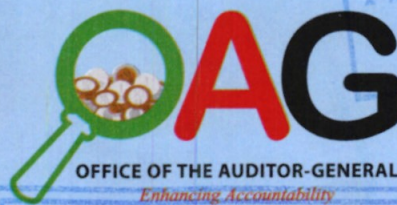


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OF

THE AUDITOR-GENERAL

ON

KENYA ELECTRICITY MODERNIZATION PROJECT (IDA GRANT NUMBER TF059 AND CREDIT NUMBER 55870)

FOR THE YEAR ENDED 30 JUNE, 2025

RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION

copy.



**KENYA ELECTRICITY MODERNIZATION PROJECT  
(KEMP)**

**RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION**

**PROJECT CREDIT NO: 55870KE  
PROJECT GRANT NO: TFA0579**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

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



**Kenya Electricity Modernization Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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## **1. Acronyms and Definition of Terms**

KEMP	Kenya Electricity Modernization Project
CBK	Central Bank of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
COMPARATIVE FY	Financial year preceding the current financial year
PDN	Power Distribution Network
IDA	International Development Association
KPLC	Kenya Power and Lighting Company
MOEP	Ministry of Energy and Petroleum
EPRA	Energy and Petroleum Regulatory Authority
KETRACO	Kenya Electricity Transmission Company Ltd
KENGEN	Kenya Electricity Generating Company PLC
PSC	Public Service Commission
NEMA	National Environment Management Authority
NES	National Electrification Strategy
KSNR	Kingshore New Resources Jiangsu Company Ltd

## **2. Project Information and Overall Performance**

### **2.1 Name and registered office**

**Name:** Kenya Electricity Modernization Project.

**Objective:** The key objective of the project:

The government aims to achieve universal access to electricity. The project objective is to assist the government in achieving this target by enhancing electrification access in areas that are not likely to be connected to the grid in the medium and short term. The project involves the development of seven (7) solar hybrid mini-grid projects to connect households and public facilities in the selected areas.

**Address:**

The project headquarters offices are in Nairobi, Kenya.

The address of its registered office is:

Kawi House, Off Red Cross Road, South C  
 P.O Box 34585 - 00100,  
 Telephone: (+254) 709 193 000 or (+254) 709 193 600  
 E-mail: info@rerec.co.ke  
 Website: www.rerec.co.ke

### **2.2 Project Information**

Project Start Date:	29 <sup>th</sup> June, 2015
Project End Date:	31 <sup>st</sup> December, 2023
Project Coordinator:	Mr. Edward Gakunju.
Project Sponsor:	The International Development Association (IDA) of the World Bank fully funded all project costs.

### **2.3 Project Overview**

Line Ministry	The project is under the supervision of the Ministry of Energy and Petroleum.
Project number	The Project numbers are IDA Credit No. 55870KE & Grant No. TFA0579, respectively.

<p>Strategic goals of the project</p>	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> <li>(i) To connect public facilities in selected areas: This initiative aims to enhance infrastructure by linking public facilities in designated regions, thereby improving access and service delivery.</li> <li>(ii) To increase access to electricity: The objective is to expand electricity coverage, ensuring more households and businesses benefit from reliable power supply.</li> <li>(iii) To improve reliability of electricity service: This goal focuses on enhancing the stability and dependability of the electricity network, reducing outages, and ensuring consistent service quality.</li> </ul>
<p>Summary of Project Strategies for achievement of strategic goals</p>	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> <li>(i) Mini-grids supplied preferably by hybrid generation systems: Mini-grids should ideally be powered by hybrid generation systems to optimize energy efficiency and reliability.</li> <li>(ii) Construction of necessary distribution infrastructure: This involves the development of essential distribution infrastructure to support the effective delivery of electricity.</li> </ul>
<p>Other important background information of the project</p>	<p>The project is being implemented in conjunction with MOE and KPLC.</p>

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<p>Areas that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas:</p> <p>The project has two components:</p> <p>(i) Consultancy Services: This component focuses on providing expert guidance and strategic planning to ensure the project's successful implementation. It encompasses feasibility studies, technical assessments, and advisory services to optimize the design and deployment of solar mini-grids.</p> <p>(ii) Construction of Solar Mini-Grids: This component involves the physical development and installation of solar-powered mini-grids. It includes the construction of infrastructure necessary for harnessing and distributing solar energy, aimed at improving access to reliable and sustainable electricity in targeted regions.</p> <p>Together, these components are designed to enhance energy access and reliability while leveraging expert insights and advanced solar technology.</p>
<p>Project credit duration</p>	<p>The project started on 29<sup>th</sup> June, 2015 to 31<sup>st</sup> December, 2023.  (8) Years (6) Months (3) days.</p>

**2.4 Bankers**

The following are the bankers for the project:

- (i) Central Bank of Kenya (Special Account)  
Account No. 1000250682  
Nairobi - Kenya.
- (ii) The Co-operative Bank of Kenya Limited  
Nairobi Business Centre Branch  
Account No. 01136125016302  
Nairobi - Kenya.

**Project Information and Overall Performance (Continued)**

**2.5 Auditors**

The project is audited by the:

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

**2.6 Roles and Responsibilities**

No.	Names and contact details	Title designation	Key Qualifications	Responsibilities
1.	Mr. Edward Gakunju +254722244879 Edward.gakunju@rrec.co.ke	Project Coordinator	Master's Degree in Economic Policy Management	<ul style="list-style-type: none"> <li>• Overall coordination of Project activities.</li> <li>• Coordinate Project implementation activities as per the work plan.</li> <li>• Prepare project implementation reports.</li> <li>• Attend project coordination meetings.</li> </ul>

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No.	Names and contact details	Title designation	Key Qualifications	Responsibilities
2.	Eng. Fred Tom Ishugah +254724368489 Fred.ishugah@rerec.co.ke	Project Manager	Master's Degree in Power Engineering and Engineering Thermal Physics	<ul style="list-style-type: none"> <li>• Overall management of project activities</li> <li>• Coordinate and approve project implementation activities as per the work plan and reports</li> <li>• Coordinate the review of project designs</li> <li>• Attend project coordination and management meetings</li> </ul>
3.	CPA Walter Nduta +254707879796 Walter.nduta@rerec.co.ke	Project Accountant	BBM(Accounting), C.P.A (K)	<ul style="list-style-type: none"> <li>• Preparation of the project's financial reports.</li> <li>• Process of</li> </ul>

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No.	Names and contact details	Title designation	Key Qualifications	Responsibilities
				project-related payments.
4.	Mr. Festus Kasonzo +254722138880 Festus.kasonzo@rerec.co.ke	Procurement Specialist	Master's Degree in Procurement and Supplies	<ul style="list-style-type: none"> <li>• Preparation of projects procurement plans</li> <li>• Preparation of bid documents.</li> <li>• Coordinate tendering evaluation and award notifications.</li> <li>• Coordination of procurement activities of the project.</li> </ul>

**2.7 Funding summary**

The project is for a duration of (8) years, (6) months, and (3) days, spanning from June 29, 2015, to June 30, 2023, with an approved budget of US\$10 million, equivalent to Kshs. 1,013,000,000. Although the credit financing expired on June 30, 2023, the World Bank extended the project disbursement period to December 31, 2023, to facilitate the processing of payments for works completed by June 30, 2023.

**Kenya Electricity Modernization Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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**Project Information and Overall Performance (Continued)**

Following the closure of the credit, the Government of Kenya has taken over the responsibility of completing the remaining project activities. The objective is to ensure full implementation and achievement of 100% completion of all outstanding works, under the national budget framework and in accordance with applicable government procedures. The funding summary is outlined in the table below:

**Kenya Electricity Modernization Project**  
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**Project Information and Overall Performance (Continued)**

Below is the funding summary:

**A. Source of Funds**

Source of funds	Donor Commitment		Amount received to date (30th June 2025)		Undrawn balance to date (30th June 2025)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Grant</b>						
International Development Association - IDA	7,500,000	759,750,000	4,660,434	573,722,020	2,839,566	186,027,980
<b>Sub-total (A)</b>						
<b>(ii) Loan</b>						
International Development Association - IDA	2,500,000	253,250,000	1,274,400	129,083,976	1,225,600	124,166,024
<b>Sub-total (B)</b>						
<b>(iii) Counterpart Funds</b>						
Government of Kenya (GOK)	106,459	10,787,991	106,459	10,787,991	-	-
<b>Sub-total (C)</b>						
<b>Total (D) =(A+B+C)</b>	<b>10,106,459</b>	<b>1,023,787,991</b>	<b>6,041,294</b>	<b>713,593,988</b>	<b>4,065,166</b>	<b>310,194,004</b>

**Explanation Note:**

The Government of Kenya (GoK) allocation represents operational costs incurred in the management of the project bank account. These include expenditures that are not eligible for reimbursement or documentation under the World Bank financing guidelines. A key example is foreign exchange losses arising from the currency conversion of payments made to the project contractor. Such costs fall outside the scope of eligible project expenditures under the World Bank's disbursement and financial reporting framework and are therefore fully borne by the

**Kenya Electricity Modernization Project  
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**Project Information And Overall Performance (Continued)**

GoK. As these financial statements represent the final project accounts following the expiry of the credit facility on 31st December 2023 and the full settlement of all obligations with the World Bank by the end of FY 2024/25 the corresponding GoK allocations have been duly recognized. This ensures that the financial statements present a complete, transparent, and accurate record of the project's financial position at closure.

**B. Application of Funds**

Application of funds	Amount received to date (30th June, 2025 )		Cumulative amount paid to date (30th June, 2025)		Unutilised balance to date (30th June, 2025)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Grant</b>						
International Development Association-IDA	4,660,434	573,722,020	4,660,434	573,722,020	-	-
<b>Sub-total (A)</b>					-	-
<b>(ii) Loan</b>						
International Development Association - IDA	1,274,400	129,083,976	1,157,112	117,202,748	117,288	11,881,228
<b>Sub-total (B)</b>					-	-
<b>(iii)Counterpart Funds</b>						
Government of Kenya (GOK)	106,459	10,787,991	106,459	10,787,991	-	-
<b>Sub-total (C)</b>						
<b>Total (D) =(A+B+C)</b>	<b>6,041,294</b>	<b>713,593,988</b>	<b>5,924,006</b>	<b>701,712,760</b>	<b>117,288</b>	<b>11,881,228</b>

**Project Information and Overall Performance (Continued)**

**2.8 Summary of Overall Project Performance**

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

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

During the year under review, the project did not receive any disbursements from the World Bank, as the credit facility expired on 31st December 2023.

At the time of credit closure, the cumulative absorption rate for the project stood at 58.18% of the total World Bank commitment. The Bank had disbursed US\$5,934,834 out of a total commitment of US\$10,000,000. However, US\$117,287.54 (equivalent to Kshs.11,881,227.80) was refunded as unutilized funds, resulting in a net absorption of US\$5,817,547 (equivalent to Kshs.690,924,769).

Cumulatively, since the inception of the project, total receipts amount to Kshs. 713,593,988, while total expenditures stand at Kshs. 701,712,760. The unutilized balance of Kshs. 11,881,228 was refunded to the World Bank through the National Treasury of Kenya in accordance with established government financial management procedures and guidance on donor fund accountability.

**Kenya Electricity Modernization Project  
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**ii) Physical progress based on outputs, outcomes and impacts since project commencement Budget.**

<b>Activities planned for the reporting period</b>	<b>Activity Implementation Status</b>	<b>Remarks</b>
Recruitment of consultants for preliminary designs and environmental impact assessment.	Preparation of bids, advertisements, opening of bids, evaluation of bids, and awards of contracts.	Completed.
Recruitment of transaction advisors'	Preparation of bids, advertisements, opening of bids, evaluation of bids, and awards of contracts.	Completed.
Submission of a final report on preliminary designs and ESIA's	For the ten sites draft final report in 2018	Completed
Submission of bid document by the transaction advisors'	For recruitment of construction contractor	Completed
Recruitment of Construction contractor	Advertisements, opening of bids, evaluation of bids and awards of contracts	Completed
Site handover to the contractor	For Seven sites that are ready for implementation	Completed
Material manufacture	All the remaining materials were manufactured.	Completed
Factory Acceptance Tests	For materials already completed,	Completed

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Activities planned for the reporting period	Activity Implementation Status	Remarks
	it was done virtually.	
Delivery of materials	A tax exemption was obtained. All materials were delivered to the sites	Completed
Installation of the mini-grids	Areas for connection of customers and households	The project is currently ongoing and has achieved an average completion rate of 83%.

**iii) Comment on value for money achievements.**

The project credit was extended, with a final closing date of June 30, 2023. In accordance with World Bank procedures, the deadline for submission of disbursement applications was set for December 31, 2023, strictly covering goods delivered and services rendered by the closing date. This ensured that project expenditures were limited to completed and verifiable activities, thereby enhancing accountability and contributing to the realization of value for money.

Following the closure of the credit, the Government of Kenya has taken over the responsibility of completing the remaining project activities. The objective is to ensure full implementation and achievement of 100% completion of all outstanding works, under the national budget framework and in accordance with applicable government procedures.

The Corporation is overseeing activities of the construction contractor to ensure implementation of the planned activities is achieved. The following are the achievements: -

**Project Information and Overall Performance (Continued)**

- a) Preliminary designs for the mini-grids were successfully completed within the scheduled timelines.
- b) Environmental and Social Impact Assessment (ESIA) reports were prepared and finalized on time.
- c) Transaction advisors were engaged and subsequently submitted the bidding documents for the procurement of construction contractors.
- d) All required construction materials were delivered to the respective project sites.
- e) While installation activities are momentarily paused, the groundwork has been laid, and progress is expected to resume in the near term.

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

The absorption rate for the project stands at 59.35% of the total donor commitment. By the time of credit closure, the World Bank had disbursed US\$5,934,834 out of its total commitment of US\$10,000,000. However, an amount of US\$117,287.54 (equivalent to Kshs.11,881,227.80) was refunded to the World Bank as the unutilized balance. This brings the actual absorption at credit lapse to US\$5,817,547 (equivalent to Kshs.690,924,769), representing 58.18% of the allocated funds. This reflects substantial progress in project implementation and prudent financial management.

The remaining works have been addressed through additional funding from the Government of Kenya via the Exchequer. This funding covers any outstanding works and ensures the completion of all project activities as initially planned. Transitioning to government funding highlights the commitment to fulfilling the project's objectives and addressing any final requirements to achieve the project's full scope and impact. This approach guarantees that project goals are fully realized, while effectively managing any financial gaps.

**Project Information and Overall Performance (Continued)**

**v) Implementation challenges and recommended way forward.**

- a) The COVID-19 pandemic, which impacted the world from 2020 to 2022, posed significant challenges. Social distancing measures adversely affected material manufacturing, travel, and document sharing, impeding project progress and coordination efforts.
- b) The process of land acquisition proved lengthy. While some sites were resolved through county and community engagements, others remain in Progress. To expedite resolution through enhanced stakeholder collaboration and streamlined procedures.
- c) Delays in the manufacturing and delivery of materials by contractors further compounded project delays. To address this, we have implemented stricter deadlines and penalties for late deliveries, and to establish more robust tracking systems.
- d) Contractors' failure to complete project work on schedule led to delays in invoicing and a lower credit absorption rate. Future contracts should include more rigorous performance benchmarks and regular progress reviews to mitigate similar issues.
- e) The work completed by contractors on several sites did not meet construction standards, necessitating rework. To enforce stricter quality control measures and conduct more frequent inspections to ensure compliance with construction standards.
- f) Initial material deliveries were incomplete, falling short of the quantities specified in the bill of quantities and approved drawings. The contractor is currently addressing the shortfall, with a complete supply of materials underway. Moving forward, it is essential to verify material deliveries against contractual specifications before acceptance to prevent similar issues.

**Project Information and Overall Performance (Continued)**

**2.9 Summary of Project Compliance**

There were no significant instances of non-compliance with applicable laws, regulations, or essential external financing agreements and covenants throughout the project. This strong track record of adherence demonstrates that the project consistently aligned with all relevant legal and regulatory requirements. It reflects a robust framework of governance and oversight that ensured all project activities were conducted in accordance with legal standards and contractual obligations.

The project's full compliance with the terms of external financing agreements further underscores its commitment to transparency and accountability. By adhering to these agreements, the project successfully maintained the trust and support of its financial supporters and stakeholders. This adherence facilitated the smooth and lawful execution of project activities, mitigating risks and avoiding potential legal or financial issues. The absence of non-compliance issues highlights the effectiveness of the project's management systems and its dedication to upholding high standards of operational integrity.

### **3. Statement of Performance against Project's Predetermined Objectives**

#### **Introduction**

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

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

- a) **Preparation of the National Electrification Strategy (NES).**The NES aims to achieve universal access to electricity services that adhere to applicable quality standards in a sustainable manner and within the shortest possible timeframe. This ambitious goal is focused on ensuring that all citizens have reliable and high-quality electricity access while promoting sustainability. To optimize resource allocation from a national perspective, the strategy emphasizes efficient and strategic deployment of resources, ensuring that investments and efforts are directed where they will have the greatest impact. The Ministry of Energy and Petroleum (MoEP) is tasked with implementing this strategy. By overseeing and coordinating the execution of these activities, MoEP will work to ensure that the NES objectives are met, advancing the country towards universal electricity access efficiently and sustainably.
  
- b) **Detailed National Technical Specifications.**This assistance will support the technical and economic optimization of designing and constructing electricity networks for new users in currently unelectrified areas, ensuring adherence to applicable service quality standards. The initiative aims to enhance the efficiency and effectiveness of network expansion by integrating new standardized construction units alongside those already utilized by Kenya Power and Lighting Company (KPLC) and the Rural Electrification and Renewable Energy Corporation (REREC). The Ministry of Energy and Petroleum (MoEP) will oversee the implementation of this activity. By establishing and applying these detailed national technical specifications, MoEP will facilitate the development of robust and high-quality electricity infrastructure, contributing to the broader goal of expanding electricity access in underserved regions.

- c) **Regulations for Enforcing Quality on Electricity Service.** Assistance will be provided to the Energy and Petroleum Regulatory Authority (EPRA) to establish a comprehensive regime for enforcing service quality standards. This will involve systematic monitoring of key performance parameters through direct access to the records and information systems used by Kenya Power and Lighting Company (KPLC). Additionally, the approach will include evaluating customer complaints and commercial systems to ensure that service delivery meets the highest standards. The Ministry of Energy and Petroleum (MoEP), in collaboration with the EPRA, will implement this activity. By enhancing regulatory oversight and integrating detailed service quality assessments, this initiative aims to ensure that electricity services are delivered consistently and meet the expectations of consumers.
- d) **Training and capacity building.** This initiative will fund training, capacity building, and communication efforts for key sector entities, including the Ministry of Energy and Petroleum (MoEP), Kenya Power and Lighting Company (KPLC), the Rural Electrification and Renewable Energy Corporation (REREC), Kenya Electricity Transmission Company (KETRACO), Kenya Electricity Generating Company (KenGen), and the Energy and Petroleum Regulatory Authority (EPRA).

The objective is to enhance the skills, knowledge, and effectiveness of these organizations, ensuring they are well-equipped to meet sector demands and implement best practices. By investing in these areas, the initiative aims to strengthen institutional capabilities and improve overall sector performance.

**Progress on attainment of Strategic development objectives**

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic, and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below, we provide progress on attaining the stated objectives:

**Kenya Electricity Modernization Project  
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<b>Project</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>
Kenya Electricity Modernization Project.	Provision of electricity in selected islands.	Connection of public facilities and households.	Availability of electricity in the selected islands

**Detailed Performance:**

In FY 2024/25, seven (7) mini grid sites with a total estimated capacity of 2,070.3 kW and a target of 3,950 customer connections have been implemented. Of these, four sites; Takawiri, Ngodhe, Mageta, and Wasini/Mkwiro were successfully commissioned between 4th and 15th December 2024. The commissioned sites have achieved over 93% overall implementation, with 1,790 customers currently utilizing power.

The remaining three sites: Kerio, Kaeris, and Dabel are between 63% and 70% complete, with progress hindered by the abandonment of works by the main contractor, particularly at Kerio. However, the MV network has been completed, and delivery of the step-up transformer is anticipated in due course.

While SPGP implementation is strong, ranging between 85% and 100%, PDN implementation shows wider variability, from 50% to 91%. This underscores the need for accelerated completion and enhanced customer onboarding to fully realize the project's targeted connectivity.

#### **4. Environmental and Sustainability Reporting**

The project is dedicated to transforming lives, serving as the core purpose and driving force behind all our efforts. This fundamental objective guides every aspect of our strategy and operational activities. Our commitment to this purpose ensures that every initiative we undertake is aligned with our mission to create meaningful and lasting impact.

Our approach to sustainability is integral to achieving this transformation. The Corporation has implemented a range of activities designed to promote environmental stewardship, social equity, and economic development. These activities include the optimization of electricity networks to expand access in underserved areas, the establishment of stringent service quality regulations, and comprehensive training and capacity-building programs for key sector entities. By focusing on these areas, the Corporation aim to drive sustainable progress and enhance the well-being of communities, ensuring that the benefits of our work are both profound and enduring.

##### **i. Sustainability strategy and profile**

The Corporation is dedicated to promoting sustainable environmental management and the responsible use of natural resources to generate socio-economic benefits. In 2019-20, several measures were implemented to ensure sustainable energy resource management. These measures included the implementation of the Energy Act 2019 through the development and review of various regulations (currently in draft form) that guide the sustainable utilization of energy resources. Additionally, the formulation of the Kenya Energy Efficiency and Conservation Strategy and the Bio-Energy Strategy aims to promote the development and sustainable use of bio-energy resources in Kenya.

Further strategies included the protection of riparian land and reforestation of hydro dam catchment areas. This involved direct engagement in reforestation efforts and supplying seedlings to communities in project areas, ensuring active participation in environmental stewardship and the enhancement of local ecosystems.

**ii. Environmental performance**

The proposed project was screened by the World Bank and assigned an Environmental Category B Partial Assessment on the assumption that no major civil works will be funded and no major physical or economic displacement will take place. Four safeguard policies have been triggered for the project. They include (a) OP/BP 4.01 (Environmental Assessment); (b) OP/BP 4.04 (Natural Habitats); (c) OP/BP 4.10 (Indigenous Peoples); and (d) OP/BP 4.12 (Involuntary Resettlement).

The World Bank operational policy on environmental assessment (OP/BP 4.01) has been triggered due to the implementation of the activities outlined under Components 1–3. The main potential environmental impacts anticipated for the project are (a) civil works that would be limited to construction of the mini-grids in remote areas (Component 1), installation of stand-alone systems for households (Component 2), installation of solar PV for water pumping (Component 3), and construction of distribution lines to connect new customers, and (b) environmental, health, and safety concerns are likely to be associated with recycling and disposal of spent batteries at the end of their useful lives, which is usually 3–5 years after deployment. Rechargeable batteries for storing solar energy may run on nickel-cadmium (Ni-Cad), nickel metal hydride (NiMH), lithium-ion (Li-ion), lead-acid (Pb-A), or lead-gel (Pb-gel). These batteries should not be disposed of in standard landfills because they can create long-lasting environmental and human health impacts (for example, headaches, abdominal discomfort, seizures and comas, cancers, irritation of the skin and respiratory system, burns and damage to the skin and eyes, and corrosion) due largely to the heavy metals such as mercury, lead, cadmium, nickel, and acids. The entire management process, including de-manufacturing, collection, storage, recycling, transport, and disposal, may present a challenge to this project and, given the scope of this World Bank operation, could result in environmental and social risks and impacts, although these impacts are reversible and localized and can be easily and cost-effectively mitigated. The operational policy on natural habitats (OP/BP 4.04) has been triggered on the assumption that the project activities under Components 1 and 3 are likely to affect the natural habitats through the erection of poles, the construction of mini-grids, and the installation of solar water pumping equipment.

**iii. Employee welfare**

The Corporation's recruitment policies are guided by several key documents: the PSC Recruitment and Selection Policy; Delegation of PSC HRM Functions to the Cabinet Secretary (July 2018); Framework for Short-Term Employment in the Public Service (May 2019); and the Human Resources Policies and Procedure Manual for the Public Service (May 2016). These policies enable the Corporation to promote a common cadre under delegated powers, ensuring consideration of gender and regional balance.

For skills improvement and career progression, the Corporation follows the Human Resource Development Policy for the Public Service (June 2015) and Guidelines on Managing Training in the Public Service. These frameworks enable the Corporation to conduct individual training programs necessary for career progression and promotion, as well as group training for various cadres in accordance with the Schemes of Service.

The Corporation ensures all staff are assessed through the Performance Appraisal System (PAS), as directed by guidelines for implementing performance rewards and sanctions in the public service, as well as the Performance Rewards and Sanctions framework. Additionally, the Corporation has developed its own Occupational Safety and Health Policy, referencing the Occupational Safety and Health Act of 2007.

A Corporation Committee on Occupational Safety and Health is in place to ensure adherence to OSHA standards, safeguarding the safety and security of staff and Corporation properties.

**iv. Market place practices**

The Corporation strictly adheres to Annex IV of the World Bank Regulations on Banks Anti-Corruption Guidelines, ensuring the highest standards of integrity in all financial and procurement activities. Rigorous internal controls, continuous staff training, and robust monitoring systems are in place to prevent corruption and ensure fair competition. This commitment to transparency and accountability upholds the trust of stakeholders and promotes a culture of responsible competition.

**a) Responsible Supply chain and supplier relations**

Procurement undertaken in compliance with WB Procurement Regulations as per Section 3.7 of the regulations are as follows;

- (i) Provide timely and sufficient information to Bidders/Proposers/Consultants, including through the Notification of Intention to Award and debriefing, so that Bidders/Proposers/Consultants can both understand the basis for the Borrower's decision and make an informed decision on whether to lodge a Complaint challenging that decision.
- (ii) Promptly acknowledge Complaints received;
- (iii) Resolve Complaints promptly and fairly;
- (iv) Preserve the confidentiality and proprietary information of other Applicants/ Bidders/Proposers/Consultants, including commercial and financial information and trade secrets as requested by the Bidders/Proposers/Consultants in their Bids/Proposals;
- (v) Maintain complete records of all debriefings and Complaints and their resolution;
- (vi) For contracts subject to prior review, inform the Bank promptly of any Complaint submitted and provide the Bank a copy of all relevant documents and information; and
- (vii) For contracts subject to prior review, The Client consult with the Bank promptly and forthrightly throughout the Complaint review and resolution process.

**b) Responsible ethical Practices**

The Corporation is committed to responsible ethical practices in its dealings with suppliers. This includes ensuring that suppliers are given sufficient time to respond to requests for proposals and other procurement processes. Adequate response time allows suppliers to prepare comprehensive and competitive bids, fostering a fair and transparent competitive environment.

Additionally, if clarifications or changes to bidding documents are required, the Corporation provides extensions to the response deadlines. This ensures that all potential bidders have

the necessary time to adjust their proposals in light of the new information, maintaining the integrity and fairness of the procurement process. By implementing these practices, the Corporation promotes ethical standards and fairness, ensuring that all suppliers have an equal opportunity to participate in procurement activities

**c) Regulatory impact assessment**

The Corporation ensures strict adherence to NEMA guidelines in project implementation to minimize environmental impact and promote sustainable development. Additionally, it actively pursues green procurement, prioritizing suppliers committed to environmental sustainability. This approach supports the use of eco-friendly materials and practices, reinforcing the Corporation's dedication to environmental stewardship.

**v. Community Engagements**

To enhance the acceptance of projects by the communities around the project area, the Corporation has implemented several strategic measures. The Ministry and its Agencies have established comprehensive mechanisms for engaging the local population throughout the project implementation phases. Key among these mechanisms is the operationalization of Stakeholders Coordination Committees. These committees serve as vital platforms for continuous dialogue and collaboration between the Corporation, the Ministry, and the community stakeholders, ensuring that community voices are heard and considered in decision-making processes.

Moreover, the Corporation has rolled out an extensive community engagement strategy and policy. This strategy is designed to foster open communication, build trust, and encourage active participation from the local communities. By informing, consulting, and involving the community at various stages of the projects, the Corporation ensures transparency and responsiveness to community concerns and feedback.

In addition to engagement, the Corporation is committed to providing tangible benefits to the local communities. During the implementation of energy projects, there is a concerted effort to prioritize local residents for employment opportunities. This not only boosts local economies but also enhances community support and ownership of the projects.

**Kenya Electricity Modernization Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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Furthermore, the Corporation involves local communities in the land acquisition process, ensuring that their rights and interests are respected and that any potential impacts are mitigated through fair and transparent procedures.

Through these comprehensive measures, the Corporation not only enhances the acceptance and support of its projects but also strengthens its relationship with the communities, contributing to the overall success and sustainability of its initiatives.

**5. Statement of Project Management Responsibilities**

The Chief Executive Officer of Rural Electrification and Renewable Energy Corporation and the Project Coordinator are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2025.

This responsibility includes:

- i) Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period;
- ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project;
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv) Safeguarding the assets of the project;
- v) Selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Chief Executive Officer and the Project Coordinator for KEMP Project accept responsibility for the Project's financial statements, which have been prepared on the accrual basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS).

The Chief Executive Officer and the Project Coordinator for KEMP Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2025, and of the Project's financial position as at that date. The Chief Executive Officer and the Project Coordinator for further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the Project Financial Statements**

The Project financial statements were approved by the Chief Executive Officer and the Project Coordinator for **KEMP** Project on 29<sup>th</sup> August 2025 and signed by them.



for

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



.....  
**Mr. Edward Gakunju**  
**Project Coordinator**

# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

## REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY MODERNIZATION PROJECT (IDA GRANT NUMBER TFA059 AND CREDIT NUMBER 55870) FOR THE YEAR ENDED 30 JUNE, 2025 – RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION

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### PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kenya Electricity Modernization Project set out on pages 1 to 41, which comprise of the statement of financial position as

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*Report of the Auditor-General on Kenya Electricity Modernization Project (IDA Grant Number TFA059 and Credit Number 55870) for the year ended 30 June, 2025 - Rural Electrification and Renewable Energy Corporation*

at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Electricity Modernization Project as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Financing Agreement between the Republic of Kenya and the International Development Association for Credit Number 5587 KE dated 29 June, 2015, Grant Number TFA0579 dated 29 June, 2016, and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Inaccuracies in the Property, Plant and Equipment Balance**

The statement of financial position reflects property, plant and equipment valued at Kshs.839,299,842. As disclosed in Note 21 to the financial statements, the amount relates to accumulated cost of work in progress as at 30 June, 2025. Further, the Statement of Performance Against Project's Predetermined Objectives indicates in last paragraph that four (4) out of the seven (7) mini grids implemented under the Project were successfully commissioned between 4 December, 2024 and 15 December, 2024 and were in use. However, Management did not transfer costs of the four (4) mini grids from work in progress to plant assets and distribution lines. In addition, the hand over reports for the commissioned projects were not provided for review.

In the circumstances, accuracy and completeness of the property, plant and equipment balance of Kshs.839,299,842 could not confirmed.

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

### **Emphasis of Matter**

#### **Material Uncertainty Relating to Sustainability of Services**

As disclosed under Paragraphs 2.7 and 2.8 of the Project Information and Overall Performance, the credit facility for the Project expired on 31 December, 2023. As at time

of closure, the Project had drawn a total of USD5,934,834 equivalent to Kshs.601,198,684 or 59% of the total financing partner commitment of USD10,000,000 (approximately Kshs.1,013,000,000) which left a total of USD4,065,166 equivalent to Kshs.411,801,316 undrawn, comprising of USD2,839,566 and USD1,255,600 in grants and loans respectively.

In addition, at the time of expiry of credit in December, 2023, several works in three (3) mini grid sites were yet to be completed. Management did not secure alternative funding to complete the projects and relied on internally generated funds and the Exchequer to finance the remaining works, and the works remained incomplete as at 30 June, 2025.

The above conditions indicate existence of material uncertainty relating to sustainability of services. However, Management continued to prepare the financial statements on a going concern basis contrary to Paragraph 43 of the International Public Sector Accounting Standards (IPSAS) which provides that when preparing financial statements an assessment of an entity's ability to continue as a going concern should be made. This assessment should be made by those responsible for the preparation of the financial statements.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### **Other Matter**

#### **Unresolved Prior Year Matters**

In the prior years' audit report, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Project in 2024/2025 revealed that the Accrued Commitment Fees on Undrawn Financing Amount and Irregular Variation Contract Term matters remained unresolved.

### **Other Information**

Management is responsible for the Other Information set out on page v to xxx which comprise of Project Information and Overall Performance, Statement of Performance Against Project's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Project Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Project's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I

conclude that there is a material misstatement of this Other Information, I am required to report that fact. In my opinion, except for the matters in the Report on Lawfulness and effectiveness in the Use of Public Resources described below, I confirm that the Other Information is not materially inconsistent with the financial statements.

1. Issue number 2 on Unutilized Grants
2. Issue number 3 on Land Without Titles

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

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

### Conclusion

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

### Basis for Conclusion

#### 1. Delay in Project implementation

Management entered into a contract with an international company on 9 October, 2019 for design, supply and installation of Solar Voltaic Power Generation Plant (SPGP) with associated power distribution network, and operation and maintenance services to consumers. The contract was to be implemented in twelve (12) months. On 14 July, 2023 the parties to the contract signed a fourth (IV) addendum to change facilities terms contained in the original contract.

A letter from World Bank to The National Treasury dated 26 June, 2024 requesting for a refund of the designated account balance of Kshs.11,881,228 signified the closure of Project. However, construction of solar powered mini grids in three (3) sites comprising Kaeris, Kerio and Dabel were incomplete and the contractor had abandoned the sites as was indicated in the correspondences provided.

Further, the Rural Electrification and Renewable Energy Corporation (REREC) which was implementing the Project provided letters dated 8 September, 2025 issued to local bank demanding for payments of USD73,458 and USD661,126 respectively in respect of performance guarantees issued in favor of the contractor. However, the Bank extended the validity of performance guarantee to 30 November, 2025.

In addition, correspondences between Management and the contractor revealed that there was no ongoing works at the three incomplete sites, which had remained abandoned for over one year. However, as at the time of audit in September, 2025, Management had not recovered the liquidated damages of up to Kshs.93,463,946

computed using the applicable rate liquidated damages recovery rate of 0.05% - 10% of the contract price.

In the circumstances, the value for money incurred on the Project could not be confirmed.

## **2. Unutilized Grants**

Paragraph 2.7 of the Project Information and Overall Performance discloses that the International Development Association had committed to finance the Project with a grant of USD7,500,000 (Kshs.759,750,000) and a credit of USD2,500,000 (Kshs.253,250,000). The Financing Agreement expired on 30 June, 2023, and was subsequently extended to 31 December, 2023 to facilitate payment of executed works. However, as at 30 June, 2025, works in three (3) sites were yet to be completed.

Management indicated that the remaining works were being funded from Exchequer and internally generated funds. This was despite the Project failing to utilize committed grant amounting to USD 2,839,566 (approximately Kshs.287,648,036) and a credit of USD1,225,600 (Kshs.124,166,024).

In the circumstances, implementation of the Project to completion could not be confirmed.

## **3. Land Without Titles**

Paragraph 2.1 of the Project Information and Overall Performance indicates that the objective of developing the seven (7) solar hybrid mini grid electricity projects was to connect households and public facilities in the selected areas. The objectives were similarly reflected in the Statement of Performance Against Project's Predetermined Objectives.

Review of the Statement of Performance Against Project's Predetermined Objectives revealed the following anomalies;

- i. Four (4) mini grids were successfully commissioned in December, 2024 in Takawiri in Homabay County, Ngodhe in Homabay County, Mageta in Siaya County and Wasini/Mkwiro in Kwale County. However, ownership documents for the land where Takawiri and Mageta mini grids are erected were not provided for verification. Further, the hand over reports for the four (4) commissioned mini grid projects were not provided for review.
- ii. Three (3) sites comprising of Kerio, Kaeris in Turkana County and Dabel in Marsabit County were indicated to be between 63% and 70% complete. However, Management did not provide ownership documents for the land where the mini grids were being set up.

In the circumstances, transfer of ownership of the land where the Projects are situated could not be ascertained.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern

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

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

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### **Conclusion**

As required by Financing Agreement Credit Number 5587 – KE on Electricity Modernization Project between Republic of Kenya and International Development Association dated 29 June 2015, I report, based on my audit, that:

- i. 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.
- ii. Adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

### **Basis for Conclusion**

The Financing Agreement between the Republic of Kenya and the International Development Association for Credit Number 5587 KE dated 29 June, 2015 and Grant Number TFA0579 dated 29 June, 2016 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **Responsibilities of Management and those Charged with Governance**

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

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities

that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

10 November, 2025

**Kenya Electricity Modernization Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**7. Statement of Financial Performance for the Year Ended 30th June 2025**

Description	Notes	2024/2025
		Kshs
<b>Revenue</b>		
Revenue Transfers	6	-
Miscellaneous Revenue	7	-
<b>Total revenue</b>		-
<b>Expenses</b>		
Employee costs	8	-
Use of goods and services	9	(3,720)
Depreciation and amortization expense	10	-
Transfer to other Government Entities	11	-
Other Transfers/Subsidies/Grants	12	-
Certified Works	13	-
<b>Total expenses</b>		<b>(3,720)</b>
<b>Other gains/(losses)</b>		
Gain/Loss on sale of assets	14	-
Gain/Loss on foreign exchange transactions	15	-
Impairment loss	16	-
<b>Surplus/(Deficit) for the Year</b>		<b>(3,720)</b>

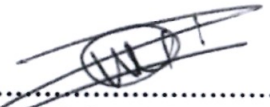
**Kenya Electricity Modernization Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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

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

  
.....  
**Mr. Edward Gakunju**  
**Project Coordinator**

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

**Kenya Electricity Modernization Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**


**8. Statement of Financial Position as at 30th June 2025**

Description	Note	2024/2025	1 <sup>st</sup> July 2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	17	-	1,101,956
<b>Receivables:</b>			
Vendor Advances	18	-	-
Other receivables		-	-
Inventories	19	-	-
Prepayment	20	-	-
<b>Total Current Assets</b>		-	<b>1,101,956</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	21	839,299,842	839,299,842
Intangible Assets	22	-	-
<b>Total Non- Current Assets</b>		<b>839,299,842</b>	<b>839,299,842</b>
<b>Total Assets (a)</b>		<b>839,299,842</b>	<b>840,401,799</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
<b>Trade and Other Payables:</b>			
Retention Payable - Final Settlement	23	-	-
Payables Pending Financier Disbursement		-	-
Third Party Deposits	24	-	-
Deferred Income	25	-	1,101,956
<b>Total Current Liabilities</b>		-	<b>1,101,956</b>
<b>Non-Current Liabilities</b>			
Retention Payable - Final Settlement	23	137,674,352	137,674,352
<b>Total Non-Current Liabilities</b>		<b>137,674,352</b>	<b>137,674,352</b>
<b>Total Liabilities (b)</b>		<b>137,674,352</b>	<b>138,776,308</b>
<b>Net Assets (a-b)</b>		<b>701,625,491</b>	<b>701,625,491</b>
<b>Represented By:</b>			
Accumulated Surplus/(Deficit)		(87,269)	(83,549)
Capital Fund		701,712,760	701,709,040
<b>Total Net Assets</b>		<b>701,625,491</b>	<b>701,625,491</b>

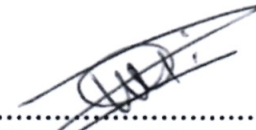
**Kenya Electricity Modernization Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 29<sup>th</sup> August 2025 and signed by:

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

  
.....  
Mr. Edward Gakunju  
Project Coordinator

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


**Kenya Electricity Modernization Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**9. Statement of Changes in Net Assets for the Year Ended 30th June 2025**


Description	Accumulated Surplus Kshs	Capital Fund	Total
As at 30th June 2025 (Cash Basis)	(83,549)	701,709,040	701,625,491
<b>Adjustments:</b>	-	-	-
Asset Recognition			
Liabilities recognition			
As at 1st July 2024	(83,549)	701,709,040	701,625,491
Surplus/(Deficit) for the year	(3,720)	-	(3,720)
Receipts during the year	-	3,720	3,720
As at 30th June 2025	(87,269)	701,712,760	701,625,491

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on

29<sup>th</sup> August 2025 and signed by:

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

  
 .....  
 Mr. Edward Gakunju  
 Project Coordinator

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

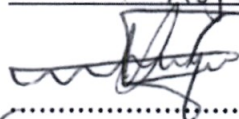
**Kenya Electricity Modernization Project  
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**10. Statement of Cashflow for the Year Ended 30th June 2025**


Description	Note	2024/2025 Kshs
<b>Cashflow from operating activities</b>		
<b>Receipts</b>		
Revenue Transfers		-
Miscellaneous Revenue		-
<b>Total receipts</b>		-
<b>Payments</b>		
Employee costs		-
Use of goods and services		(3,720)
Transfer to other Government Entities (REREC)		(1,098,236)
Other Transfers/Subsidies/Grants:		-
Certified Works		-
<b>Total payments</b>		<b>(1,101,956)</b>
<b>Net cash flow from operating activities</b>	<b>26</b>	<b>(1,101,956)</b>
<b>Cashflow from investing activities</b>		
Acquisition of non-financial assets		-
Proceeds from sale of Assets		-
Acquisition of Intangible assets		-
<b>Net cash flows from investing activities</b>		-
<b>Cash flow from financing activities</b>		
Proceeds From Foreign Borrowings		-
<b>Net cash flow from financing activities</b>		-
Net increase/Decrease in cash and cash equivalents		<b>(1,101,956)</b>
Effect of Exchange Rate Changes (Forex Loss)	<b>15</b>	-
<b>Cash and cash equivalent at 1st July 2024</b>	<b>17</b>	<b>1,101,956</b>
<b>Cash and cash equivalent at 30th June 2025</b>	<b>17</b>	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on

29<sup>th</sup> August 2025 and signed by:

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

  
.....  
Mr. Edward Gakunju  
Project Coordinator

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

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**11. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30th June 2025**

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	(a)	(b)	(c)=(a+b)	(d)	(e)=(c-d)	(f)=(d/c)%
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Revenue Transfers	-	-	-	-	-	0%
Miscellaneous Revenue	-	-	-	-	-	0%
<b>Total Revenue (A)</b>	-	-	-	-	-	<b>0%</b>
<b>Payments</b>						
Employee costs	-	-	-	-	-	0%
Use of goods and services	-	-	-	(3,720)	3,720.00	0%
Depreciation and amortization expense	-	-	-	-	-	0%
Transfer to other Government Entities	-	-	-	-	-	0%
Other Transfers/Subsidies/Grants	-	-	-	-	-	0%
Certified Works	-	-	-	-	-	0%
<b>Total Payments (B)</b>	-	-	-	<b>(3,720)</b>	<b>3,720</b>	<b>0%</b>
<b>Other gains/(losses)</b>						
Gain/Loss on sale of assets	-	-	-	-	-	0%
Gain/Loss on foreign exchange transactions	-	-	-	-	-	0%
Impairment loss	-	-	-	-	-	0%
<b>Total other gains/(losses) (C)</b>	-	-	-	-	-	<b>0%</b>
<b>Surplus/(Deficit) for the Year (D) = (A+B+C)</b>	-	-	-	<b>(3,720)</b>	<b>3,720</b>	

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**Budget Utilization/ Performance Explanation Note:**

In FY 2024/2025, Kshs 3,720 was incurred as monthly bank account maintenance charges. Although no specific budget allocation had been set aside for this item, the cost was absorbed within available project resources without affecting the overall financial position.

No additional funding or financial activities under the World Bank facility were undertaken during the year, aside from the refund of Kshs 1,098,956 to the World Bank through REREC. The project posted a net deficit of Kshs 3,720, which was fully financed from previously deferred income marking the successful closure of the World Bank funding cycle.

**12. Notes to the Financial Statements**

**1. General Information**

The Rural Electrification and Renewable Energy Corporation entity is established by and derives its authority and accountability from section 43 of the Energy Act of 2019. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide sustainable energy solutions for all through renewable energy and rural electrification for social economic transformation.

**2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

**Guiding note during the transition period:**

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS), or the entity has taken advantage of the transitional provisions under IPSAS 33, and therefore these 1<sup>st</sup>/ 2<sup>nd</sup>/ 3<sup>rd</sup>/year financial statements are transitional financial statements and the following elements of the financial statements have not been recognized as the entity has taken advantage of the transition provisions outlined in IPSAS 33. (entity to state the transitional provisions it has applied and the steps being towards full compliance with IPSAS Accrual).

These financial statements were authorized for issue by the accounting officer on 29<sup>th</sup> August 2025

**3. Adoption of New and Revised Standards**

- i) **New and amended standards and interpretations in issue effective in the year ended 30th June 2025.**

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1<sup>st</sup> January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on

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Standard	Effective date and impact:
	<p>the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>The standard has no expected impact on the Entity.</i></p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>The standard has no expected impact on the Entity.</i></p>
<p>IPSAS 45- Property Plant and Equipment</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under-maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>The standard has no expected impact on the Entity.</i></p>
<p>IPSAS 46 Measurement</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency</li> </ul>

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Standard	Effective date and impact:
	<p>across IPSAS;</p> <p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>No material impact expected, as the Entity already applies IPSAS-compliant measurement bases; IPSAS 46 mainly provides enhanced guidance.</i></p>

**ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025**

Standard	Effective date and impact:
<p>IPSAS 47- Revenue</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>Minimal impact is expected; however, appropriate disclosures will be required to ensure full compliance.</i></p>
<p>IPSAS 48- Transfer Expenses</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>Minimal impact is expected; however, appropriate disclosures will be required to ensure full compliance.</i></p>
<p>IPSAS 49- Retirement</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective is to prescribe the accounting and reporting requirements for</p>

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Standard	Effective date and impact:
Benefit Plans	the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan. <i>The standard has no expected impact on the Entity.</i>

**iii) Early adoption of standards**

The Entity did not early adopt any new or amended accounting standards during the financial year.

#### **4. Summary of Significant Accounting Policies**

##### **a) Revenue recognition**

##### **i) Revenue from non-exchange transactions**

##### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

##### **ii) Revenue from exchange transactions**

##### **Interest income**

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

##### **b) Budget information**

The original budget for FY 2024/2025 was approved by the Board within the prescribed timelines and in line with the budget preparation procedures set by the Ministry and the National Treasury. However, no allocation was made under the project's external funding component from the World Bank, as the credit facility was not available during the financial year.

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 entity upon receiving the respective approvals to conclude the final budget. Accordingly, the entity recorded additional appropriations of nil for the FY 2024/2025 budget following the Board's approval. The entity'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 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

**Notes to the financial statements (Continued)**

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 on page 7 of these financial statements.

**c) 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 or construction of the item of property appropriately according to the acronyms in the financial statements plant and equipment. 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.

**d) Leases**

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. 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 Entity 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 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 Entity 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.

**Notes to the financial statements (Continued)**

**e) 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. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

**f) Research and development costs**

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

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

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

**g) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate). A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a

**Notes to the financial statements (Continued)**

financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Financial assets:**

**Classification**

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

**Subsequent measurement**

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

**Amortized cost**

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

**Notes to the financial statements (Continued)**

**Fair value through net assets/ equity**

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

**Fair value through surplus or deficit**

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

**Trade and other receivables**

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

**Impairment**

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. There were no critical estimates or significant judgments made by management in determining the expected credit loss (ECL) during the financial year.

**Financial liabilities**

**Classification**

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

**h) 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.

**Notes to the financial statements (Continued)**

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 labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**i) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**Contingent liabilities**

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

**Contingent assets**

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the *Entity* in the notes to the financial statements.

**Notes to the financial statements (Continued)**

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**j) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. (Entity to state the reserves maintained and appropriate policies adopted).

**k) Changes in accounting policies and estimates**

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

**l) Employee benefits**

**Retirement benefit plans**

The Entity 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 entity does not have any defined benefit or defined contribution schemes; therefore, the related disclosure requirements are not applicable.

**m) 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

**Notes to the financial statements (Continued)**

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.

**n) 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.

**o) Related parties**

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

**p) Service concession arrangements**

The Entity 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 Entity 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 Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**q) 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.

**r) 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, 2025.

#### **5. Significant Judgments and Sources of Estimation Uncertainty**

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

##### **Estimates and assumptions.**

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

##### **Useful lives and residual values**

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

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

##### **Provisions**

Provisions were raised and management determined an estimate based on the information available. 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 entity has not raised any provisions during the financial year, including provisions for bad debts or obsolete stocks. Consequently, there are no related estimates or disclosures applicable for this period.

Notes to the financial statements (Continued)

6. Revenue Transfers

Description	2024/2025
	KShs
<b>Unconditional Transfers</b>	
GoK Counter Part funding	-
Transfers from Development partners	-
Other unconditional transfers (Specify)	-
<b>Total Unconditional Transfers (a)</b>	-
<b>Conditional Transfers</b>	
Transfers from World Bank	-
Deferred Income realized	-
Other conditional transfers (specify)	-
<b>Total Conditional Transfers (b)</b>	-
<b>Total Transfers for the Year (a + b)</b>	-

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount moved to Capital fund	Total transfers (2024/2025)
	Kshs	Kshs	Kshs	Kshs
GOK Funding	-	-	-	-
World Bank	-	-	-	-
<b>Subtotal</b>	-	-	-	-
Deferred Income realized	-	-	-	-
Transfers in Kind	-	-	-	-
<b>Total</b>	-	-	-	-

**Purpose of Funding:**

No revenue transfers were received from the World Bank, nor was any deferred income realized during the year.

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**Notes to the financial statements (Continued)**

**7. Miscellaneous revenue**

Description	FY 2024/25
	Kshs
Interest Income	-
Others (specify)	-
<b>Total</b>	<b>-</b>

**8. Employees Costs**

Description	FY 2024/25
	Kshs
Basic salaries of permanent employees	-
Basic wages of temporary employees	-
Personal allowances paid as part of salary	-
Personal allowances paid as reimbursements	-
Personal allowances provided in kind	-
Pension and other social security contributions	-
Compulsory national social security schemes	-
Compulsory national health insurance schemes	-
Other specify	-
<b>Total</b>	<b>-</b>

**9. Use of Goods and Services**

Description	FY 2024/25
	Kshs
Utilities, supplies and services	-
Bank charges	3,720
Communication, supplies and services	-
Domestic travel and subsistence	-
Foreign travel and subsistence	-
Fuel and lubricants	-
General office supplies	-
Office rent	-
Training payments	-
Hospitality supplies and services	-
Insurance costs	-
Specialized materials and services	-
Other operating payments(specify)	-
Routine maintenance- other assets	-
<b>Total</b>	<b>3,720</b>

**Kenya Electricity Modernization Project**  
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**Notes to the financial statements (Continued)**

**10. Depreciation and Amortization expense**

Description	FY 2024/25
	Kshs
Property, Plant and Equipment	-
Intangible Assets	-
<b>Total</b>	-

**11. Transfer to Other Government Entities**

Description	FY 2024/25
	Kshs
Transfer from Ministry of Energy and Petroleum	-
Other Projects	-
Department	-
County	-
<b>Total</b>	-

**12. Other Transfers/Subsidies/Grants**

Description	FY 2024/2025
	Kshs
Transfers to Non-Government Organizations	-
Subsidies	-
Others Specify	-
<b>Total</b>	-

**13. Certified Works**

Description	2024/2025
	Kshs
<b>Certified Works:</b>	
Consultancy/Training	-
Generation Materials & PDN materials	-
Survey & Design for Generation Plant and PDN	-
Installation,Commissioning And Other Services	-
Others (Specify)	-
<b>Total</b>	-

**14. Gain/Loss on Sale of Assets**

Description	FY 2024/25	
	Kshs	
Property, plant and equipment		-
Intangible assets		-
Other assets not capitalised		-
<b>Total gain/loss on sale of assets</b>		-

**15. Gain/Loss on foreign exchange transactions**

Description	FY 2024/25	
	Kshs	
Gain on foreign exchange transactions		-
Loss on foreign exchange transactions		-
<b>Total Gain/Loss</b>		-

**16. Impairment Loss**

Description	FY 2024/25	
	Kshs	
Property, Plant and Equipment		-
Intangible Assets		-
Others specify		-
<b>Total Impairment Loss</b>		-

**17. Cash and Cash Equivalents**

Description	2024/2025	1 <sup>st</sup> July
	Kshs	Kshs
Cash in Bank	-	1,101,956
Cash on Hand	-	-
On - Call Deposit	-	-
Others (Specify)	-	-
<b>Total Cash and Cash Equivalents</b>	-	<b>1,101,956</b>

**Kenya Electricity Modernization Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**  
**Notes to the financial statements (Continued)**

**Project Bank Accounts**

Details	2024/2025	1 <sup>st</sup> July 2024
	Kshs	Kshs
<b>Foreign Currency Accounts</b>		
Central Bank of Kenya	-	-
Co-operative Bank of Kenya	-	-
Others (specify)	-	-
<b>Total Foreign Currency balances (A)</b>	-	-
<b>Local Currency Accounts</b>		
Co-operative Bank of Kenya [A/c No.01136125016302]	-	<b>1,101,956</b>
Central Bank of Kenya	-	-
Others (specify)	-	-
<b>Total local currency balances (B)</b>	-	1,101,956
<b>Total bank account balances (C=A+B)</b>	-	<b>1,101,956</b>

**18. Receivables**

Description	2024/2025	1 <sup>st</sup> July 2024
	Kshs	Kshs
Counter Part Funding	-	-
<b>Contractor's Advance payments:</b>		
Kingshore New Resources Electric Jiangsu Co. Ltd	-	-
Other Receivables (specify)	-	-
<b>Total Receivables</b>	-	-

**Note:** As at the reporting date, the project has no outstanding receivables.

**a) Ageing analysis for Receivables**

Description	2024/2025		1 <sup>st</sup> July 2024	
	Kshs		Kshs	
	2024/2025	% of the total	Comparative FY	% of the total
Less than 1 year	-	0%	-	0%
Between 1- 2 years	-	0%	-	0%
Between 2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
<b>Total (a+b)</b>	-	<b>0%</b>	-	<b>0%</b>

**Kenya Electricity Modernization Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**  
**Notes to the financial statements (Continued)**

**19. Inventories**

Description	2024/2025	1 <sup>st</sup> July 2024
	Kshs	Kshs
Consumable stores	-	-
Construction stores	-	-
Others consumables (specify)	-	-
Less: allowance for impairment	-	-
<b>Total inventories</b>	-	-

**20. Prepayments**

Description	2024/2025	1 <sup>st</sup> July 2024
	Kshs	Kshs
Insurance	-	-
Rent	-	-
Others specify	-	-
<b>Total inventories</b>	-	-

**Kenya Electricity Modernization Project**  
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**Notes to the financial statements (Continued)**

**21. Property, Plant and Equipment**

Cost	Motor vehicles	Furniture and fittings	ICT	Other Assets	Capital	Total
			Equipment	Distribution Lines	Work in progress	
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Depreciation rate</b>	25%	12.5%	33.3%	2.5%	0.0%	
<b>As at 1st July 2024 (opening balances)</b>	-	-	-	-	839,299,842	839,299,842
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-
<b>As at 30th June 2025</b>	-	-	-	-	839,299,842	839,299,842
<b>Depreciation And Impairment</b>						
<b>As at 1st July 2025</b>	-	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-
<b>As At 30th June 2025</b>	-	-	-	-	-	-
<b>Net Book Values</b>						
<b>As at 1st July 2024</b>	-	-	-	-	839,299,842	839,299,842
<b>As at 30th June 2025</b>	-	-	-	-	839,299,842	839,299,842

**Kenya Electricity Modernization Project  
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**Notes to the financial statements (Continued)**

**22. Intangible Assets**

Description	1 <sup>st</sup> July 2024
	Kshs
<b>Cost</b>	
As at 1 <sup>st</sup> July 2024	-
Additions	-
<b>As At 30<sup>th</sup> June 2025</b>	-
<b>Amortization and impairment</b>	
As at 1 <sup>st</sup> July 2024	-
Amortization	-
Impairment loss	-
<b>As At 30<sup>th</sup> June 2025</b>	-
<b>NBV as at 1<sup>st</sup> July 2024</b>	-
<b>NBV as at 30<sup>th</sup> June 2025</b>	-

**Kenya Electricity Modernization Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Notes to the financial statements (Continued)**

**23. Trade and Other Payables**

Description	2024/2025		1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Trade payables	-		-	
Employee payables	-		-	
<b>Retention Payable at Project Completion:</b>				
Kingshore New Resources Electric Jiangsu Co. Ltd	137,674,352		137,674,352	
<b>Total (a)</b>	<b>137,674,352</b>		<b>137,674,352</b>	
<i>Other payables (specify)</i>	-		-	
<b>Financier Pending Payable:</b>				
Kingshore New Resources Electric Jiangsu Co. Ltd	-		-	
<b>Total (b)</b>	-		-	
<b>Total trade and other payables</b>	<b>137,674,352</b>		<b>137,674,352</b>	
<b>Ageing analysis: (Trade and other payables)</b>	<b>2024/2025</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	-	0%	-	0%
1-2 years	137,674,352	100%	137,674,352	100%
2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
<b>Total (tie to above total)</b>	<b>137,674,352</b>	<b>100%</b>	<b>137,674,352</b>	<b>100%</b>

**Brief Explanation:**

Retention monies payable amounting to Kshs. 137.6 million as at year-end represent cumulative amounts withheld from payments to the main project contractor, Kingshore New Resources Jiangsu Electric Co., Ltd, to ensure satisfactory fulfilment of contractual obligations. These funds serve as security for the timely rectification of any defects identified during the Defect Liability Period and are released only

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**Notes to the financial statements (Continued)**

upon successful project completion and formal handover of all mini-grids. The obligation will be fully funded by the Government of Kenya (GoK) through exchequer releases, which assume financial responsibility following the expiry of the World Bank credit facility.

**24. Third-Party Deposits**

Description	FY 2024/2025		1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Contractor's Retention	-		-	
Gratuity	-		-	
Other deposits (specify)	-		-	
<b>Total deposits</b>	-		-	
<b>Ageing analysis: (Refundable deposits)</b>	<b>2024/2025</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
<b>Under one year</b>	-	0%	-	0%
1-2 years	-	0%	-	0%
2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
<b>Total</b>	-		-	

**Brief Explanation:**

During the reporting period, the project's accounts did not hold any third-party deposits classified as cash or cash equivalents. This indicates that no funds belonging to external parties were received or held in trust within the project's financial accounts.

**Kenya Electricity Modernization Project  
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**Notes to the financial statements (Continued)**

**25. Deferred Income**

Description	2024/2025	1 <sup>st</sup> July 2024
	Kshs	Kshs
IDA World Bank	-	1,101,956
Development partner 2	-	-
Others specify	-	-
<b>Total Deferred Income</b>	-	<b>1,101,956</b>

**Deferred Income Movement Schedule**

Description	IDA World Bank	Others specify	Total
	Kshs	Kshs	Kshs
Balance as at 1 <sup>st</sup> July 2024	1,101,956	-	1,101,956
Additions	-	-	-
Transfer to the Statement of Financial Performance	-	-	-
Transfer of refund to the World Bank facilitated through REREC	(1,101,956)	-	<b>(1,101,956)</b>
<b>Balance as at 30<sup>th</sup> June 2025</b>	-	-	-

**Brief Explanation:**

The deferred income of Kshs. 1,101,956 represents the unutilised balance of funds initially received in the project account. During the year, this amount was reclassified from deferred income, with Kshs. 1,098,236 refunded to the World Bank through the main entity, and Kshs. 3,720 incurred as bank charges.

**Kenya Electricity Modernization Project  
Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Notes to the financial statements (Continued)**

**26. Cash Generated from Operations**

Description	2024/2025 Kshs
<b>Surplus/Deficit for the year</b>	<b>(3,720)</b>
<b>Adjusted for:</b>	
Depreciation	-
Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
<b>Working capital adjustments:</b>	
Increase in inventory	
Increase in receivables	-
Decrease in deferred income (Refund)	(1,098,236)
Increase in payables	-
Increase in payments received in advance	-
<b>Net cash flow from operating activities</b>	<b>(1,101,956)</b>

**27. Special Deposit Accounts**

The balances in the Project's Special Deposit Account(s) as of 30th June 2025 are not included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision.

During the year, no balances were reported under the Special Deposit Account. Following the closure of the project credit, the National Treasury discontinued the provision of supporting statements from the Central Bank of Kenya, where the account was maintained. Consequently, the account was officially closed, and any unutilised funds were refunded to the International Development Association (IDA – World Bank), in accordance with the terms of the Financing Agreement.

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**Notes to the financial statements (Continued)**

**28. Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the Entity 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 Entity, holding 100% of the Entity'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 Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of Directors.

Description	2024/2025
	Kshs
<b>Transactions with related parties</b>	
<b>a) Sales to related parties</b>	
Sales of electricity to govt agencies	-
Rent income from govt. Agencies	-
Others (specify) e.g. interest and bank charges	-
<b>Sub-total</b>	-
<b>B) purchases from related parties</b>	
Purchases of electricity from KPLC	-
Purchase of water from govt service providers	-

**Kenya Electricity Modernization Project  
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Description	2024/2025
	Kshs
Rent expenses paid to govt agencies	-
Others (specify)	-
<b>Sub-total (a)</b>	-
<b>b) Grants /transfers from the government</b>	
Transfer from the REREC Main Entity to the National Treasury (Refund of Unutilized Project Funds)	11,881,228
Grants from national government	-
Grants from county government	-
Donations in kind	-
<b>Sub-total (b)</b>	<b>11,881,228</b>
<b>c) Expenses incurred on behalf of related party</b>	
Payments of salaries and wages for employees	-
Payments for goods and services	-
<b>Sub-total (c)</b>	-
<b>d) Key management compensation</b>	
Directors' emoluments	-
Compensation to key management	-
<b>Sub-total (d)</b>	-
<b>Grand total (e) = (a+b+c)</b>	<b>11,881,228</b>

**29. Events after the Reporting Period**

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

**Kenya Electricity Modernization Project  
Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Notes to the financial statements (Continued)**

**30. Ultimate And Holding Entity**

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

**31. Currency**

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

**32. Other Important disclosures**

**a) Land Ownership Status (KEMP)**

There are eight (8) No's mini-grids development sites identified fall in five (5 No's) counties namely, Wasini & Mkwiro in Kwale County, Ngodhe and Takawiri in Homabay County, Mageta in Siaya County, Kaeris and Kerio in Turkana County, and Dabel in Marsabit County. The land identification and sourcing process was supported by the Ministry of Energy and Petroleum, the Ministry of Lands, Pubic Works, Housing, and Urban Development, the County Governments of Kwale, Homabay, Siaya and Turkana; and the National Land Commission. The land acquisition process has been completed for three sites (Wasini/Mkwiro, Ngodhe, and Takawiri) and title / reservation registered in the name of the Corporation (REREC), while the processing of the remaining four sites (Mageta, Dabel, Kaeris and Kerio) are at various stages within the acquisition process. Below is the summary.

S/No's	Project Location	Land Characteristics	Land Status	Remarks
1.	Wasini and Mkwiro	Public Land set aside by communities for public infrastructure and titled to the county government; a portion of the reserved land is utilized by the project.	Certificate of Title Received.	Complete.
2.	Ngodhe	Private land acquired through a willing seller,	Certificate of Title	Complete.

**Kenya Electricity Modernization Project**

**Annual Report and Financial Statements for the financial year ended June 30, 2025**

S/No's	Project Location	Land Characteristics	Land Status	Remarks
		willing buyer transaction.	Received.	
3.	Takawiri	Public land, allocated to REREC by the NLC.	A land reservation was registered.	Processing of the Letter of Allotment by NLC.
4.	Mageta	Public land, allocated to REREC by the NLC.	Adjudication completed, and records digitization completed. Title already processed	Waiting for issuance of title by Ministry of Lands.
5.	Dabel	Unregistered community land. In-kind compensation was completed and handed over to communities.	Early entry, valuation of land, and public inquiry were completed.	Processing of the Letter of Allotment by NLC.
6.	Kaeris	Unregistered community land. In-kind compensation was completed and handed over to communities.	Early entry, valuation of land, and public inquiry were completed. Processing of the Letter of Allotment.	Processing of the Letter of Allotment by NLC.
7.	Kerio	Unregistered community land. In-kind compensation is pending.	Early entry, valuation of land, and public inquiry were completed. Processing of the Letter of	Processing of the Letter of Allotment by NLC.

**Kenya Electricity Modernization Project**

**Annual Report and Financial Statements for the financial year ended June 30, 2025**

S/No's	Project Location	Land Characteristics	Land Status	Remarks
			Allotment.	

It is highlighted that the National Land Commission (NLC) granted the Rural Electrification and Renewable Energy Corporation (REREC) early entry permission for the three sites - Dabel, Kaeris, and Kerio. This early entry was crucial for initiating the construction of mini-grids and the development of in-kind compensation arrangements. By securing the land marked for development ahead of schedule, REREC was able to commence construction activities promptly and ensure that the necessary infrastructure could be developed without delay. This proactive measure facilitated the smooth progression of the project and helped mitigate potential setbacks related to land acquisition and site readiness.

**Kenya Electricity Modernization Project**

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**13. Annexes**

**Annex 1: Prior Year Auditor-General's Recommendations**

Audit report Reference	Issue / Observations from Auditor	Management Comments	Status	Timeframe
No. 1	<p><b>Accrued Commitment Fees on Undrawn Financing Amount:</b> Paragraph 2.7 of the Project information discloses that the Project was earmarked to close on 30 December, 2023. Additionally, the funding summary indicates that the Donor had made a total loan and grant commitment totalling USD10,000,000 equivalent to Kshs.1,013,000,000. However, actual drawdowns during the project life of over eight (8) years amounted to USD5,934,834 equivalent to Kshs.702,805,994 leaving out Kshs.310,194,006 or 31% of committed funds undrawn after closure of the project on 31 December, 2024. Management did not provide for audit review, mitigation measures taken to absorb the remaining funds or secure an extension the project from the Donor.</p> <p>In addition, the financing agreement provides that undrawn loan balance will attract a commitment charge of 0.5%. As at 30 June, 2024, an equivalent of Kshs.124,166,024 or 49% of the loan commitment was undrawn, attracting at minimum of Kshs.620,830 commitment fee on undrawn amount during the year.</p>	<p>The Kenya Electricity Modernization Project (KEMP), funded by the World Bank, faced delays in implementation due to global supply chain disruptions arising from the COVID-19 pandemic. These disruptions led to undrawn funds amounting to Kshs.124,166,024. Despite these challenges, the project remained compliant with World Bank financing terms. Notably, no commitment fees were charged on the undrawn funds, as the loan had officially closed and the applicable provisions excluded such charges beyond the closing date.</p> <p>Significant progress has since been made, with four mini-grid sites fully completed and supplying power to connected customers. An allocation of Kshs.300 million has been secured from the Government of Kenya to support the completion of remaining works. Civil and electrical installations at the remaining three sites are ongoing, with</p>	Resolved	Not Applicable

**Kenya Electricity Modernization Project**

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Audit report Reference	Issue / Observations from Auditor	Management Comments	Status	Timeframe
	<p>In the circumstances, value for money in implementation of the financing agreement cannot be confirmed.</p>	<p>commissioning expected upon delivery of outstanding equipment. Management is committed to full project delivery, ensuring value for money and the achievement of targeted development outcomes.</p>		
<p><b>No. 2</b></p>	<p><b>Irregular Variation Contract Term:</b>                      Management contracted a foreign company on 9 October, 2019 to design, supply and install a Solar Voltaic Power Generation Plant (SPGP) with associated power distribution network, and operation and maintenance services to consumers. The contract was to be implemented in twelve (12) months. On 14 July, 2023 the parties to the contract signed an addendum IV to change facilities terms contained in the original contract. Review of the addendum revealed the following inconsistencies and anomalies:</p> <p>The Addendum IV was signed on 14 July, 2023 which was after the financing agreement had lapsed on 30 June, 2023. It was not clear how the changes were to be implemented after the project period.</p> <p>Clause VIII of the addendum provided that the parties had agreed to the change in facilities terms in the original contract to facilitate completion of the project at a cost of</p>	<p>Addendum IV was signed to facilitate the installation of medium voltage lines for the Kaeris, Kerio, and Dabel mini-grids, which were inadvertently omitted from the original project design. Following the contractor's withdrawal, the Corporation took over the implementation of these works, which are currently at an advanced stage.</p> <p>A dedicated budget has been allocated to support the installation of the medium voltage lines and the completion of all remaining components of the mini-grids. Two sites Wasini/Mkwiro and Mageta have been fully completed and commissioned, while Takawiri and Ngodhe have undergone pre-commissioning. Management affirms that the direct implementation approach complies with all regulatory requirements and safeguards the project against financial losses from</p>	<p>Resolved</p>	<p>Not Applicable</p>

**Kenya Electricity Modernization Project  
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Audit report Reference	Issue / Observations from Auditor	Management Comments	Status	Timeframe
	<p>Kshs.132,463,587 drawn from the Corporation's internal funding since the project implementation period had lapsed.</p> <p>Management budgeted for Kshs.332,000,000 in the budget of the subsequent year, 2024/2025. However, the change of facilities according to the addendum was Kshs.132,463,585 resulting in unexplained variance of Kshs.177,730,421</p> <p>In the circumstances, the legality of the contract variation through the addendum and the value for money in respect of the contract could not be confirmed.</p>	<p>contract claims.</p>		

**Signed by:**

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

  
 .....  
**Mr. Edward Gakunju**  
**Project Coordinator**

**Kenya Electricity Modernization Project  
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**Annex 2: Reconciliation of Inter-Entity Transfers**

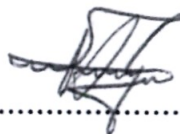
Project Name: Kenya Electricity Modernization Project			
Break down of transfers from the State Department of Energy			
<b>A. Government Counterpart funding</b>			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	Not Applicable	0.00	Not Applicable
	<b>Total (A)</b>	<b>0.00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

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

**Project Coordinator  
(REREC)**

Sign:.....  


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

Sign:.....  


**Annex 3: Fixed Asset Register**

Asset class	Historical Cost	Additions	Disposals	Transfers	Historical Cost c/f
	Previous Year			in/(out) during	Current Year
	(Kshs)	(Kshs)	(Kshs)	the year	(Kshs)
Work in Progress (Assets under Construction)	839,299,842	-	-	-	839,299,842
<b>Total</b>	<b>839,299,842</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>839,299,842</b>

**Annex 4: Other Support Documents**

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30<sup>th</sup> June, 2025
- iii. Board of Survey Report / Certificate of Bank Balance from the Bank