating, managing all support departments; namely Advocacy, Public Education and Awareness, Corporate Communication and Resource Centre. Her responsibilities are ensuring that implementation of REA projects are well supported enabling achievement of REA objectives efficiently. She holds a PhD in Business Administration (Strategic Management), a Masters of Business Administration and a Bachelor's degree in Laws all from the University of Nairobi. Kenya She is also a Certified Utility Management Specialist from Water Engineering and Development Centre of the University of Loughborough in the United States of America, an advocate of the High court of Kenya and a Certified Public Secretary of Kenya form the Institute of Certified Secretaries of Kenya (ICPSK).</p>




<p>3</p>	 <p>Eng. Esther C. Ruto General Manager, Power Distribution and Regional Coordination.</p>	<p>Eng. Esther Chelangat Ruto assumed the position of General Manager, Technical Services in the Corporation in May 2018.</p> <p>She is in charge of Design Department, Construction Departments and Renewable Energy Departments, which handles, design, implementation and monitoring of all grid connected projects requiring electricity, and managing the resources within the Directorate. Other activities include Policy guidelines.</p> <p>She holds a Master of Science in Energy Management and a Bachelor of Science degree in Electrical Engineering, from The University of Nairobi, Kenya.</p>
<p>4</p>	 <p>David Gitonga (MCIarb) G.M. Strategy and Business Development</p>	<p>Mr. David Gitonga is a Member of Chartered Institute of Arbitrators both nationally and globally and SSAFE certified by the United Nation department of security and safety.</p> <p>His experience cuts across public sector management, business development and international development specifically in sub-Saharan Africa on diverse socio-economic sectors.</p> <p>He holds a Bachelor of Science in Civil Engineering degree (Hons) from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Master's Degree in Integrated Water Resources Management from University of Dar es salaam and currently Pursuing Doctor of Philosophy (PhD) in Disaster Management and Humanitarian Assistance at Masinde Muliro University of Technology (MMUST).</p> <p>He assumed the position of General Manager, Research, strategy and planning in May, 2018. He is responsible for driving the Corporation core business of rural electrification through applied research and strategy development, Planning and evaluation of project impacts, development of alternative revenue streams and management of corporate quality management system and risk management.</p>

5	 <p>CPA Davis Cheruiyot Manager Finance & Accounts</p>	<p>CPA Davis Cheruiyot assumed the position of Finance and Administration manager in May 2018</p> <p>He is in charge of Finance, Administration and Security departments.</p> <p>He holds a Master of Science in Finance and Investment (MSFI), Bachelor of Business Administration -Finance & Accounting both from Kenya Methodist University (KEMU). Certified Public Accountant and member of ICPAK</p>
6	 <p>Elizabeth Onoka Manager Administration</p>	<p>Elizabeth Onoka assumed the positions of Manager, Human Resource and Administration in 15th April 2008. She currently holds the position of Manager Administration w.e.f July, 2017.</p> <p>She is in charge of Administrative duties; office & Motor Vehicles maintenance. She has over 15 years' experience in human resource and administrative duties.</p> <p>She holds a Master's degree in Education (Planning and Administration) and Bachelor of education both from the University of Nairobi. Elizabeth is a member of Institute of Human Resource Management, in also holds a diploma in human resource development.</p>
7	 <p>Sharon Tugee Manager Legal Services</p>	<p>Sharon Tugee assumed the position of Manager, Legal Services in May 2018. She is the Head of Legal department. She holds a Master of Laws (LL.M.) from the University of Nairobi, an LL.B. from Makerere University, Kampala and a postgraduate diploma in law (PGD) from the Kenya School of Law. Sharon is a member of the Law Society of Kenya.</p>




<p>8</p>	 <p>Alex Kang'ethe Manager Information Communication Technology</p>	<p>Alex Kang'ethe assumed the position Manager ICT on 14 May 2018. He holds Master's Degree in Computer Science from the University of Nairobi and Bachelor of Science in Information Technology (Hons) from the Jomo Kenyatta University of Agriculture and Technology. He is currently pursuing PhD in Information from Kibabii University. He is a Cisco Certified Network Associate. He is a registered member of Computer Society of Kenya.</p>
<p>9</p>	 <p>Everlyn Chepkorir Koech Manager Human Resource</p>	<p>Everlyn Chepkorir Koech assumed the position of Manager, Human Resource in May 2018. She is a full member of the Institute of Human Resource Management (IHRM).</p> <p>She is in charge of the Corporation's Human Resource Management through HR planning recruitment and selection, employee welfare, training and development programs and employee retention strategies.</p> <p>She holds an MBA (HRM) from Kabarak University and a Bachelor's Degree in Human Resource Management from Kenya Methodist University. She also holds a Diploma in Human Resource Management from the Institute of Human Resource Management.</p>
<p>1</p>	 <p>Wangari Githii Manager, Advocacy, Public Education & Awareness.</p>	<p>Wangari Githii assumed the position of Manager Communications in 2008.</p> <p>She holds a BA (Hons) and a diploma in journalism. She is also a member of the Public Relations Society of Kenya.</p>



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1	 <p>Wilfred Oduor Manager, Research, Monitoring and Evaluation</p>	<p>Wilfred Oduor assumed office in 15th April 2008.</p> <p>He is head of Supplies Management. He holds a Bachelor of Commerce (B.COM-) Hons. From Kenyatta University and a member of chartered institute of purchasing and supply (CIPS)</p>
12	 <p>Dr. Joel Omusebe Manager, Supply Chain Management</p>	<p>Joel Omusebe assumed office in April,2018</p> <p>He is the head of Procurement Department. He holds a Bachelor of Arts and an MBA from the University Of Nairobi, and a member of chartered institute of purchasing and supply (CIPS), He is currently Pursuing Doctor of Philosophy (PhD) in Business Administration at JKUAT</p>
1	 <p>CPA Emmanuel Odero Manager, Process Audit</p>	<p>CPA Emmanuel J. Odero assumed the position of Manager, Internal Audit on 7th May 2018.</p> <p>He is in charge of internal audit strategies, plans, policies and systems, and supervises periodic reviews of both financial and non-financial operations.</p> <p>He holds an MBA (Finance) from University of Nairobi, Bachelor of Commerce (B.COM) Hons- Accounting Option, and Certified Process Professional- CPP (UK). A CPA (K), Emmanuel has been an active member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is also a member of The Institute of Internal Auditors (IIA) and ISACA. He is currently pursuing Doctor of Philosophy (PhD) in Business Administration at University of Nairobi</p>

<p>1</p>	 <p>Eng. Jonathan Mbutu Photo Manager Renewable energy</p>	<p>Eng. Jonathan Mbutu assumed the position of Manager Alternative Energy on 1st May 2021. Prior to that, he was the Principal Engineer Renewable Energy. He holds a MSc. Engineering (Energy Management) from University of Nairobi and a BTech. Mechanical & Production Engineering (Hons) from Moi University. He is licensed as a T3 solar PV professional by EPRA. He is responsible for the strategic and operational leadership of the Corporations Alternative Energy mandates.</p>
<p>15</p>	 <p>Eng. Joni Anyango K'Ondiek Principal Officer, Constructions</p>	<p>Eng. Anyango K'Ondiek assumed the position of Ag. Manager Construction in the Corporation in July 2014. He is in charge of implementation and monitoring of all grid connected projects requiring electricity, and managing the resources within the construction department. He holds a Master of Business Administration (Strategic Management) from Maseno University and a Bachelor of Science degree in Electrical Engineering, from University of Nairobi, Kenya.</p>
<p>16</p>	 <p>Eric E. Jaoko Manager, Systems and Forensic Audit</p>	<p>Eric Jaoko assumed office in November, 2020. He is in charge of developing and implementing ICT plans on data, policies and procedures that support operations in the Corporation. He holds a bachelor of science in Computer Engineering</p>

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1	 <p>CPA Joan Riitho In charge of Audit issues, both internal and external</p>	<p>CPA Joan Riitho assumed the position of Manager Internal Audit in August 2008, thereafter moved to Monitoring & Evaluation in August 2017 and In charge of Audit issues up to September 2020</p> <p>She holds an MBA and a Bachelor of commerce (B.COM) Hons. From the University of Nairobi. A CPA (K), Joan has been an active member of the Institute of Certified Public Accountants of Kenya (ICPAK) for the last 12 years. He is a member of The Institute of Certified Public Secretaries of Kenya (ICPSK).</p>
18	 <p>CPA Francis Mutua Manager, Strategy Planning</p>	<p>CPA, CS Francis Mutua assumed the position of Head of Corporate Planning & Strategy in September 2016.</p> <p>He is in charge of updating the Rural Electrification Masterplan, implementation of the Corporation 5 Year Strategic Plan, Award of Construction contracts, data management and monitoring and evaluation of projects.</p> <p>He holds an MBA (Finance) and a Bachelor of Commerce (B.COM) Hons. From the University of Nairobi. Certified Public Accountant CPA (K), Certified Secretary of Kenya (ICPSK), a Graduate of the World class Advanced Management Program (AMP) Strathmore Business School. He is currently pursuing PhD Degree in Business Administration at JKUAT</p>
1	 <p>Eng. Ephantus Kamweru Manager Renewable Energy, Research & Innovation</p>	<p>Eng Ephantus Kamweru assumed the position of Head of Research & Development in August 2015.</p> <p>He is in charge of Research & Development. He has a wealth of experience in consultancy & contracting in various sectors including Energy, GSM and Security among others.</p> <p>He holds a Master of Science Degree in Entrepreneurship from Jomo Kenyatta University of Agriculture & Technology and Bachelor of Science degree in Electrical Engineering, from University of Nairobi, Kenya. He is a registered Engineer, member of Institute of Engineers of Kenya (IEK), Member of Kenya Renewable Energy Association (KEREKA) and licensed Technician (A1) with ERC.</p>

2	 <p>Edward Gakunju Manager Business Development</p>	<p>Edward Gakunju, assumed the office of Manager Business Development in May 2018. His responsibility is to mobilize additional resources for project implementation, build strategic partnership with development partners, and execute signed financing agreement with development partners.</p> <p>He is a holder of a Masters of Degree in Economic Policy Management (EPM), Makerere University and a Bachelor of Degree in Economics, University of Nairobi.</p>
2	 <p>CS. Lucky Rono Limo Ag. Corporation Secretary</p>	<p>Cs. Lucky Rono Limo is currently the Ag. Corporation Secretary. Before joining the Corporation, he worked at Kenya Power as the Principal Legal Officer. He has wide range of experience in the Energy Sector. He is widely trained in various areas of public sector management, development and implementation of public policy, general management, good corporate governance, project planning and management, contract preparation and management, negotiation skills, Public Private Partnerships (PPP's). He is a holder of a Bachelor of Commerce (B.com) Degree, Bachelor of Laws (LLB) degree and a Master's degree in Management and Leadership. Currently undertaking his PHD in Management and Leadership from Management University of Africa. He is a Certified Secretary (CS) by the Institute of Certified Secretaries of Kenya and also possess a post graduate Diploma from the Kenya School of Law. A Member of the Law Society of Kenya and the institute of Certified Secretaries of Kenya.</p>

4. CHAIRMAN'S STATEMENT

Introduction

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements for Rural Electrification and Renewable Energy Corporation (REREC) for the year ended 30th June 2021.

Institutionalization of Rural Electrification and Renewable Energy Corporation

In 2019/20, the Rural Electrification Authority (REA) transitioned to Rural Electrification and Renewable Energy Corporation (REREC) through the Energy Act of 2019. In 2021/22 the Corporation made concrete steps to institutionalize the mandate by moving towards the final stages of taking over the 16 Energy Centres, which were previously under the Ministry of Energy. REREC finalized issuance of transfer letters to all the staff in the 16 Energy Centres across the country. In total, 166 letters of transfer were issued as part of actualizing the transfer of Energy Centres to REREC in accordance with the expanded mandate. REREC teams were also actively involved in the review of 30 regulations under the Energy Act, 2019. The Corporation also undertook rebranding of REREC headquarters and Mweiga Stores during the year.

Electrification of Public Facilities and the Last Mile Programme

During the year under review, the Corporation continued with electrification of public facilities and installation of extension transformers under the last mile / maximization programme while contributing to the Big four Agenda. As at 30th June 2021, a total of 919 public facilities including markets, health centers, primary and secondary schools were electrified, 176 projects awaiting either joint inspection, shutdown or commissioning and 26,287 new customers/households connected to electricity during the year. There were 1,149 projects under implementation by 30th June 2021, and which are expected to be completed alongside other public facilities projects identified for electrification during the FY2021/22.

Under the Last Mile Constituency Transformers programme, REREC installed 135 new transformers and maximized them by connecting customers within their vicinity. The Corporation also maintained 345 primary schools earlier installed with solar PV systems during the Digital Learning Programme.

The Corporation rolled out a public sensitization drive in areas where it is implementing BADEA projects. The drive is currently in progress is being undertaken in 24 counties across the country

REREC CSR Activities

-REREC Corporate Social Responsibility Policy focuses on five (5) focal areas: Education, Health, Water Environment, Sports and Culture. Collaborations with County Governments, Kenya Prisons and KEFRI on

CSR activities. Under this arrangement, REREC has already entered into Frameworks of Collaboration with various Counties to implement specific electrification projects in their areas. During the year under review, the Corporation sponsored a free medical camp for cancer screening and other non-communicable diseases (NCDs) in partnership with the county Government of Meru.

Financial Performance

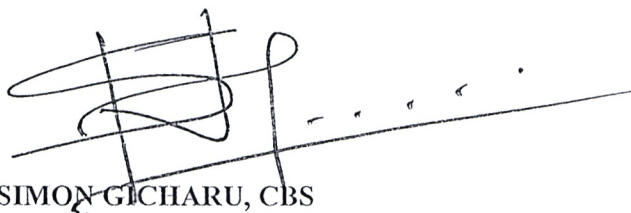
The Corporation received a total of Kshs. 6.8 Billion during the year under review out of which Ksh.5.3 Billion was funded by the GOK and the balance of Ksh.1.5 Billion was raised through donor funds, partnerships with counties, constituencies as well as generated internally. These receipts were used to fund the recurrent (17%) and development expenditure (83%).

Future Prospects

The Corporation remains committed to the continued electrification of the rural population. Going forward, particular attention will be given to developing energy solutions and fully embracing the new mandate.

Appreciation

I wish to thank my colleagues in the Board for their support and the staff of the Corporation for their efforts during the year that has ensured that the Corporation meets its objectives. In addition, I wish to thank the Government for its continued support to REREC during the year.



Prof. SIMON GICHARU, CBS
CHAIRMAN

5. REPORT OF THE CHIEF EXECUTIVE OFFICER

Introduction

Electrification of Public Facilities and Development of Renewable Energy Sources

During the Financial period, GoK allocated KShs 2.1B for electrification of Public facilities in the Country including Markets, Villages, and Health Centers, public Primary and Secondary Schools and Administration offices among others. A total of 160 such facilities were completed during the year.

Last Mile project (Constituency Transformer project)

In 2020/21 REREC was allocated KShs 550 Million to maximize transformers in Constituency's with projects being identified by MPs. A total of 273 projects were picked for consideration from 2883 forwarded by MPs. The remaining were either in design or could not be implemented either due to budget limitation or scope or found to be on supply.

In electrification of Off-grid areas, civil works were ongoing on site for two (2) sites Buna in Wajir and Kaeris in Turkana while Equipment manufacture was ongoing for six (6) other Solar Power mini grid projects for Public facilities and household connections. Under the Maintenance of solar systems installed in public primary Schools 345 schools were maintained and commissioned, 161 schools contracted and maintenance ongoing, 73 schools were scoped and contracting process was ongoing by 30th June 2021.

Financial Performance

The Corporation continues to pursue prudent financial management policies as attested to by the financial results herein. As highlighted by the Chairman, out of the total receipts of KShs 6.8 Billion during the year, 87% was channelled to capital expenditure while 13 % was utilized on recurrent expenditures.

Customer Focus

During the year, the Corporation continued its efforts towards ensuring the customer needs were continuously identified and met. The results of the internal ISO quality audits reflect positively on the Corporation's intent to ensure that its customers and other stakeholders are aware of the Corporation's procedures and systems and have access to the pre-defined mechanism of channelling their concerns.

Our Employees

Our staffs remain the greatest asset of the Corporation. The Corporation will continue to build on the commitment of the staff through facilitating continuous professional development as well as structured remuneration to ensure that they remain motivated in line with the Corporation's staff retention policy.

Future Outlook

REREC's target is to electrify all the remaining un-electrified public facilities and households within their vicinity by the end of 2022/23 financial year. This will be done alongside the last mile project launched by His Excellency the President in May 2015

Appreciation

I wish to salute the selfless, committed, passionate and dedicated staff who worked round the clock to ensure that they at all times achieve and even surpass set targets. Any form of achievement can only be made through commitment, hard work and self-sacrifice. My sincere gratitude also goes out to the Rural Electrification and Renewable Energy Corporation Board of Directors for the continued support accorded to us throughout this process. We are also indebted to the Government and the Ministry of Energy for their support that has ensured successful implementation of the Authority's mandate



CPA. PETER MBUGUA

CHIEF EXECUTIVE OFFICER

6. REVIEW OF REREC 'S PERFORMACE FOR FY 2020/2021

The Corporation has strategic pillars and objectives within its Strategic Plan for the FY 2018/2019-2022/2023. These strategic pillars are as follows:

- Pillar 1: Renewable Energy development
- Pillar 2: Electricity Connectivity
- Pillar 3: Renewable Energy Research and Development
- Pillar 4: Renewable Energy Research and Development
- Pillar 5: Human Resource and institutional Capacity
- Pillar 6: Financial Sustainability

The Corporation develops its annual work plans based on the above 6 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Corporation achieved its performance targets set for the FY 2020/2021 period for its five strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Renewable Energy development	To develop and promote the use of renewable energy	No. of. Renewable Energy Sources	<ul style="list-style-type: none"> • undertake Joint Mapping of the Renewable Energy Resources in the counties • Develop and update the RE (Renewable Energy) Master plan • To Support the establishment of energy Centres in the counties • To establish renewable energy minigrids in off grid areas 	<ul style="list-style-type: none"> • Alternative Energy Department has commenced mapping of Renewable Energy Resources as they are being implemented • RE(Renewable Energy) projects database is being developed and updated • REREC is taking over 16 Energy centres& in discussion with several counties to set up Energy Centres • REREC Has developed 26 Minigrids in off- grid counties. one called Buna in Wajir North has been contracted and is ongoing implementation
Pillar 2: Electricity Connectivity	To increase electricity connectivity	<ul style="list-style-type: none"> • No.of Electricity Connections of Public Facilities • No.of Households connected to Electricity 	Connection of public Facilities and the Households that are within a radius of 600 metres from the grid	<ul style="list-style-type: none"> • A total of 652 public facilities and transformer projects Energised in the Financial Year • A total of 18908 households connected in the Financial year
Pillar 3: Renewable	<ul style="list-style-type: none"> • To promote Research 	<ul style="list-style-type: none"> • No. of Research and 	<ul style="list-style-type: none"> • Carry out a baseline to 	<ul style="list-style-type: none"> • Baseline studies done and Research

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Energy Research and Development	and Development in Renewable Energy	Development programmes carried out in Renewable Energy	establish the existing research Institutions and their scope of activities.	institutions established
			<ul style="list-style-type: none"> To participate in selected Renewable Energy collaborations 	<ul style="list-style-type: none"> Research collaboration signed with JKUAT, Nuclear Power and Energy Agency (NuPEA)
Pillar 4: Strategic Collaborations	To establish strategic collaborations with stakeholders	No. of Strategic collaborations carried signed off and executed	<ul style="list-style-type: none"> To develop a collaboration framework with the county governments Sign off working collaborations with Counties Development of Proposals for collaboration 	<ul style="list-style-type: none"> REREC has developed collaborative frameworks with the counties of Vihiga, Bungoma and Kiambu counties Over 300 Proposals done to various stakeholders for Collaboration
Pillar 5 : Human Resource and institutional Capacity	To build human and strengthen institutional capacity	<p>% of Human Resource complement trained or developed in relevant fields</p> <p>% of automation of business processes</p> <p>% of Customer satisfaction attained</p> <p>% of Employee Satisfaction attained</p>	<ul style="list-style-type: none"> Recruitment of qualified staff Automation of the key activities of the Corporation Resolution of Customer complaints and quarterly reporting to the CAJ Employee Satisfaction Surveys done / Face to Face discussions 	<ul style="list-style-type: none"> The Corporation is in the process of Recruiting 234 Staff to build the Human Resource capacity and implement the enhanced mandate as per the Energy Act 2019 The Corporation is at the Realise phase to update the SAP system to S4HANNA system The Corporation was ranked Good in the current Evaluation by the Commission of Administrative justice (CAJ) Staff are regularly engaged by Heads of Departments and HR to gauge their level of Job Satisfaction

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Pillar 6: Financial Sustainability	To achieve financial sustainability	% of Fund generated by the Corporation compared to Exchequer remittances	<ul style="list-style-type: none"> • Prioritize revenue generating options • Develop financing Proposals (Investor Pack) • Ensure effective collection of the 5% Electricity • optimize the materials stock levels in REREC Stores • Register potential CDM projects and seek Board approval 	<ul style="list-style-type: none"> • REREC has mobilised Kshs 129.7 Million from Counties and Constituents for shilling to Shilling collaboration on electrification of Public facilities • REREC has developed and shared with Investors 17no. Value propositions • Submission of the REP Fund by KPLC is incorporated in the Service Level Agreement • Supply chain has analysed all materials in the stores for optimal implementation of Projects • The Kenya Off grid Access project (KOSAP) funded by The World bank is a pioneer project for REREC to benefit from the Clean Development Mechanism
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HOW REREC HAS TIED ACHIEVEMENTS TO PERFORMANCE CONTRACTS

The five year Strategic Plan is the Medium term drive of the Pillars, vision and Mission of the Corporation. The Strategic objectives are the building blocks of the Performance contract which is developed and signed annually between the Ministry and the Board of Directors of REREC. This is the Annual plan which is cascaded down to all Departments through Annual work plans signed off as Performance contracts which are evaluated Quarterly to measure levels of achievement and corrective action taken.

7. CORPORATE GOVERNANCE STATEMENT

Introduction

The Rural Electrification and Renewable Energy Corporation (REREC) was established under Section 43 of the Energy Act of 2019. The Authority's mandate is set out under section 44 of the Act which states that the Corporation is set up to:

- (a) Oversee the implementation of the Rural Electrification Programme;
- (b) Manage the Rural Electrification Programme Fund established under section 143;
- (c) Source additional funds for the Rural Electrification Programme and renewable energy;
- (d) Develop and update the rural electrification master plans in consultation with County Governments;
- (e) Develop and update the renewable energy master plan taking into account county specific needs and the principle of equity in the development of renewable energy resources;
- (f) Support the establishment of energy centres in the counties;
- (g) Establish framework for collaboration with County Governments in the discharge of its mandate;
- (h) Undertake on-farm and on station demonstration of wood-fuel species, seedling production and management;
- (i) Undertake feasibility studies and maintain data with a view to availing the same to developers of renewable energy resources;
- (j) Develop, promote and manage in collaboration with other agencies, the use of renewable energy and technologies, including but not limited to biomass (biodiesel, bio-ethanol, charcoal, fuel-wood, biogas) municipal waste, solar, wind, tidal waves, small hydropower and co-generation but excluding geothermal;
- (k) Formulate, in conjunction with the Agency, a national strategy for coordinating research in renewable energy;
- (l) Undertake, in conjunction with the Agency, research, development and dissemination of appropriate renewable energy technologies;
- (m) Provide an enabling framework for the efficient and sustainable production, conversion, distribution, marketing and utilization of biomass, solar, wind, small hydro's, municipal waste;
- (n) Promote, in conjunction with the agency responsible for forests, the use of fast maturing trees for energy production including bio-fuels and the establishment of commercial woodlots including peri-urban plantations;
- (o) Promote, in collaboration with other agencies, the development of appropriate local capacity for the manufacture, installation, maintenance and operation of renewable technologies such as bio digesters, solar systems, turbines and other renewable energy technologies;
- (p) Promote international co-operation programmes focusing on renewable energy sources;

- (q) Harness opportunities offered under clean development mechanism and other mechanisms including, but not limited to, carbon credit trading to promote the development and exploitation of renewable energy sources;
- (r) Promote the development of electricity generation through co-generation by sugar millers;
- (s) Provide technical and other capacity building support to County Governments in the discharge of the function of electricity reticulation and energy regulation; and
- (t) Undertake any other duty or perform such other function as may be necessary for the execution of its mandate under this Act.

Corporate Governance Practices

Corporate governance refers to the manner in which the power of any organization is exercised in the stewardship of the organization's total portfolio of assets and resources with the objective of maintaining and increasing the satisfaction of the stakeholders, in the context of the corporate Vision and mission. The Board of directors and Management of REREC acknowledge that the Corporation, as an agent of Government, manages public funds while electrifying rural areas which require a high degree of accountability. In order to achieve its mandate, and to properly report back to the owners on how well it has utilized public resources, the Corporation has developed and embraced the ethos of good corporate governance. To this end, the Corporation has taken deliberate measures to ensure that levels of governance in the Corporation are in line with accepted good governance standards. The main corporate Governance practices and structures are set out in this statement.

Appointment of Directors

The Board of Directors of the Corporation is appointed pursuant to Section 12(1) of the Energy Act 2019. This section also sets out mandatory qualifications that individuals must possess to qualify for appointment as directors. The chairman is appointed by the President of the Republic of Kenya to serve for five (3) years and may be re-appointed for one further term of three (3) years. Directors are appointed by the Minister of Energy for a three (3) year term but can subsequently be re-appointed for a further term of three years.

The Board consists of eleven (11) directors. Two are drawn from Government that is, the Permanent Secretary, Ministry of Energy and the Permanent Secretary, Ministry of Finance. The chairman of the Board and the other eight (8) directors are drawn from both the private and public sector. This provides the necessary mix of skills, experience and expertise to the Board that are required to propel the Corporation towards meeting its Legal mandate of spearheading Kenya's renewable energy drive, in addition to implementing rural electrification projects.

Interfaces between the Corporation and Government

The Corporation is a State Corporation pursuant to the State Corporations Act. It is a body corporate, governed by the principles of Corporate Governance but being a State Corporation established by an Act of Parliament, it does not have shareholders as defined in the Companies Act, Chapter 486. The equivalent to shareholders is the Government, which under the State Corporations Act, has the ultimate legal authority over State Corporations. To ensure proper linkages with Government and proper information flow, the Permanent Secretary, Ministry of Finance and the Permanent Secretary, Ministry of Energy are Board members while the Inspector General (Corporations), Inspectorate of State Corporations, attends Board and Committees meetings on invitation. The three are able to give policy direction to the Board to ensure decisions made by the Board are in tandem with Government policy. The Board also, in keeping with Government policy, consults widely with Treasury and the State Corporations Advisory Committee (SCAC) through the parent ministry from time to time and is keen to implement guidelines that are issued by Government from time to time through circulars.

Board Manual, Board Charter and Code of Ethics

The Board acknowledges that it is the custodian of good corporate governance in the Corporation, and it has the responsibility to ensure that proper Governance Structures are developed and properly implemented to this end, it has put in place structures both at the strategic and operational level to support good corporate governance in the Corporation. At the operational level, all systems and procedure manuals are in place and are continuously monitored through the various Board Committees. In order to guide its business, the board operates in accordance with the principles set out in its Board manual, Board Charter and Code of ethics and conduct.

Board Manual

This is a reference guide for Directors of the Corporation. It seeks to expound and explain the collective and individual powers, duties, obligations, responsibilities and liabilities of Directors. It also highlights the requirements of good Corporate Governance which are necessary to bring the standards of Corporate Governance in the Corporation up to International best practice. Specifically, the Board Manual clearly spells out the roles and duties of the Chairman, Directors, CEO and Management; the liabilities of directors; the interface between the Government and the Corporation; procedures and conduct of meetings; terms of reference of various Board committees; capacity building of Directors and evaluation of the performance of Directors. The Manual also elaborates the key tenets of Corporate Governance.

Board Charter

The Charter seeks to facilitate the effectiveness of each Director's contribution, consistent with the standards of independent judgement, ethics and integrity that Directors are expected to observe as they provide

leadership in achieving the Authority's mandate as articulated in Section 67 of the Energy Act, 2006. By abiding to the Charter and living the values of the Authority, the Board has committed that it will provide leadership and strategic direction to the staff in achieving the Vision and Mission of the Authority. In summary, the charter covers the following; that Directors shall always act in the interest of the Authority; have commitment to attend meetings and to meaningfully contribute to matters before the Board; uphold the core values of the Corporation; observe confidentiality; be committed to Board evaluation at the end of every year; be responsible to all stakeholders including staff and observe proper financial management of the public funds bestowed on them.

Code of Ethics and Conduct for Directors and Staff

A Code of Ethics and Conduct for Directors and staff have been developed and signed by all directors and staff as a demonstration of individual commitment in upholding good corporate governance. The code sets out the ethical rules that govern the conduct of individual Directors and staff which are considered essential in providing guidance and direction in the manner in which members of the Board and staff is expected to conduct themselves when handling matters relating to the Corporation.

It is intended to establish standards of ethical conduct and behaviour for both the staff and the Board of Directors of the Corporation, so as to maintain integrity and impartiality in the provision of services to members of the public. The main areas in the code include; to always uphold good faith and act honestly; to always promote and practice fairness to all stakeholders in the course of executing their mandate; to have integrity and to always declare interest whenever there was an issue related to him/her that is before the Board; upholding confidentiality in matters of Corporation that come to their attention by virtue of their positions as staff or directors; not involving themselves in any business transaction with the Corporation; not to misuse Corporation property; compliance with Corporation policies and being sensitive to the customers that they serve.

The Roles and Responsibilities of the Chairman

The Chairman of the Board who served during the year under review was Dr. Simon Gicharu. The Chairman provides the required leadership to the Board and manages the affairs of the Board with the assistance of the Chief Executive Officer. The main duties of the chairman include; Provision of overall leadership to the Board and chairing all board meetings; setting the agenda for meetings in consultation with the CEO and efficiently conducting board meetings; harnessing the collective skills of the board and executive team; creating teamwork among Directors and also between the Directors and Management; ensuring new directors are properly inducted; encouraging directors to fully participate in board deliberations; overseeing the development of the Board's annual business plan and preparation of the Corporation's annual Performance Contracts; ensuring that there are constant strategies for monitoring and evaluating the effectiveness of the Board, the Chairman, individual Directors, senior management and the entire Corporation; acting as an

informal link between the Board, Management and Government.

The Roles and Responsibilities of the Board

The functions of the Board are strategic in nature in that they provide overall leadership to management to ensure that the Corporation is at all times on course in achieving its mandate. The Board of the Corporation is mandated to exercise all the powers of the Corporation within the framework of the Energy Act and the laws and regulations that regulate State Corporations, in particular the State Corporations Act, Chapter 446.

The main functions of the Board include;

- (a) Manage, supervise and administer the assets of the Agency in such a manner as best promotes the purpose for which it is established;
- (b) Determine the provisions to be made for capital, recurrent expenditure and reserves of the Agency;
- (c) Receive any grants, gifts, donations or endowments on behalf of the Agency and make legitimate disbursements there from;
- (d) Open a banking account or bank accounts for the funds of the Agency;
- (e) Approve the annual work plan including the short and long term programs of the Agency; and
- (f) Any other function that enhances or adds value to the proper performance of the Agency.

The Directors who served during the year under review were Prof. Simon N. Gicharu (Chairman), Dr.Eng. Joseph Njoroge (PS, MOE), Evans Mutari (Alternate to PS-MOE), Dr. Muia (CS, National Treasury), Mr. Mugambi. (Alternate PS, Treasury) Eng. Benson Kamau Kariuki, Mr. Alex Kiptekwei Chesosi, Mrs. Josephine Muritu, Mrs. Beatrice C. Kemei, Hon. Nicholas Ngikor Nixon, Hon Benard Bett, Mr. Ezekiel Weya, and Hon. George Oner.

The Roles and Responsibilities of the Chief Executive Officer

The Chief Executive Officer (CEO) who served during the year under review was Mr. Peter Mbugua. The CEO is the Corporation's most senior employee. The main responsibilities of the CEO are set out in the Board manual and are summarized as follows; recommending policy, strategic direction and business plans for Board approval; in charge of the day to day running of the Corporation implementing Board decisions; submitting reports on the performance of the Corporation to the Board; implementing the corporate Strategic plan; submitting financial reports to the Board for approval before audit; preparing and implementing the annual performance contract for the Corporation; Developing all the systems and procedures and recommending them to the Board for approval; Preparation of quarterly Performance contract reports; procurement of goods and services; preparation of funding proposals; attending to staff matters; ensuring that a proper training programme for the staff and the Board is in place and properly implemented; ensuring that the Authority has the right staff at all times; putting in place a proper succession plan; ensuring that there is a good working environment for staff; acting as the link between the Board and the staff; communicating Board decisions to staff and creating teamwork work among the staff and also between the Board and management.

The Roles of the Authority Secretary

CS Lucky Rono served as the Corporation secretary during the year under review. The duties of the Corporation secretary are enumerated in the Board manual as follows; in consultation with the CEO; provision of secretarial services to the Board and Board committees; Organizing Board and Board committee meetings ; advising management on content and organization of memoranda or presentations to the Board meetings; Circulating Board papers to directors in good time to ensure that directors have sufficient time to prepare for Board and Board committee meetings; ensuring that minutes are taken in all meetings and that the minute books are properly maintained; ensuring that that all Board committees are properly constituted and provided with clear terms of reference; ensuring that the Corporation is at all times compliant with all the Laws and Government policies issued from time to time; development and implementation of a schedule of Board and Board committee meetings and other board activities every year, and development and implementation of a capacity building programme for Directors.

Board Meetings

The State Corporations Act provides that the Board shall meet at least four (4) times in a year. The responsibility of deciding the number of meetings that the Board and Board committee should hold is vested on the Board. In order to ensure that Directors plan early, the schedule of Board meetings for each financial year is approved by the Board at the beginning of the year. Special Board meetings may be called from time to time to address specific issues that cannot wait for the scheduled meeting. Notices to board meetings are sent fourteen (14) days before the meeting. Board papers are circulated at least seven days before meetings. The Chairman provides leadership during Board meetings and strives to ensure open and constructive discussions during the meetings. During the year under review, the Board held seven (7) Board meetings. The average attendance to Board meetings by Directors recorded during the year was about 80%. This good attendance made it possible for crucial decisions and approvals to be given and hence Management was able to implement Board decisions in good time. The board is allowed to obtain outside independent professional advice from qualified individuals if they consider it necessary. The costs for such services are met by the Corporation to ensure involvement of Directors in Board matters, Directors are allowed to propose Agenda items during Board meetings.

Committees of the Board

The State Corporations Act gives powers to the Board to constitute such other standing committees as it deems fit. Board committees are designed to ensure that that the Board is run efficiently, effectively and in a manner that embraces Corporate Governance. They delve into issues that require attention and this way, the committees are able to give greater attention to issues and then report back to the Board. This enables the Board to deliberate on issues and make more informed decisions. In order to achieve this, the Board has established five (5) committees as follows;

- a) Audit Committee
- b) Finance committee
- c) Strategy and Project Implementation Committee
- d) Human Resources Committee
- e) Procurement Oversight Committee

In coming up with the members of the various Committees, the Board is guided by the area of specialization of each Director.

The Committees meet at least four times in a year. However, special meetings may be called from time to time to deal with specific matters. Notices to meetings are sent fourteen (14) days to the date of the meeting, and papers for discussion are circulated seven (7) days to the date of the meeting. This way, members are able to adequately prepare for meetings and give meaningful contribution.

Unless expressly delegated by the Board to one of its committees, all matters determined by committees are submitted to the full Board as recommendations for Board decision. All committees are allowed to obtain outside independent professional advice from qualified individuals to advice on specific issues if they consider it necessary. The costs for such services are met by the Authority. Each committee has its own terms of reference that guide its operations as summarized here below;

Audit Committee

The Audit Committee is basically the watchdog for the Authority. It ensures that all the systems in the Authority are functioning properly. The main terms of reference as provided for in the Board manual are as follows;

- (i) Support the Board of Directors in reviewing the effectiveness of the Authority's processes of Corporate Governance;
- (ii) Review the annual financial statements and consider whether they are complete, consistent and reflect appropriate accounting principles and make appropriate recommendations for necessary action;
- (iii) Recommending financial statements to the Board for approval before submission to the Controller and Auditor General for audit;
- (iv) Review the result of the audit on the financial statements by the External Auditor or any other inspector or investigator engaged by REREC;
- (v) Consider the effectiveness of the REREC internal control systems established by management to ensure compliance with policies, laws and regulations;
- (vi) Review the risk management framework and assess policies and controls developed by Management for risk assessment and risk management;

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- (vii) Review and approve the internal audit plan, charter and manual;
- (viii) Review the activities, organizational structure and qualifications of the internal auditors;
- (ix) Assess managements' action on significant findings and audit recommendations and ensure that action taken is adequate to maintain the integrity of the financial systems.

In addition to the Terms of Reference, the committee also has an Audit Committee Charter that defines how they are supposed to execute their responsibilities.

Finance Committee

The committee is responsible for Financial Management and proper resource allocation in the Corporation. The Terms of reference of the committee are as follows;

- (i) Develop and recommend to the Board the Corporation's Annual Budget;
- (ii) Develop, review and approve major changes in the Corporation's accounting policies;
- (iii) Oversee the preparation of year-end financial statements of the Corporation;
- (iv) Develop strategies aimed at achieving financial sustainability for the Corporation;
- (v) Consider and recommend to the Board Banking facilities and Corporation levels;
- (vi) Ensure proper financial management systems are in place;
- (vii) Develop a financial monitoring system for the Organization

Strategy and Project Implementation Committee

The main responsibility of this committee is to ensure that the Authority's strategic plan is in place and is being implemented. The Committee also monitors the Corporation's performance. The Committee's Terms of reference are set out in the Board manual and summarized here below;

- (i) Advise the Board on strategies to be adopted in order to enhance performance of the Corporation towards achieving its mandate and objectives;
- (ii) Develop annual work plans for the committee and ensure compliance with the same;
- (iii) Receive and consider the reports of all proposed new business practices, policies and capital development
- (iv) Review the Corporation's Master plan from time to time and make recommendations for its amendment to the Board;
- (v) Develop, Review and oversee the implementation of the Corporation's corporate strategic plan;
- (vi) Consider and make recommendations to the Board on an annual basis on project identification, preliminary costing of projects and funds allocation.
- (vii) Monitor the Corporation's performance.

Human Resources Committee

The overall responsibility of the Human Resource committee is to ensure that proper policies are developed to manage the Corporation's human resource in accordance with the labor Laws and any other applicable laws. Their Terms of Reference are enumerated in the Board manual and summarized here below;

- (i) Oversee human resource planning and ensure that the Authority has the right number of staff at the right time and at the right place capable of delivering the Authority's mandate;
- (ii) Consider and recommend the Authority's staff establishment and remuneration, including bonuses and other incentives, to the Board for approval;
- (iii) Consider staff recruitment and make recommendations to the Board and to ensure that the recruitment process is done in a fair manner;
- (iv) Approve the training plan for the Corporation and recommend the training budget to the Board for approval;
- (v) Develop and oversee the implementation of a health and safety policy for the staff in the work place as required by the law;
- (vi) Develop anti-sexual harassment policy, HIV policy and an equal employment policy for the Authority as required by the law;
- (vii) Develop and oversee the implementation of a comprehensive human resource manual for the staff; and to review it from time to time;
- (viii) Ensure that the Authority complies with all the labour laws and Government circulars released by the office of the President from time to time;
- (ix) Ensure that staff has a conducive work environment.

Procurement Oversight Committee

The overall responsibility of the committee is to ensure that the annual procurements undertaken by Management are able to support the annual business plans for the Corporation. The Terms of Reference are provided for in the Board manual and are summarized as follows;

- (i) Discuss and propose to the Board the Corporation's annual procurement plan for approval
- (ii) Review of the annual procurement plan when need arises.
- (iii) Ensure adherence to the procurement plan
- (iv) Ensure that the Corporation's procurement plan is capable of enabling the Corporation achieve its mandate.
- (v) Monitor the implementation of the procurement plan to ensure that it conforms to the approved budget.
- (vi) Ensure that procurement reports are submitted to the Board.

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Directors Remuneration

The Chairman and members of the Board are paid out of the funds of the Corporation, such sitting or other remuneration and/or benefits as the Board may, within the scales of remuneration specified from time to time by the State Corporations Advisory Committee, approve.

8. MANAGEMENT DISCUSSION AND ANALYSIS

During 2020/21 financial year, the Rural Electrification Authority (REA) transitioned to Rural Electrification and Renewable Energy Corporation (REREC) through the Energy Act of 2019. REREC's focus continued to be on electrification of the remaining public facilities, mainly secondary schools, polytechnics, health centres, trading centres, tea buying centres, coffee processing plants, water projects and administrative offices.

REREC also continued with the connection of all customers within 600 meters radius of the transformer for all new projects it implemented under the Last Mile Connectivity initiative where 4,217 new customers/households were connected to electricity during the year. Under this Last Mile Constituency Transformers programme, REREC has been installing extension transformers in areas with existing power lines and maximizing them by connecting customers within their vicinity.

Other Achievements

1. Two (2) Isolated Diesel Stations were on-going, namely: Maikona and Sololo
2. Solar Mini grids - 18. were completed while two (2) others were in progress
3. Garissa 50 MW Solar Plant was completed, in November 2018. Plant is in production and connected to the national grid.
4. Turkwell - Lokichar Project was 95% complete pending installation of the OPGW cable.
5. 223 Public Facilities were electrified.
6. New primary schools - 268 had been identified for electrification (179 to be done on grid and 89 on solar), these are expected to be completed during the FY2019/20.
7. 4,217 New Customers were connected to electricity.
8. 451 transformers were installed under the constituency maximization fund

Electrification Off-grid areas;

REA's focus since inception has been to supply electricity to the un-electrified public facilities in rural areas. Electrification of Off-grid areas has been through;

- Development of isolated Hybrid/Diesel stations in trading centers,
- Extension of power lines from towns with off-grid stations to other towns,
- Installation of Stand-alone solar PVs systems in public facilities
- Solar Home Systems by the private sector and
- Electrification of Public Primary Schools

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REREC's focus is now more on renewable energy sources. During the year, 18 Solar Power mini grid projects were completed out of 25 for Public facilities and household connections, only two (2) were still ongoing. The 25 mini grids were financed by Government of Kenya in 2018/9.

Garissa 54.6 MW Solar Power Plant

REREC completed construction of the 54.6 mw Solar Power Plant in Garissa County, in November 2018. The power plant is in production and connected to the national grid increasing the country's power supply.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY

REPORTING

Rural Electrification and Renewable Energy Corporation (REREC) exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on 5(five) pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

1. Sustainability strategy and profile

In implementing its projects, the Corporation is cognisant of the social and environmental impact of its projects on the host communities. The Corporation has put in place a Corporate Social Responsibility framework that is in line with the Corporation's Mission which is "To provide sustainable energy solutions for all through rural electrification and renewable energy for social economic transformation".

The Corporation's CSR policy framework is cognisant of the fact that its performance in relation to the society in which it operates and its impact on the environment is critical in measuring its overall performance and its ability to continue operating effectively. It is also cognisant of the fact that in the long run, all the Corporations' activities depend on the health of the ecosystems around it. This is, in part, a reflection of the growing recognition of the need to ensure healthy ecosystems, social equity and good organizational governance.

2. Environmental performance

The Corporation's major projects are all subjected to Environmental Impact Assessment as required by law as anchored in the Constitution of Kenya, 2010, The Environmental Management and Coordination Act 1999, The Environmental (Impact Assessment and Audit) Regulations, 2003, Legal Notice No. 101 and The Environmental (Impact Assessment and Audit) Regulations, 2003, Legal Notice No. 101.

The Corporation's Corporate Social Responsibility programme on environmental conservation is currently operating under the Presidential directive made on 11 May 2018, where all Parastatals were directed to set aside 10% of their Corporate Social Responsibility budget to plant trees for the attainment of 10% forest cover by the year 2022.

Every year the Corporation carries out tree planting initiatives across the country. Recent projects that have been carried out in collaboration with the Kenya Forest Research Institute have involved setting up of tree nurseries in the counties of Nyeri, Kilifi, Kisumu and Turkana. In the 2020/21 financial year, the corporation undertook a tree planting exercise in Kilifi County at Pwani University where 10,000 seedlings were planted.

3. Employee welfare

The Corporation has put in place a Human Resource and Procedures Manual with the following policy statements:

- The Corporation is an equal opportunity employer and shall not in its recruitment and selection process, discriminate on the basis of gender, race, disability, religion, ethnicity or any other form of discrimination.

- The principles of affirmative action, gender and persons living with disability and national values will apply in the recruitment process. The Corporation shall observe gender mainstreaming, balance on appointment, promotion and ensure that a minimum of a third (1/3) are of either gender.
- Short listing criteria shall include minimum constitutional and statutory requirements and shall be on merit (meeting minimum requirements as advertised). The requirement for Gender and Disability Mainstreaming may be considered.
- The policy also provides flexi hours for staff. An expectant Employee is entitled to time off from work with full pay in order to attend antenatal clinic and any hospital appointments relating to her pregnancy.

Management has put in place an OSHA committee with Terms of Reference including:

- To ensure the safety, health and welfare of all persons working at REREC offices and premises.
- To ensure information is provided to all employees on issues related to plants, equipment and tools in order to avert any accidents which may arise.
- To ensure all REREC offices and premises are registered with the Director of Occupational Health and Safety (DOHS).
- Ensure health and safety audits are conducted once a year by an external auditor approved and certified by Director of Occupational Health and Safety.

4. Market place practices-

- 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.
- 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.
- 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.
- 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.

5. Community Engagements-

In the past one year, the Corporation has implemented the following Corporate Social Responsibility activities:

Education:

- The Corporation has been working in collaboration with the Kenya Prisons to provide desks to various needy schools across the country. The partnership has supported the Kenya Prisons by providing an income generating activity and also supported the education efforts in the various schools in our project areas. Beneficiaries in the 2020/21 financial year included schools in Marsabit, Kiambu, Bungoma and Kisii counties.
- The Corporation has donated textbooks sourced from the Kenya Literature Bureau to various needy schools. Recent beneficiaries in the 2020/21 Financial year have been schools in Tana River, Kisii, Tharaka Nithi, Murangá, Homabay, Migori, Garissa, Wajir and Mandera counties
- REREC donated newspaper bales to R.S. Ndingi Mwana' A Nzeki Foundation in May, 2021. The donated newspapers will be sold to raise funds for bursaries for needy students in Kenya under a funds drive dubbed, 'The one million Kilogram Newspaper Project.
- REREC supported 'Touch a Learner's Foundation' through a contribution of Kshs. 200,000 in aid of school fees for needy bright pupils at St. Martins Kathonzweni Primary School in Makueni County.

Health:

Every year, the Corporation runs a health camp in collaboration with a selected county government for purposes of providing free health services and education to local communities. In the 2020/21 financial year the Corporation held a health camp in Meru County in collaboration with the county government. The purpose of the health camp was to offer outpatient medical services and screening for cancer and other non-communicable diseases (NCDs)

10. REPORT OF THE DIRECTORS

The Directors submit their report and audited financial statements for the year ended 30th June 2021 which disclose the state of affairs of the Corporation.

Principal Activities

The principal activities of REREC as stipulated in section 44 of the Act are as follows;

- (a) Oversee the implementation of the Rural Electrification Programme;
- (b) Manage the Rural Electrification Programme Fund established under section 143;
- (c) Source additional funds for the Rural Electrification Programme and renewable energy;
- (d) Develop and update the rural electrification master plans in consultation with County Governments;
- (e) Develop and update the renewable energy master plan taking into account county specific needs and the principle of equity in the development of renewable energy resources;
- (f) Support the establishment of energy centres in the counties;
- (g) Establish framework for collaboration with County Governments in the discharge of its mandate;
- (h) Undertake on-farm and on station demonstration of wood-fuel species, seedling production and management;
- (i) Undertake feasibility studies and maintain data with a view to availing the same to developers of renewable energy resources;
- (j) Develop, promote and manage in collaboration with other agencies, the use of renewable energy and technologies, including but not limited to biomass (biodiesel, bio-ethanol, charcoal, fuel-wood, biogas) municipal waste, solar, wind, tidal waves, small hydropower and co-generation but excluding geothermal;
- (k) Formulate, in conjunction with the Agency, a national strategy for coordinating research in renewable energy;
- (l) Undertake, in conjunction with the Agency, research, development and dissemination of appropriate renewable energy technologies;
- (m) Provide an enabling framework for the efficient and sustainable production, conversion, distribution, marketing and utilization of biomass, solar, wind, small hydro's, municipal waste;
- (n) Promote, in conjunction with the agency responsible for forests, the use of fast maturing trees for energy production including bio-fuels and the establishment of commercial woodlots including peri-urban plantations;
- (o) Promote, in collaboration with other agencies, the development of appropriate local capacity for the manufacture, installation, maintenance and operation of renewable technologies such as bio digesters, solar systems, turbines and other renewable energy technologies;
- (p) Promote international co-operation programmes focusing on renewable energy sources;

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- (q) Harness opportunities offered under clean development mechanism and other mechanisms including, but not limited to, carbon credit trading to promote the development and exploitation of renewable energy sources;
- (r) Promote the development of electricity generation through co-generation by sugar millers;
- (s) Provide technical and other capacity building support to County Governments in the discharge of the function of electricity reticulation and energy regulation; and
- (t) Undertake any other duty or perform such other function as may be necessary for the execution of its mandate under this Act.

Results for the year

The results for the Corporation for the year are shown in the Statement of Financial performance as set out on page 1

Directors

The Directors who served during the year are as shown in pages 7-14

Auditors

The Auditor General is responsible for the Statutory Audit of the Corporation's books of accounts in accordance with provisions of the Public Audit Act, 2015.

By Order of the Board



CS. Lucky Rono

Ag. Corporation Secretary
30th September 2021

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11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 82 of the Public Finance Management Act, 2012 and section 77 of the Energy Act 2006, require the Directors to prepare financial statements in respect of that Corporation, which give a true and fair view of the state of affairs of the Corporation at the end of the financial year and the operating results of the Corporation for that year. The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation. The Directors are also responsible for safeguarding the assets of the Corporation.

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2019, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Corporation's financial statements were approved by the Board on 9TH SEPTEMBER 2021 and signed on its behalf by:



CPA. Peter K. Mbugua
Chief Executive Officer



Prof. Simon Gicharu, CBS
Chairman.

REPUBLIC OF KENYA



Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Rural Electrification and Renewable Energy Corporation set out on pages 1 to 48, which comprise of the statement financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Rural Electrification and Renewable Energy Corporation as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and the Energy Act, 2019.

Basis for Adverse Opinion

1. Variance Between Financial Statements and Ledgers

Comparison of balances reflected in the financial statements with those in ledgers reflect unexplained and unreconciled variances of Kshs.8,595,681,628 as detailed below;

Component	Financial Statements Figure (Kshs.)	Ledger Balance (Kshs.)	Variance (Kshs.)
Advance to Vendors	950,734,000	277,909,373	672,824,627
Deposits - Rent	14,627,000	14,437,436	189,564
Other Receivable - Sale of Power	586,864,000	522,963,843	63,900,157
Insulators	227,804,000	229,590,026	(1,786,026)
Surge Diverters	585,720,000	584,845,734	874,266
Work in Progress	16,252,778,000	8,858,353,460	7,394,424,540
Tax payable - Withheld tax 5% Prof.Fees	2,793,000	1,793,000	1,000,000
Tax Payable - Withheld VAT	172,536,000	13,516,000	159,020,000
Tax Payable- Withheld tax 2% Agency	2,572,000	343,000	2,229,000
Kenya Commercial Bank Escrow US Dollar Account Balance	1,252,985,000	1,326,847,276	(73,862,276)
Co-operative Bank Fixed Deposit Account	1,300,231,000	1,299,999,999	231,001
Inventories	5,014,548,000	3,479,650,840	1,534,897,160
Staff Advances	5,052,000	15,045,185	(9,993,185)
Sale of Electricity	487,394,000	515,181,000	(27,787,000)

Component	Financial Statements Figure (Kshs.)	Ledger Balance (Kshs.)	Variance (Kshs.)
Comparative Sale of Electricity	509,614,000	535,624,000	(26,010,000)
Revenue 5% - Rural Electrification Projects Levy	5,201,872,000	6,296,342,200	(1,094,470,200)
Total	32,568,124,000	23,972,442,372	8,595,681,628

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Inaccuracies in the Financial Statements

The following variances in the financial statements were noted;

- i. Note 32 to the financial statements reflects computers net book value of Kshs.59,307,000 while re-computation revealed Kshs.55,483,000 resulting in an unexplained and unreconciled variance of Kshs.3,824,000.
- ii. Note 33 to the financial statements reflects intangible assets net book value of Kshs.61,212,000 while re-computation revealed Kshs.37,981,000 resulting in an unexplained and unreconciled variance of Kshs.23,231,000.
- iii. The Corporation's Escrow US Dollar cashbook was adjusted by Kshs.46,172,436 to cater for exchange rate gain which was not reported as exchange gain in the statement of financial performance.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

3. Misclassification in the Financial Statements

The following misclassifications in the financial statements were noted;

- i. Note 32 to the financial statements reflects capital work in progress balance of Kshs.16,252,778,000 which includes misclassified amounts of Kshs.419,290,463 for staff costs, Kshs.48,406,107 for rent and Kshs.20,521,543 for security of yards.
- ii. Intangible assets balance of Kshs.61,212,000 in Note 33 to the financial statements includes misclassified expenditure of Kshs.38,446,015 for annual maintenance cost software support and SAP cloud platform subscriptions.
- iii. Note 29 to the financial statements reflect interest receivable of Kshs.335,406,000 classified under receivables from non-exchange transactions instead of receivables from exchange transactions. In addition, Kshs.303,599,495 had been paid and, therefore, should not have been classified as a receivable.

- iv. Note 28(a) reflects other accrued revenues of Kshs.10,437,436,000 being 5% Rural Electrification Projects Levy due from Kenya Power Company Limited classified under receivables from exchange transactions instead of receivables from non-exchange transactions.
- v. Note 8 to the financial statement reflects revenue 5% - Rural Electrification Projects Levy of Kshs.5,201,872,000 which includes misclassified amount of Kshs.393,105,574 for financial year 2019/2020.

In the circumstances, the presentation and disclosure of the financial statements is inaccurate in respect of the above transactions and balances.

4. Inaccuracies in Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents of Kshs.5,773,477,000 as disclosed in Note 27(a) to the financial statements. However, review of the Standard Chartered Bank cashbook revealed transactions amounting to Kshs.175,442,006 which were reversed to clear outstanding unrepresented cheques but details of the corresponding accounts affected by the reversal and the journal vouchers were not provided for audit. The Corporation continued to maintain four (4) dormant bank accounts without adequate explanations and for which the respective certificates of bank balances were not provided for audit. Further a call account with Kenya Commercial Bank with an amount of USD926,378 equivalent to Kshs.99,909,819 and accrued interest of USD 1,949 equivalent of Kshs.210,226 which were not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of cash and cash equivalent balance of Kshs.5,773,477,000 could not be ascertained.

5. Unsupported Inventories

The statement of financial position reflects inventories valued at Kshs.5,014,548,000 as disclosed in Note 30 to the financial statements. However, inventories valued at Kshs.4,970,939,000 were not supported with stock valuation reports, ledgers balances, and stock movement schedules. Further, stock items valued at Kshs.11,072,015 were issued to Kenya Power Company Limited without updating the SAP System. Physical verification revealed that one hundred and forty-five (145) faulty transformers replaced from already commissioned projects had not been accounted for in the SAP inventory system. In addition, the Corporation did not have a valuation policy to guide on accounting for the faulty transformers.

In the circumstances, the accuracy, completeness, and valuation of inventories balance of Kshs.5,014,548,000 could not be confirmed.

6. Inaccuracy of Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transaction of Kshs.12,010,567,000 as disclosed in Note 28(a) to the financial statements. Included in this balance were advances to vendors totalling Kshs.1,869,574,000 in respect of contracts for works, goods, and services that had been completed, certificates of work done issued, and deliveries made. However, the advances had not been recovered and the respective ledgers were not updated with the completed works, goods, and services. Further, the amount includes deposits-rent of Kshs.14,627,000 out of which Kshs.14,437,436 was in respect to expired leases whose refunds had not been received or leases renewed.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.1,884,011,436 could not be confirmed.

7. Unsupported Staff Advances

The statement of financial position reflects receivables from non-exchange transactions amount of Kshs.340,458,000 as disclosed under Note 29 to the financial statements. The amount includes staff advances of Kshs.5,052,000 in respect of per diems issued to staff. Although some of the staff surrendered the per diems, the general ledgers were not updated with the same. Further, it was noted that the Corporation maintained two general ledgers for staff advances in which accounting staff expenses was made.

In the circumstances, the accuracy and completeness of staff advances of Kshs.5,052,000 could not be confirmed.

8. Unsupported Trade and Other Payables from Exchange Transactions

The statement of financial position reflects trade and other payables from exchange transactions of Kshs.1,963,600,000 as disclosed in Note 35 to the financial statements. The amount includes trade creditors not invoiced of Kshs.1,115,603,000 which were not supported by ledgers. Further, included in the balance is an amount of Kshs.847,284,000 reported as trade creditors – invoiced and ageing analysis presented for audit revealed that an amount of Kshs.573,854,028 relating to payables had been outstanding for over one hundred and twenty (120) days without explanations.

In the circumstances, the accuracy and completeness of trade and other payables from exchange transactions balance of Kshs.1,963,600,000 could not be confirmed.

9. Unsupported Property Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.96,732,161,000 as disclosed in Note 32 to the financial statements. Included in the balance are overhead distribution lines of Kshs.80,116,501,000 whose breakdown and details indicating the contract sum, starting and completion dates, payments made and current status were not provided for audit. In addition, the balance includes capital work in progress of Kshs.16,252,778,000 which includes some projects that were initiated five

years ago and which remained incomplete. Also, a fixed assets register was not provided to support asset balances.

In the circumstances, the accuracy and completeness of property, plant, and equipment balance of Kshs.96,732,161,000 could not be confirmed.

10. Irregular Expenditure on Land Survey Services

The statement of financial position reflects property, plant and equipment balance of Kshs.96,732,161,000 as disclosed in Note 32 to the financial statements. The amount includes additions to capital work in progress of Kshs.2,657,467,000 out of which Kshs.571,062,727 was paid to three (3) firms for land survey services to unspecified projects. In addition, there was no evidence of budgeting for the services, their inclusion in the annual procurement plan and competitive procurement. This was contrary to Section 45(3)(a) of the Public Procurement and Asset Disposal Act, 2015 which states that all procurement processes shall be within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through an annual procurement plan. Further, the services were not supported by local services orders, contract agreements and reports by the three (3) firms indicating the topographical maps and way leaves.

In the circumstances, the regularity of the expenditure of Kshs.571,062,727 paid to three (3) firms for land survey services could not be confirmed.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Rural Electrification and Renewable Energy Corporation 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 adverse opinion.

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts expended amount of Kshs.744,199,000 against final expenditure budget of Kshs.881,574,000 resulting to an under-expenditure of Kshs.137,375,000 or 16% of the budget. In addition, sale of electricity from Garissa Solar Plant of Kshs.487,394,000 reflected in Note 11 to the financial statements was not supported by budgetary provision on sales of power.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

In the audit report of 2019/2020 financial year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to resolve them.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229 (6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Delay in Implementation of Projects

Review of the project status report indicated that the Corporation was in the process of implementing four hundred and thirty-six (436) projects at a total cost of Kshs.2,937,355,534. Physical verification of some of the projects on 18 February, 2022 revealed delay in implementation of the projects.

In the circumstances, value for money has not been realised due to the delay in implementation.

2. Irregular Utilization of Petroleum Development Levy Funds

Note 8 to the financial statements indicates that the Corporation received an amount of Kshs.1,359,000,000 from the Petroleum Development Fund which were utilized on implementation of two hundred and forty-five (245) rural electrification projects. This was contrary to Section 4(4) of the Petroleum Development Fund Act, 2012 which states that there shall be paid out of the Petroleum Development Funds such monies as are necessary for the development of common facilities for distribution or testing of oil products and matters relating to the development of the oil industry.

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

3. Unconnected Customers

Review of the project status report and verification of sampled projects revealed that fifty-one (51) projects valued Kshs.220,898,613 had been completed and commissioned by

the Corporation. However, the metering and connection of target customers to power by Kenya Power Company Limited had not been done as required by the Service Level Agreement (SLA).

In the circumstances, value for money on these projects could not be confirmed.

4. Delayed Replacement of Defective Poles

During the financial year under review, eighteen thousand, seven hundred and fifty-six (18,756) defective poles were reported and in March, 2022 verification revealed replacements of only fifteen thousand and thirty-five (15,035) resulting to three thousand, seven hundred and twenty-one (3,721) unreplaced poles. In addition, the procurement of the poles was not supported with contract documents, tender evaluation report and inspection and acceptance committee reports.

In the circumstances, value for money has not been realised.

5. Abandoned Project

The contract for proposed building and civil works of go-down, ablution block, perimeter wall, yard and cabro pavement in Kisumu was awarded at a contract cost of Kshs.123,000,000 on 11 May, 2017 for a duration of thirty (30) weeks. Inspection of the project on 30th March 2022 revealed that there were no ongoing activities and the contractor was not on site after partly constructing perimeter wall and one go-down. Management terminated the contract through a letter dated 30 March, 2022 but no evidence of retendering was provided for audit. Further, the cost incurred so far had not been reflected under capital work in progress.

In the circumstances, value for money for this project has not been realised.

6. Non-remittance of Taxes

The Corporation earned from Garissa Power Plant sale of power valued at Kshs.189,040,868 which was paid into escrow account as required by the project financing agreement. However, necessary Value Added Tax was not withheld and remitted to Kenya Revenue Authority as required by Value Added Tax Act, 2013

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

7. Over-Representation in Committees

The Corporation's four (4) committees had five (5) members each as opposed to the maximum of four (4). This was contrary to Paragraph B (4) of the Head of public service circular Ref. OP/CAB.9/1A dated 11 March, 2020 on management of State Corporations which states that the number of members to any committees should be no more than one third (1/3) of the full board which translates to four (4) members. There was no evidence of approval by the cabinet secretary in consultation with SCAC as required by the circular for increase in the number of members of the committees.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Corporation'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 Corporation or to cease operations.

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

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

The Board of Directors is responsible for overseeing the Corporation's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance

and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Corporation to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 September, 2022

**13. STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	2020-2021	2019-2020
		Kshs'000'	Kshs'000'
Revenue from non-exchange transactions			
Property taxes revenue	6	-	-
Public contributions and donations	7	-	-
Levies, Fines and penalties	8	6,560,872	6,315,133
Transfers from other governments	9	2,139,639	511,520
		8,700,511	6,826,653
Revenue from exchange transactions			
Rendering of services	10	-	-
Sale of water and electricity	11	487,394	509,614
Rental revenue from facilities and equipment	12	-	-
Finance income - external investments	13	217,653	451,443
Other income	14	123,805	110,964
		828,852	1,072,021
Total revenue		9,529,363	7,898,674
Expenses			
Use of goods and services	15	162,549	210,840
Employee costs	16	482,583	453,313
Remuneration of directors	17	34,931	28,448
Depreciation and amortization expense	18	1,677,767	1,304,712
Repairs and maintenance	19	92,799	85,667
Finance costs	22	1,208	804
Tax Expense	26	5,433	24,364
Total expenses		2,457,271	2,108,148
Surplus before tax		7,072,092	5,790,527
Surplus/(deficit) for the period/year		7,072,092	5,790,527


The notes set out on pages 1 to 4 form an integral part of these Financial Statements

Rural Electrification and Renewable Energy Corporation
 Reports and Financial Statements
 For the year ended June 30, 2021

14. STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2021

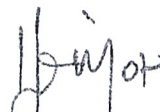
	Notes	2020-2021	2019-2020
		Kshs'000'	Kshs'000'
Assets			
Current assets			
Cash and cash equivalents	27	5,773,477	3,704,441
Current portion of receivables from exchange transactions	28(a)	12,010,567	12,499,873
Receivables from non-exchange transactions	29	340,458	315,580
Inventories	30	5,014,548	6,041,324
		23,139,050	22,561,217
Non-current assets			
Property, plant and equipment	32	96,732,161	89,444,151
Intangible assets	33	61,212	38,067
		96,793,374	89,482,218
Total assets		119,932,424	112,043,435
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	35	1,963,600	2,035,857
Refundable deposits from customers	36	200	200
Provisions	37	70,283	64,188
Deferred income	39	280,000	280,000
Taxation	51	181,238	188,542
		2,495,322	2,568,787
Non-current liabilities			
		-	-
Total liabilities		2,495,322	2,568,787
Development Reserves		42,076,542	41,201,542
Accumulated surplus		75,306,965	68,219,510
Capital Fund		53,596	53,596
Total Reserves		117,437,102	109,474,648
Total Liabilities and Reserves		119,932,424	112,043,435

The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:



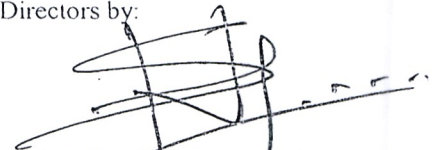
CPA Peter K. Mbugua
 Chief Executive Officer

Date: 30TH SEPTEMBER 2021



CPA Davis K. Cheruiyot
 Manager Finance & Accounts
 ICPAK No. 192.51.

Date: 30TH SEPTEMBER, 2021



Prof. Simon Gicharu, OBS
 Chairman.

Date: 30TH SEPTEMBER, 2021

15. STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2021

	Ordinary share capital Kshs(000)	Revaluation reserve Kshs(000)	Fair value adjustment reserve Kshs(000)	Retained earnings Kshs(000)	Proposed dividends Kshs(000)	Capital/		Total Kshs(000)
						Development Grants/Fund Kshs(000)		
At July 1, 2019	53,596	-	-	62,413,757	-	39,134,542		101,601,895
Revaluation gain	-	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	5,790,527	-	-	-	5,790,527
Capital/Development grants received during the year	-	-	-	-	-	2,067,000	-	2,067,000
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	15,226	-	-	-	15,226
Dividends paid – 2018	-	-	-	-	-	-	-	-
Interim dividends paid – 2019	-	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-	-
At June 30, 2020	53,596	-	-	68,219,510	-	41,201,542		109,474,647
At July 1, 2020	53,596	-	-	68,219,510	-	41,201,542		109,474,647
Total comprehensive income	-	-	-	7,072,092	-	-	-	7,072,092
Capital/Development grants received during the year	-	-	-	-	-	875,000	-	875,000
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	15,363	-	-	-	15,363
At June 30, 2021	53,596	-	-	75,306,964	-	42,076,542		117,437,102

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**16. STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 30 JUNE 2021**

	2020-2021	2019-2020
	Kshs'000'	Kshs'000'
Cash flows from operating activities		
Receipts		
Property taxes	-	-
Public contributions and donations	-	-
Levies	6,159,000	2,106,000
Licenses and permits	-	-
Government grants and subsidies	1,240,000	2,497,000
Rendering of services	-	-
Sale of goods	-	-
Finance income	217,653	451,443
Other income	123,805	110,964
Total Receipts	7,740,458	5,165,407
Payments		
Compensation of employees	471,137	453,313
Goods and services	155,700	210,840
Finance cost	1,208	804
Rent paid	6,849	10,833
Taxation paid	5,433	24,364
Other payments	139,177	28,448
Grants and subsidies paid	-	-
Total Payments	779,504	728,602
Net cash flows from operating activities	6,960,954	4,436,805
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	(5,002,785)	(5,570,902)
Proceeds from sale of property, plant and Equipment	-	-
Decrease in non-current receivables	-	-
Increase in investments	-	-
Net cash flows used in investing activities	(5,002,785)	(5,570,902)
Cash flows from financing activities		
Proceeds from Donors	110,868	-
Repayment of borrowings	-	-
Increase in deposits	-	-
Net cash flows used in financing activities	110,868	-
Net increase/(decrease) in cash and cash equivalents	2,069,037	(1,134,097)
Cash and cash equivalents at 1 JULY 2020	3,704,441	4,838,537
Cash and cash equivalents at 30 JUNE 2021	5,773,477	3,704,441

Rural Electrification and Renewable Energy Corporation
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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Annual Budget 2020-2021 '000'	Adjusted Budget '000'	Budget For The Year '000'	Actual on Comparable Basis 30th June 2021 '000'	Performance Difference '000'	Remarks
Revenue						
Exchequer Development	1,450,000	-	1,450,000	875,000	(575,000)	Delay in exchequer releases
Exchequer Recurrent	365,000	-	365,000	365,000	-	
Petroleum Devr Levy	1,359,000	-	1,359,000	1,359,000	-	
Kipevu Oil Storage	94,000	-	94,000	-	(94,000)	Delay in exchequer releases
REP Levy	2,673,000	-	2,673,000	5,201,872	2,528,872	Increase in customer base
Royalties- collected by REA	259,000	-	259,000	-	(259,000)	Delay in exchequer releases
China Exim Bank	-	-	-	693,353	693,353	
IDA-KEMP & KOSAP	1,050,000	550,000	500,000	180,928	(319,072)	Pending bill for 2019/20 FY paid to contractor
OFID-KEEP	700,000	-	700,000	263,692	(436,308)	Delay in project implementation
BADEA	2,028,000	-	2,028,000	636,667	(1,391,333)	Delay in material manufacture and delivery due to covid-19
	9,978,000	550,000	9,428,000	9,575,511	147,511	
CPF/County Funding	150,000	-	150,000	123,566	(26,434)	Delay in exchequer releases to counties & constituencies
Capital Contribution Customers	-	-	-	-	-	Revenue not budgeted for
Other Revenue-Licences	-	-	-	128	128	Revenue not budgeted for
Interest Income	150,000	-	150,000	217,653	217,653	Prudent cash management
				855,523	705,523	
Sub-Total Revenue	10,128,000	550,000	9,578,000	10,431,034	853,034	
Recurrent Expenditure						
Salaries, Wages & Other Staff Costs	533,484	-	533,484	482,583	50,901	Delay in recruitments
Board Expenses	30,000	13,000	43,000	34,931	8,069	Increased activities due to recruitments
Staff Training & Seminars	31,515	-	31,515	14,131	17,384	Reduced activities due to Covid-20
Postage & Telephone	9,943	-	9,943	8,472	1,471	Use of other means of communication eg soft copies
General transport/Vehicle expenses	31,121	-	31,121	18,910	12,211	Charged to projects
Hospitality Expenses	7,000	-	7,000	7,000	-	
Office Cleaning Services	11,257	-	11,257	9,065	2,192	Reduced activities due to Covid-20
Printing & Stationery	8,400	-	8,400	771	7,629	Delay in budget approvals
Advertising & Promotions	10,000	-	10,000	16,214	(6,214)	Delay in budget approvals
Computer Expenses	83,837	-	83,837	73,699	10,138	Adverts non-responsive. To be retendered in 2021/22FY
Audit fees	3,062	-	3,062	3,000	62	
Consultancy and Professional Fees	2,000	-	2,000	9,951	(7,951)	Activities for last quarter postponed due to Covid-19
Bank Charges & Commissions	1,000	-	1,000	1,000	(0)	Prudent cash management
Corporate Social Responsibility	5,000	-	5,000	5,263	(263)	
Rent and Rates	8,134	-	8,134	6,849	1,285	
Repairs & Maintenance Expenses	5,000	-	5,000	4,200	800	Activities for last quarter postponed due to Covid-19
General Insurance	21,617	-	21,617	15,176	6,441	
Water & Electricity	11,680	-	11,680	14,250	(2,570)	
Security	20,724	-	20,724	15,120	5,604	Charged to projects

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Subscriptions	3,000	-	3,000	6	2,994	Staff did not join professional bodies as intended.
Research & Development	10,400	-	10,400	-	10,400	Sensitization ongoing
Finance costs	1,000	-	1,000	208	792	Project postponed to next financial year
Legal Fees	15,000	-	15,000	13,837	1,163	Prudent cash management
Tender Evaluation	5,400	-	5,400	4,196	1,204	Procurement of service providers on going to be awarded in 2020/21 financial year.
Covid-19 Response	12,000	-	12,000	3,092	8,908	
Total Recurrent Expenses	881,574	-	881,574	744,199	137,375	
Surplus	9,246,426	-	9,246,426	9,686,742	715,566	

18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Rural Electrification and Renewable Energy Corporation was established by an Act of Parliament 43 of Energy Act 2019 and derives its authority and accountability from Energy Act 2019. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is rural electrification.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of Corporation's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Corporation's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the Corporation; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Corporation's financial performance, financial position and cash flows.
<p>Amendments</p>	<p>Applicable: 1st January 2022:</p>

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Standard	Effective date and impact:
to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>

iii. Early adoption of standards

The Corporation did not early – adopt any new or amended standards in year 2021.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The Corporation recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Corporation and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

The Corporation recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Corporation.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Corporation's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly in April 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Corporation upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Corporation recorded additional appropriations of Kshs.nil on the 2020-2021 budget following the board's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 6 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Corporation operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

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

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is calculated to write-off the asset cost to the residual values on a straight-line basis over the expected useful life. Where an asset is acquired during the year, depreciation is applied on a prorata basis over the number of days to the end of the financial year of purchase.

Asset	Depreciation Rate (%)
Distribution lines	2.5 (40yrs)
Plant and Machinery	12.5
Motor Vehicles	25
Furniture, fittings & Equipment	12.5
Computers & Allied Hardware & Software	33.3
Tools implements and Testing apparatus	22.5(4yrs) (R10%)

Distribution lines

All distribution lines are capitalized in property, plant and equipment when commissioned and are depreciated over their useful lives. The useful life is currently estimated to be forty years from the date of commissioning.

Work in Progress

Work-in-progress represents costs incurred in acquisition/installation of an item of property plant and equipment which is not in use. Work-in-progress is not depreciated until the assets are completed and brought into use.

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Corporation. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Corporation also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Corporation will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

h) Research and development costs

The Corporation expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Corporation can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development costs (Continued)

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Corporation determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Corporation assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

j) Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Inventories (Continued)

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

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

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

k) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

Contingent liabilities

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

Contingent assets

The Corporation 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 Corporation 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Nature and purpose of reserves

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

m) Changes in accounting policies and estimates

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

n) Employee benefits

Retirement benefit plans

The Corporation provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

The Authority runs a defined contribution pension scheme. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the company at 10% and employees at 5% of basic salary. During the year, the scheme was managed by the following service providers;

Genesis Investments	-Fund Manager
Co-operative Bank of Kenya Ltd	-Custodian
Liaison Associates	-Administrator

o) Foreign currency transactions

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

p) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

q) Related parties

The Corporation regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Corporation, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

r) Service concession arrangements

The Corporation analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Corporation recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Corporation also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

s) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Comparative figures

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

u) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Corporation's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made: e.g

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Corporation. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

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

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY
 (Continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 22

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The provisions recognized by the Corporation includes; provision for gratuity, provision for accrued leave, provision for audit fees, provision for directors' fees where their contracts allow, and provision for theft and pilferages.

The said provisions are estimated as follows;

- Provision for gratuity is calculated at the rate of 31% of basic salary of the beneficiary.
- Provision for leave is estimated based on accrued leave days; which should not exceed 15 days' leave is equivalent to an individual month's basic salary.
- Audit fees are estimated based on previous year's payment.
- Directors fees is based on government circular guidelines
- Provision for theft and pilferage is made based on the cost / book value of stolen materials

6 PROPERTY TAXES REVENUE

Description	2020-2021	2019-2020
	KShs	KShs
Actual		
Taxable land and buildings		
Residential	-	-
Commercial	-	-
State	-	-
Penalties	-	-
Sub- total property and taxes	-	-
Income forgone	-	-
Total property taxes revenue	-	-

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7 PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2020-2021	2019-2020
	KShs	KShs
The Green Belt Movement	-	-
Other public donations	-	-
Total transfers and sponsorships	-	-
Reconciliation of public contributions and donations		
Balance unspent at beginning of the year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions to be met - remain liabilities	-	-
	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 LEVIES, FINES AND PENALTIES

Description	2020-2021	2019-2020
	KShs'000'	KShs'000'
Revenue - Petroleum Devt Levy	1,359,000	1,236,000
Revenue - 5% REP Levy	5,201,872	5,079,133
Total	6,560,872	6,315,133

9 TRANSFERS FROM OTHER GOVERNMENTS

(a)

Description	2020-2021	2019-2020
	KShs	KShs
Unconditional grants		
Operational Loans- Foreign Governments	1,774,639	81,520
Other Grants	-	-
GOK Grants- Exchequer Recurrent	365,000	430,000
Conditional grants		
National housing grant	-	-
National infrastructure grant	-	-
Provincial health grant	-	-
Social services grant	-	-
Basic services subsidy	-	-
Transportation fund (international funding)	-	-
Other organizational grants	-	-
Total government grants and subsidies	2,139,639	511,520

9b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2019-2020
	KShs	KShs			
			KShs	KShs	KShs
Ministry Of Energy	1,834,868	-	875,000	2,709,868	2,709,868
Total	1,834,868	-	875,000	2,709,868	2,709,868

(Ensure that the amount recorded above as having been received from the Ministry fully reconciles to the amount recorded by the sending entity Ministry. An acknowledgement note/receipt should be raised in favour of the sending Ministry. The details of the reconciliation have been included under appendix VI)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 RENDERING OF SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Waste management (solid waste)	-	-
Waste management (sewerage and sanitation)	-	-
Service fees	-	-
Water quality	-	-
Quality assurance	-	-
Total revenue from the rendering of services	-	-

11 SALE OF GOODS

Description	2020-2021	2019-2020
	KShs	KShs
Sale of goods		
Sale of electricity	487,394	509,614
Sale of water	-	-
Sale of books	-	-
Sale of publications	-	-
Other(include in line with your organisation)	-	-
Total revenue from the sale of goods	487,394	509,614

This revenue relates to sale of power generated by Garissa Power Plant.

12 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2020-2021	2019-2020
	KShs	KShs
Straight-lined operating lease receipts	-	-
Contingent rentals	-	-
Total rentals	-	-

No revenue from this item

13 FINANCE INCOME - EXTERNAL INVESTMENTS

Description	2020-2021	2019-2020
	KShs	KShs
Cash investments and fixed deposits	217,653	451,443
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
Total finance income – external investments	217,653	451,443

This revenue relates to from interest on deposits held with our banks

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 OTHER INCOME

Description	2020-2021	2019-2020
	Kshs'000'	Kshs'000'
Const & County partnership	123,566	109,732
Revenue - Licences	128	1,232
Insurance Refunds	111	-
Total other income	123,805	110,964

15 USE OF GOODS AND SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Electricity	14,148	10,517
Water	102	109
Security	15,120	17,450
Professional services	-	-
Subscriptions	454	1,159
Advertising & Promoting	14,660	5,518
Fines and Penalties	10,868	-
Audit fees	3,000	3,000
Conferences and delegations	1,539	1,191
Consulting fees	9,951	4,425
Corp Social Responsibility Exp	5,263	5,123
Fuel and oil	4,010	11,211
Insurance	15,176	16,239
Legal expenses	13,837	55,697
Licenses and permits	-	-
Research & Devt Expenses	-	7,490
Water purification cost	-	-
Postage	913	349
Printing and stationery	771	447
Newspapers & Periodicals	1,554	882
Rental	6,849	10,833
Security costs	-	281
Sewage treatment costs	-	-
Telecommunication	7,559	10,778
Training	14,131	27,350
Other general expenses-Tender processing	22,645	20,793
Total Use of Goods and Services	162,549	210,840

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 EMPLOYEE COSTS

	2020-2021	2019-2020
	Kshs'000'	Kshs'000'
Salaries and wages	214,750	217,379
Employee related costs - contributions to pensions and medical aids	109,550	87,266
Travel, motor car, accommodation, subsistence and other allowances	101,705	95,202
Housing benefits and allowances	55,014	52,540
Overtime payments	-	-
Performance and other bonuses	-	-
Social contributions	1,564	927
Expenditure recharged to capital projects	-	-
Total Employee costs	482,583	453,313

17 REMUNERATION OF DIRECTORS

Description	2020-2021	2019-2020
	Kshs'000'	Kshs'000'
Chairman's Honoraria	960	960
Directors emoluments	15,820	10,700
Directors Fees	-	-
Other allowances-Local Travel and Telephone allowance	18,151	16,788
Total director emoluments	34,931	28,448

18 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	1,608,625	1,282,474
Intangible assets	24,977	22,237
Investment property carried at cost	-	-
Total depreciation and amortization	1,633,602	1,304,712

19 REPAIRS AND MAINTENANCE

Description	2020-2021	2019-2020
	KShs	KShs
Property	4,200	2,382
Vehicles	14,900	5,875
Computers and accessories	73,699	77,410
Other	-	-
Total repairs and maintenance	92,799	85,667

20 CONTRACTED SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Actuarial valuations	-	-
Investment valuations	-	-
Property valuations	-	-
Total contracted services	-	-

21 GRANTS AND SUBSIDIES

Description	2020-2021	2019-2020
	KShs	KShs
Community development	-	-
Education initiatives and programs	-	-
Social development	-	-
Community trust	-	-
Sporting bodies	-	-
Total grants and subsidies	-	-

22 FINANCE COSTS

Description	2020-2021	2019-2020
	Kshs'000'	Kshs'000'
Borrowings (amortized cost)*	-	-
Finance leases (amortized cost)	-	-
Unwinding of discount	-	-
Interest on Bank Deposits	1,208	804
Interest on loans from commercial banks	-	-
Total finance costs	1,208	804

23 GAIN ON SALE OF ASSETS

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Other assets not capitalised	-	-
Total gain on sale of assets	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

Description	2020-2021	2019-2020
	KShs	KShs
Investments at fair value	-	-
Total gain	-	-

25 IMPAIRMENT LOSS

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Total impairment loss	-	-

26 TAXATION

Description	2020-2021	2019-2020
	Kshs'000'	Kshs'000'
Withholding tax	5,433	24,364
Income tax expense reported in the statement of financial performance	5,433	24,364

27 CASH AND CASH EQUIVALENTS

Description	2020-2021	2019-2020
	KShs	KShs
Current account	2,543,877	796,385
On - call deposits	429,257	108,051
Fixed deposits account	2,800,231	2,800,000
Staff car loan/ mortgage	-	-
Cash in hand	112	5
Total cash and cash equivalents	5,773,477	3,704,441

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 (a) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

		2020-2021	2019-2020
Financial institution	Account number	Kshs'000'	Kshs'000'
a) Current account			
Cooperative Bank	01136125016300	1,000	1,000
Standard Chartered	010600495500	11,323	58,681
KCB Main	1103201557	1,077,180	74,223
KCB Development	1103201808	3	3
Kcb Escrow Account	1178001539	-	549,011
Kcb Escrow Account USD		1,252,985	-
CFC Stanbic	0100000547616	7,579	7,608
Equity Bank	0810270199897	27,509	27,509
National Bank	01023098897200	-	-
Citi Bank	0104679006	7,356	7,356
Current Account- KEEP	01136125016301	150	155
Current Account- KEMP	01136125016302	47,923	50,854
Current Account- KSSG	01136125016303	-	19,984
Current Account- KOSAP		110,869	
Sub- total		2,543,877	796,385
b) On - call deposits			
Held with Cooperative Bank	01150125016300	429,237	108,031
Held With Standard Chartered	0140004955900	20	20
Held With CFC Stanbic		-	-
Sub- total		429,257	108,051
c) Fixed deposits account			
COOP Bank		1,300,231	1,300,000
NBK		-	-
Equity		-	-
KCB		1,500,000	1,500,000
Sub- total		2,800,231	2,800,000
e) Others(specify)			
cash in hand		112	5
Sub- total		112	5
Grand total		5,773,477	3,704,441

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 RECEIVABLES FROM EXCHANGE TRANSACTIONS

28(a)

	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Advance to vendors*	950,734	924,222
Less Provisions for Bad & Doubtful Debt	(31,894)	(31,894)
Advance to Vendors*	918,840	892,328
Other Accrued Revenues	10,437,436	10,779,099
Prepayments- Others	1,300	1,300
Others- Output VAT KRA	-	413
Deposits- Rent	14,627	14,627
Deposits- Court Cases	50,000	50,000
Other Receivables-Sale Of Power	586,864	760,606
Other Receivables	1,500	1,500
Total current receivables	12,010,567	12,499,873

28(b)

Description	2020-2021	2019-2020
	KShs	KShs
Non-current receivables		
Long term debtors	-	-
Public organizations	-	-
Less: impairment allowance	-	-
	-	-
Current portion transferred to current receivables	-	-
Total non-current receivables	-	-
Total receivables (a+b)	12,010,567	12,499,873

29 RECEIVABLES FROM NON-EXCHANGE CONTRACTS

Description	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Interest Receivables	335,406	308,796
Staff Advances	5,052	6,784
Total current receivables	340,458	315,580

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 INVENTORIES

Description	2020-2021	2019-2020
	KShs	KShs
Poles	394,643	409,102
Insulators	227,804	277,578
Conductors, Stay Blocks and Wires	1,133,675	1,866,444
Hardware line items*	1,437,993	1,476,281
Transformers	1,191,104	1,331,152
Surge Diverters Circuit Breakers and Isolators	585,720	661,504
Stationery	41,776	17,898
ICT	1,833	1,365
Total inventories at the lower of cost and net realizable value	5,014,548	6,041,324

31 INVESTMENTS

Description	2020-2021	2019-2020
	KShs	KShs
a) Investment in Treasury bills and bonds		
Financial institution		
CBK	-	-
CBK	-	-
Sub- total	-	-
b) Investment with Financial Institutions/ Banks		
COOP Bank		
KCB		
Sub- total	-	-
c) Equity investments (specify)		
Equity/ shares in entity xxx	-	-
Sub- total	-	-
Grand total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

d) Shareholding in other entities

For investments in equity share listed under note 31 above, list down the equity investments under the following categories:

Name of entity where investment is held	No. of shares			Nominal value of shares	Fair value of shares	Fair value of shares		
	Direct shareholding	Indirect shareholding	Effective shareholding				Current year	Prior year
	%	%	%					
Entity A	-	-	-	-	-	-		
Entity B	-	-	-	-	-	-		
Entity C	-	-	-	-	-	-		
Entity D	-	-	-	-	-	-		
	-	-	-	-	-	-		

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings		Motor vehicles		Furniture and fittings		Computers		Other Assets		Plant and equipment		Capital		Total		
	Sfs	Sfs	Sfs	Sfs	Sfs	Sfs	Sfs	Sfs	Overhead Distribution Lines	Office Equipment	Tools & Implements	Sfs	Sfs	Work-in-progress	Sfs	Sfs	
Cost																	
At 1 July 2019	111,016	513,509	201,595	211,481	79,762,335	30,178	24,682	159,279	9,445,589	4,504,707							
Additions	-	-	9,522	29,248	267,954	885	27	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 th June 2020	111,016	513,509	211,117	240,729	80,030,289	31,063	24,709	159,279	13,595,311	4,504,707							
Additions	-	47,432	-	32,984	6,202,878	-	38	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 th June 2021	111,016	560,941	211,117	273,713	86,233,167	31,063	24,747	159,279	16,252,778	103,857,822							
Depreciation and impairment																	
At 1 July 2019	4,088	353,537	78,107	183,804	3,398,966	26,199	24,043	121,654	-	-	-	-	-	-	-	-	-
Depreciation	676	55,139	22,955	10,363	1,179,493	1,853	10	11,984	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 th June 2020	4,764	408,676	101,062	194,168	4,578,460	28,052	24,052	133,639	-	-	-	-	-	-	-	-	-
Depreciation	676	61,069	22,478	20,239	1,538,206	972	18	9,131	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 th June 2021	5,440	469,744	123,539	214,407	6,116,666	29,024	24,070	142,770	-	-	-	-	-	-	-	-	-
Net book values																	
At 30 th June 2021	105,576	91,197	87,578	59,307	80,116,501	2,039	677	16,509	16,252,778	96,732,161							
At 30 th June 2020	106,252	104,833	110,055	46,561	75,451,829	3,011	657	25,641	13,595,311	89,444,151							

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 INTANGIBLE ASSETS-SOFTWARE

Description	2020-2021	2019-2020
	KShs	KShs
Cost		
At beginning of the year	384,659	366,955
Additions	48,122	17,704
At end of the year	432,781	384,659.027
Additions-internal development	-	-
At end of the year	432,781	384,659
Amortization and impairment		
At beginning of the year	(346,592)	(324,354)
Amortization	(24,977)	(22,237)
At end of the year	(371,569)	(346,592)
Impairment loss	-	-
At end of the year	(371,569)	(346,592)
NBV	61,212	38,067

34 INVESTMENT PROPERTY

Description	2020-2021	2019-2020
	KShs	KShs
At beginning of the year	-	-
Additions	-	-
Depreciation	-	-
At end of the year	-	-

35 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	KShs	KShs
Trade-Creditors invoiced	847,284	1,004,513
Trade-Creditors not invoiced	1,115,603	1,013,994
Trade-KPLC Metre Deposits	713	713
Other payables-VAT deducted	-	16,637
Other payables-Payroll Payables	0	0
Total trade and other payables	1,963,600	2,035,857

36 REFUNDABLE DEPOSITS FROM CUSTOMERS

Description	2020-2021	2019-2020
	KShs	KShs
Consumer deposits	200	200
Other deposits	-	-
Total deposits	200	200

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 CURRENT PROVISIONS

Description	Leave provision	Directors Fees	Gratuity	Theft Case	Audit Fees	Total
	KShs	KShs	KShs	KShs	KShs	KShs
Balance b/d (1.07.2020)	15,455	22,689	15,811	4,170	6,062	64,188
Additional Provisions	17,970	-	7,283	-	3,000	28,253
Less: Provision utilised	-	-	6,702	-	-	6,702
Less: Transfers from non-current provisions	15,455	-	-	-	-	15,455
Total provisions as at 30.6.2020	17,970	22,689	16,392	4,170	9,062	70,283

38 FINANCE LEASE OBLIGATION

Description	Minimum lease payments	Future finance charges	Present value of minimum lease payments	2018-2019
	KShs	KShs	KShs	KShs
Within current year	-	-	-	-
Long term portion of lease payments	-	-	-	-
Total provisions	-	-	-	-

39 DEFERRED INCOME

Description	2020-2021	2019-2020
	KShs	KShs
National government	280,000	280,000
International funders	-	-
Public contributions and donations	-	-
Total deferred income	280,000	280,000

The deferred income movement is as follows:

	National government	International funders	Public contributions and donations	Total
Balance brought forward	280,000	-	-	280,000
Additions	-	-	-	-
Transfers to Capital fund	-	-	-	-
Transfers to income statement	-	-	-	-
Other transfers	-	-	-	-
Balance carried forward	280,000	-	-	280,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

40 EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2020-2021	2019-2020
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
Total employee benefits obligation	-	-	-	-	-

The entity operates a defined benefit scheme for all full-time employees from July 1, 2020. The Scheme is based on xxx percentage of salary of an employee at the time of retirement. During the year, no actuarial valour's were engaged to value the scheme. The liability at the end of the year is as follows:

	2020-2021	2019-2020
	Kshs(000)	Kshs(000)
Valuation at the beginning of the year	-	-
Changes in valuation during the year	-	-
Valuation at end of the year	-	-

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

41 NON-CURRENT PROVISIONS

Description	Long service leave	Gratuity	Other Provisions	Total
	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)
Balance at the beginning of the year	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Less: Current portion	-	-	-	-
Total deferred income	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

42 BORROWINGS

The analyses of both external and domestic borrowings are as follows:

Description	2019-2020	2018-2019
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestics borrowings during the period	-	-
Balance at end of the period	-	-

Description	2020-2021	2019-2020
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

43 SERVICE CONCESSION ARRANGEMENTS

Description	2020-2021	2019-2020
	KShs	KShs
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	-	-
Net carrying amount	-	-
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	-	-
Service concession liability at end of the year	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

44 CASH GENERATED FROM OPERATIONS

	2020-2021	2019-2020
	Kshs'000'	Kshs'000'
Surplus for the year before tax	7,072,092	5,790,527
Adjusted for:		
Depreciation	1,677,767	1,304,712
Non-cash grants received	-	-
Contributed assets	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	28,253	-
Contribution to impairment allowance	-	-
Finance income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	(1,026,776)	(790,643)
Increase in receivables	(464,428)	(1,211,560)
Increase in deferred income	-	-
Increase in payables	(325,953)	(656,230)
Increase in payments received in advance	-	-
Net cash flow from operating activities	6,960,954	4,436,805

45 FINANCIAL RISK MANAGEMENT

The Corporation's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Corporation's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Corporation does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Corporation's financial risk management objectives and policies are detailed below:

(i) Credit risk

The Corporation has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

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

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Receivables from exchange transactions	12,010,567	12,505,573	-	-
Receivables from non exchange transactions	340,458	315,580	-	-
Bank balances	5,773,477	3,704,441	-	-
Total	18,124,502	16,525,594	-	-
At 30 June 2020				
Receivables from exchange transactions	12,499,873	7,396,989	-	-
Receivables from non exchange transactions	315,580	310,598	-	-
Bank balances	3,704,441	4,838,537	-	-
Total	16,519,893	12,546,124	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Corporation has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts.

The board of directors sets the Corporation's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Corporation's directors, who have built an appropriate liquidity risk management framework for the management of the Corporation's short, medium and long-term funding and liquidity management requirements. The Corporation manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Corporation under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	-	-	1,963,600	1,963,600
Current portion of borrowings	-	-	-	-
Provisions		-	70,283	70,283
Deferred income		-	280,000	280,000
Employee benefit obligation	-	-	-	-
Total	-	-	2,313,883	2,313,883
At 30 June 2020				
Trade payables	-	-	2,035,857	2,035,857
Current portion of borrowings	-	-	-	-
Provisions		-	64,188	64,188
Deferred income		-	280,000	280,000
Employee benefit obligation	-	-	-	-
Total	-	-	2,380,045	2,380,045

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Corporation on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Corporation's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Corporation's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the Corporation's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

Foreign currency sensitivity analysis (Continued)

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2020			
Euro	10%	-	-
USD	10%	-	-
2019			
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

Interest rate risk is the risk that the Corporation's financial condition may be adversely affected as a result of changes in interest rate levels. The Corporation's interest rate risk arises from bank deposits. This exposes the Corporation to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Corporation analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Corporation's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Corporation considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
At 30 June 2021	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)
Financial Assets				
Quoted equity investments	-	-	-	xxx
Non- financial Assets				
Investment property	-	-	-	111,016
Land and buildings	111,016	-	-	111,016
	111,016			
	111,016	-	-	111,016
At 30 June 2020				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	111,016	-	-	111,016
	111,016	-	-	111,016

There were no transfers between levels 1, 2 and 3 during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (Continued)

a) Financial instruments not measured at fair value (Continued)

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

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

	2020-2021	2019-2020
	Kshs(000)	Kshs(000)
Development reserve	42,076,542	42,076,542
Retained earnings	75,306,965	75,351,130
Capital reserve	53,596	53,596
Total funds	117,437,102	109,474,948
Total borrowings	-	-
Less: cash and bank balances	5,773,477	3,704,441
Net debt/(excess cash and cash equivalents)		
Gearing	%	%

46 RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the Corporation, holding 100% of the Corporation's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The National Government;
- ii) The Parent Ministry.
- iii) Kenya Power.
- iv) Key management.
- v) Board of directors

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

47. RELATED PARTY BALANCE (Continued)

	2020-2021	2019-2020
	Kshs(000)	Kshs(000)
Transactions with related parties		
a) Sales to related parties		
Sales of goods to xxx	-	-
Sales of services (Power)	487,394	509,514
Total	487,394	509,614
b) Grants from the Government		
Grants from National Govt	365,000	430,000
Grants from County Government	-	-
Donations in kind	-	-
Total	365,000	430,000
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services for	-	-
Total		
d) Key management compensation		
Directors' emoluments	46,378	28,448
Compensation to key management	153,369	140,335
Total	200,747	168,783

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

47 SEGMENT INFORMATION

The Corporation does not have independent regional operations.

48 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities	2020-2021	2019-2020
	Kshs	Kshs
Court case xxx against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Total	-	-

49 CAPITAL COMMITMENTS

Capital commitments	2020-2021	2019-2020
	Kshs	Kshs
Authorised for	-	-
Authorised and contracted for	-	-
Total	-	-

50 DIVIDENDS/SURPLUS REMISSION

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Corporation does not pay dividends.

51 TAXATION

	2020-2021	2019-2020
	Kshs	Kshs
Tax payable- Withheld Tax 3% Agency	3,337	23,343
Tax payable- Withheld Tax 5% Prof.fees	2,793	8,173
Tax payable- Withheld Vat	172,536	150,575
Tax payable- Withheld Tax 2% Agency	2,572	6,452
At end of the year	181,238	188,542
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

52 DEFERRED TAX LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	2020-2021	2019-2020
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	-
Provisions for liabilities and charges	-	-
Net deferred tax liability/(asset)	-	-
The movement on the deferred tax account is		
Balance at beginning of the year	-	-
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	-	-

[In ordinary circumstances public sector entities under IPSAS are not expected to pay taxes. However, in specific cases where this is applicable an organisation is supposed to seek guidance on accounting for income taxes from IAS 12)

53 EVENTS AFTER THE REPORTING PERIOD

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

54 ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Energy. Its ultimate parent is the Government of Kenya.

55 Currency

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

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19. APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

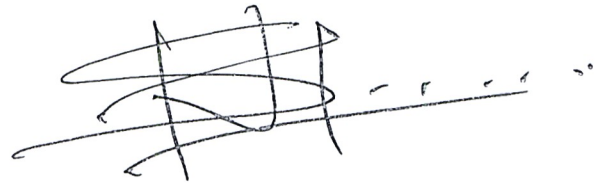
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
Qualification	Property Plant & Equipment	The capitalization and creation of projects in the system is a continuous process. It follows that there will always be figures in transition accounts and Work In Progress accounts representing the ongoing projects.	Eng. Esther Ruto General Manager Technical Services	Resolved	31.12.2020
Emphasis of matter	Unrecovered duty Paid to Kenya Revenue Authority (KRA) on Behalf of Vendors	The matter is in court and Apar has instruction their advocate in Kenya to nter appearance. The court process is on course.	Sharon Tugee Manager Legal Department	Not resolved	30.12.2021



Chief Executive Officer

Date 30TH SEPTEMBER, 2021



Chairman of the Board

Date 30TH SEPTEMBER, 2021

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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

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APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:	REREC		
	Break down of Transfers from the Ministry of Energy 2020/2021 FY			
a	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		4 th September 2020	91,250,000.00	2020/2021
		4 th December 2020	91,250,000.00	2020/2021
		27 th April 2021	91,250,000.00	2020/2021
		11 th June 2021	91,250,000.00	2020/2021
		Total	365,000,000	
	Petroleum Development Levy From The Ministry			
		11 th November 2020	1,359,000,000	2020/2021
		Total	1,359,000,000	
	World Bank-KOSAP		110,868,972	2020/2021
		Total	110,868,972	
	REP LEVIES(From KPLC)			
		27 th July 2020	282,810,965.25	2020/2021
		31 st August 2020	359,617,428.25	
		29 th September 2020	400,609,567.45	
		30 th October 2020	402,148,871.85	
		30 th November 2020	416,769,873.60	
		31 st December 2020	405,461,267.10	
		31 st January 2021	389,094,830.00	

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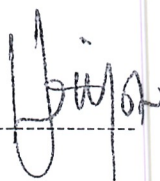
		25 th February 2021	407,810,435.10	
		31 st March 2021	418,788,257.25	
		30 th April 2021	459,420,512.20	
		31 st May 2021	464,646,950.95	
		29 th June 2021	393,105,573.70	
		Totals	4,800,284,532.70	
b	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		18 th September 2020	362,500,000.00	2020/2021
		27 th April 2021	362,500,000.00	2020/2021
		27 th April 2021	75,000,000.00	2020/2021
		6 th July 2021	75,000,000.00	2020/2021
		Total	875,000,000.00	

The above amounts have been communicated to and reconciled with the parent Ministry

Manager Finance & Accounts
 REREC

Head of Accounting
 Ministry Of Energy

Sign



Sign



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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the Donor/MDA transferring funds	As per Bank statement	Nature: Recurrent/ Development Others	Total Amount(Ksh)	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others	Total Funds Transferred
Ministry of Energy	See Appendix 3 above	Recurrent	365,000	365,000					365,000
Ministry of Energy (Petroleum Levies)	See Appendix 3 above	Development	1,359,000	1,359,000					1,359,000
Ministry of Energy (KOSAP)	See Appendix 3 above	Development	110,869	110,869					110,869
Ministry of Energy Development Funds	See Appendix 3 above	Development	865,000		865,000				865,000
Total			2,709,869	1,834,869	865,000				2,709,869