

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

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**THE AUDITOR-GENERAL**

**ON**

**HYBRID GENERATION OF OFF-GRID  
POWER SYSTEMS CREDIT  
NO. CKE 1066 01 L**

**FOR THE YEAR ENDED  
30 JUNE, 2020**

**KENYA POWER AND LIGHTING  
COMPANY PLC**





HYBRID GENERATION OF OFF-GRID POWER SYSTEMS

KENYA POWER AND LIGHTING COMPANY PLC.

AFD AGREEMENT N° CKE 1066 01L

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ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2020

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

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## ACRONYMS AND DEFINITION OF TERMS

AFD	Agence Francaise De Developpement
CBK	Central Bank of Kenya
Comparative FY	Financial year preceding the current financial year.
EMCA	Environmental Management and Coordination Act
EPRA	Energy and Petroleum Regulatory Authority
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
MOE	Ministry of Energy
NEMA	National Environment Management Authority
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
EUR	Euro

## 1. PROJECT INFORMATION AND OVERALL PERFORMANCE

### 1.1 Name and Registered office

**Name:** Hybrid Generation of Off-Grid Power Systems

**Objective:** To ensure delivery of clean, sustainable and reliable energy services at least cost through use of Renewable Energy to lower fuel costs while safeguarding to meet the future demand in Off-Grid stations and to increase energy access to the Off-Grid populations.

**Executing Agency:** Ministry of Energy and Petroleum

**Implementing Agency:** Kenya Power and Lighting Company PLC (Kenya Power)

**Address:** The Implementing Agency headquarters offices are in Nairobi City, Nairobi County, Kenya.

The address of its registered office is:

Stima Plaza  
 Kolobot Road, Parklands  
 P. O. Box 30099 - 00100  
 Nairobi.

**Contacts:** The following are the projects contacts:

Kenya Power and Lighting Company PLC

Telephone: +254-02-3201000

Website: [www.kplc.co.ke](http://www.kplc.co.ke)

### 1.2 Project Information

Project Start Date:	The project start date is 01 <sup>st</sup> August 2016.
Project End Date:	The project end date is 30 June 2026
Project Manager:	The Project manager is Eng. Charles Maweu.
Project Sponsors:	The project sponsors are Government of Kenya and Agence Francaise De Developpement (AFD).

### 1.3 Project Overview

Line Ministry/State Department of the project	The Kenyan Ministry of Energy and Petroleum is the Executing Agency of the project while Kenya Power and Lighting Company PLC (Kenya Power) is the Implementing Agency.
Credit No:	CKE 1066 01L
Summary of Project Strategies for achievement of strategic goals	The strategic goal of the project is to ensure delivery of clean, sustainable and reliable energy services at least cost through use of Renewable Energy to lower fuel costs while safeguarding to meet the future demand in Off-Grid stations and to increase energy access to the Off-Grid populations.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: <ul style="list-style-type: none"> <li>• Provision of power to off-grid communities which are not served by the main grid</li> <li>• Improve health standards as power will be obtained from clean energy sources replacing the current methods of lighting such as paraffin fuelled</li> </ul>

<p>Other important background information of the project</p>	<p>The Government of the Republic of Kenya (the "Government") and the Agence Francaise De Developpement(AFD). entered into a Loan Agreement for Hybrid Generation of Off-grid Power Systems (the <b>Project</b>) on 1<sup>st</sup> August 2016 (the "Loan Agreement"). As per the Loan Agreement, the Fund agreed to extend a loan not exceeding 33 million Euros (Euro 33,000,000) to the Government.</p> <p>The Subsidiary Grant Agreement between the Government and the Kenya Power and Lighting Company PLC for on granting of the loan. The Subsidiary Grant Agreement was signed on 4 September 2015.</p> <p>The Government of Kenya (GoK) established Off-Grid Power stations that are primarily powered by diesel fuel. The 30 stations are located in towns that are too far to make national grid connection economically viable. Diesel generated power is expensive and the customers served by these stations benefit from a cross-subsidy. The current annual fuel cost of running the stations averages KES 2 billion against energy generation of 60 GWh. KPLC is rolling out a "Retrofitting of Diesel Mini Grids with Renewable Energy in Kenya" program which is financed by AFD. It covers 23 out of the 30 stations.</p> <p>The scope of the project is conversion of 23 of the 30 diesel mini-grids into hybrid systems of Solar-Diesel to reduce fuel cost and lower carbon emissions. The current contract under execution involves Design, Supply and Installation of four (4No) Diesel-Solar Photovoltaic Hybrid Plants in existing Offgrid stations in Eldas, Elwak, Merti and Habaswein.</p>
<p>Areas that the project was formed to intervene</p>	<p>Ensure delivery of clean, sustainable and reliable energy services at least cost through use of Renewable Energy to lower fuel costs while safeguarding to meet the future demand in Off-Grid stations and to increase energy access to the Off-Grid populations</p>
<p>Project duration</p>	<p>The project started on 1<sup>st</sup> August 2016 and is expected to run until 30 June 2026.</p>

### 1.3 Bankers

Agence Francaise De Developpement (AFD)  
 5, Rue, Roland Barthes,  
 75598 Paris Cedex 12,  
 France.

### 1.4 Independent Auditor

The project is audited by:

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

### 1.5 Roles and Responsibilities

Name	Title Designation	Key Qualifications	Responsibilities
Dr. Eng. Joseph Siror	Managing Director and Chief Executive Officer	PhD. Engineering, MBA, BSc. Electrical Engineering	Accounting officer
Eng. Kennedy Owino	Ag. General Manager, Infrastructure Development	MSc. CBIS, BSc. Electrical Eng. & Electronic Engineering	Head Infrastructure Development
Eng. Jared Biwott	Ag. Manager, Connectivity & Turnkey Projects	BSc. Electrical and Electronic Eng.	Supervision and Management of all Projects.
Eng. Charles Maweu	Project Manager, Retrofitting Minigrids	MBA (Strategic Management), B.Tech. Electrical and Communication Engineering,	Project Coordination, Supervision and Management.
Simon Tirop	Chief Accountant, Donor Funded Projects, KPLC	B.Com Accounting, CPA (K).PMD Pro Level 1.	Project Financial Management.
Stella Mucheke	Chief Supply Chain Officer, Donor Funded Project	MBA (Operations Management), BA –Economics, Maths and Sociology, CIPS Level 6.	Project Procurement and Contract Management.
Millicent Akeyo	Accountant	MBA Finance BBA Accounting & Finance CPA(K)	Project Financial Management.
Michael Ochieng	Supply Chain Officer	B.com (Procurement and Supply Chain Management), Post Graduate Diploma (CIPS)	Project Procurement and Contract Management.
Wilfred Koech	SHE Specialist	M. Philosophy (Environ Sc.), BSc. (Environ. Sc.), Dip. (Environ Mgt)	Coordination and Management of Social, Safety and Environmental aspects of the project.

## 1.6 Funding summary

The Project duration is 10 years, from 2016 to 2026, with an approved budget of Euro 33,000,000 equivalent to Kshs 3.734 Billion as highlighted in the table below:

### a) Source of Funds

Source of funds	Donor Commitment		Amount Paid as at 30.06.2020		Undrawn balance as 30.06.2020	
	Euro	KShs '000	Euro	KShs '000	Euro	KShs '000
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Loan</b>						
AFD Financing	33,000,000	3,733,501	-	-	32,293,885	3,653,466
<b>Total</b>	<b>33,000,000</b>	<b>3,733,501</b>	<b>-</b>	<b>-</b>	<b>32,293,885</b>	<b>3,653,466</b>

### b) Application of Funds

	Amount Received as at 30.06.2020		Cumulative Amount Paid as at 30 June 2020		Unutilised Balance as at 30 June 2020	
	Euro	KShs '000	Euro	KShs '000	Euro	KShs '000
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Loan</b>						
AFD Financing	-	-	706,115	80,035	32,293,885	3,653,466
<b>Total</b>	<b>-</b>	<b>-</b>	<b>706,115</b>	<b>80,035</b>	<b>32,293,885</b>	<b>3,653,466</b>

## 1.7 Summary of Overall Project Performance:

### a) Budget Performance against Actual Amounts

To date the Project has utilised Kshs 80 Million, which is 2% of the total funding.

### b) Physical Progress and Achievement of the Project

The company entered into a contract with M/s Artelia EAU & Environnement & Capsim & Gamma Systems Limited Consortium for consultancy services for supervision and management for Supervision and management for the project for Retrofitting of diesel minigrids with renewable energy in Kenya.

The consultant was to offer technical assistance to perform detailed analysis of the feasibility study on the retrofit programme for 23 sites, provide assistance during the tendering process and also supervise the construction of the plants.

### c) Implementation Challenges and way forward

The implementation was affected by the Covid-19 effects however the consultant had not finalised on the deliverables so as to invoice during the year under review.

## 1.8 Summary of Project Compliance

KPLC is entrusted with the responsibility of implementing the Hybrid Generation of Off-grid Systems project

### a) Compliance with applicable environmental laws and regulations

KPLC strives to comply with all the national and international environmental statutory and regulatory provisions that apply to its operational activities. The key national laws are; the Water Act of 2002 and the Environmental Management and Coordination Act (EMCA) of 1999 and the associated regulations. While key International Best practices include the IFC Performance Standards.

Therefore, all KPLC's projects promote sound healthy environment and opportunities for environmental conservation with local communities in all project areas.

### b) Consequences if any suffered on account of non-compliance or likely to be suffered.

KPLC takes the utmost precautions in its operations in ensuring all associated impacts are negligible on health and the environment.

The Company has not suffered any consequences as a result of non-compliance due to its commitment towards environmental regulatory compliance.

### c) Mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance

KPLC has a sound environmental policy that reflects commitment to continually improve in the field of environmental management and monitoring. It serves as a guide to the company, Contractors and Suppliers and forms the basis for good collaboration with stakeholders.

The Company continues to streamline its environmental and social management/monitoring plans to be in total compliance with International Environmental Best Practices and Standards. Dissemination of knowledge on environmental conservation, management and awareness has been a key component through the social afforestation program

## 2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

### Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

### Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives are 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. The Project status deliverables as at year-end is as follows.

SN	Item Description	Unit	Quantity	Status of Execution	% Achieved
1	Mini-Grids Retrofitted with solar & battery	No	23	Inception report issued	100%

The project beneficiaries are households, enterprises, and community and public facilities located in the electricity underserved off-grid counties, namely; Mandera, Wajir, Garissa, Lamu, Tana River, Kwale, Marsabit, Isiolo, West Pokot, Samburu and Turkana counties.

The Government has identified off-grid interventions as a means of increasing energy access. Indeed, off-grid electrification is highlighted as one of the investments in the Kenya Vision 2030 development blue print. This project is in line with the Fourth Medium Term Plan (MTP) of the Vision 2030 in ensuring adequate energy that is affordable to businesses and homes as a Foundation of the Economy and Society. Retrofitting existing off-grid diesel plants with renewable energy will ensure cost savings and system reliability.

Immediate result will be reduced energy poverty and increased standards of living as the beneficiaries will make savings, hence making the money available for other products and improving their social economic status. Reduction of Green House Gas Emissions, mitigating climate change,

Furthermore, the Sustainable Development Goal No. 7 (SDG #7) advocates countries to ensure access to affordable, reliable, sustainable and modern energy for all.

### 3. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kenya Power recognizes its responsibility to conduct its business practices in a manner that does not deplete or exploit resources, both human and natural, and allows for sustainable economic activity in the future. The concept of sustainability has evolved to encompass efforts that ensure current business practices, aimed at achieving economic goals that do not compromise the well-being of future generations from an Environmental, Social and Governance (ESG) perspectives. Therefore, the Company is aligning its sustainability strategies and operations with the United Nations Sustainable Development Goals (SDGs) launched in 2015, Kenya's commitments on sustainability and Paris Agreement with a goal of limiting global warming to well below 2°C above pre-industrial temperatures by the turn of this century.

Climate change is undeniably one of the dominant challenges of our time. It is one of the main threats impeding the delicate balance between the Earth's ecosystems and the well-being of our future generations. While remarkable strides have been made towards addressing climate change on the global front through commitments and on the ground through policies and required actions, much more needs to be done collectively and as individual countries. These global efforts, once adopted, can have significant impact and may affect how the Company carries out its business operations to remain competitive in the long term.

The following are some of the key initiatives that the Company is driving in the sustainability agenda:

#### **CLIMATE CHANGE AND ENVIRONMENTAL CONSERVATION**

Our infrastructure faces risks from climate change, such as damage to power lines, submersion of substations, reduced water levels in dams, and flooding. These impacts are particularly felt in hydropower generation, leading to reliance on thermal plants, which further contributes to emissions and climate change.

In line with country's commitments under the Kenya National Energy Efficiency and Conservation Strategy and the National Climate Change Action Plan (NCCAP) III 2023-2027, the Company has implemented various initiatives to reduce greenhouse gas emissions. These include off-grid plant hybridisation, electrification of our transport fleet, enhanced energy management, and transparent emissions measurement and reporting.

The off-grid power generation hybridisation project has begun with four stations—Eldas, Elwak, Habaswein and Merti—transitioning from diesel to a solar-diesel hybrid. This initiative will save approximately 2.184 million litres of fuel annually, consequently avoiding nearly five million kgCO<sub>2</sub>e emissions.

Additionally, the Company is supporting tree-planting initiatives in government forests and public schools to aid carbon sequestration. In the trading period, 350,000 trees were planted. We are also transitioning our electricity distribution poles from wooden to concrete to maintain nature-based carbon stocks.

Kenya Power continues to promote sector-wide emission reduction initiatives, such as encouraging the use of energy for productive purposes through e-cooking and e-mobility. Under the e-cooking strategy, the Company partnered with local and international organisations to deliver 12 projects under the Modern Energy Cooking Services (MECS) and UK PACT, both being aid-funded initiatives supported by the United Kingdom. This led to the launch of the eCooking Capacity Building and Market Development Programme (eCAP), under which the Company directly implemented five projects.

The Company's training center, IESR, spearheaded three additional projects in the period: establishing scalable feedback mechanisms to assess the impact of eCooking demand stimulation, promoting the adoption of institutional e-Cooking as a replacement for liquefied petroleum gas, and inaugurating the Pika na Power Academy to train e-Cooking champions, with 15 trainees successfully completing the programme. IESR has also funded seven energy-efficient e-Cooking projects to spur uptake.

Another focus area is the transport sector, accounting for 67% of energy sector emissions and 12% of national emissions, is also among our focus areas in climate change mitigation. We have been actively supporting the

adoption of electric vehicles and initiatives to electrify the transport system. To accelerate the e-mobility conversation, we hosted its second E-Mobility Conference and Expo on 24-25 April 2024 in partnership with German Agency for International Cooperation (GIZ). The event attracted over 1,000 stakeholders and 30 exhibitors to review previous recommendations, assess progress, and explore ways to scale EVs adoption, particularly focusing on the role of charging infrastructure in addressing range anxiety, safety, and environmental concerns.

As at December 2023, the country had 3,753 electric vehicles (EVs) on the roads, including two, three, and four-wheelers. The Company has allocated KShs 258 million over four years to promote e-mobility, establishing an EV charging station in our Company headquarters in Nairobi, with plans to expand to various locations across the country. The Company is also greening its fleet, which includes four new electric vehicles purchased during the year, with plans to purchase additional more in the coming years, alongside piloting EV battery swapping stations in Nairobi.

#### **Protecting our Biodiversity**

Given our vast network coverage, interactions with biodiversity are inevitable, such as the giraffe incident at Soysambu. In response, the Company is raising power lines near elephant and giraffe crossings, relocating lines, installing aerial balls near bird migration routes, and fitting bird guards on towers. Funding has been allocated to insulate powerlines near wildlife sanctuaries and conservancies to prevent electrocution. Additionally, we donated KShs 171,000 to the Colobus Conservation Trust for habitat restoration in Diani, Kwale county.

The Company has also established an Environmental Management System (EMS) and is working towards ISO 14001:2015 certification to improve environmental performance standards in the Company.

#### **Democratising Access to Energy**

Our commitment to inclusivity in energy access remains a cornerstone of our customer experience strategy. Through initiatives such as the Last Mile Connectivity Project we have connected 746,867 households under the donor and Government funded schemes (Phases I, II and III) so far. We have also rolled out phase IV and V of the project which will connect 291,000 households towards bridging the energy divide, bringing reliable electricity to underserved communities. The Last Mile project, implemented by the Company on behalf of Government, has been instrumental in enhancing energy access to over 75 percent of the Kenyan household and will remain critical to the attainment of universal electricity access by the year 2030.

In addition, the Country's policies on uniform tariff design underscore the sector's commitment in ensuring fairness and equity in electricity pricing. This ensures that vulnerable customers are able to access the electricity service at an affordable rate, and ensures that all customers, regardless of geographic location, pay for electricity at applicable rates depending on their consumption levels.

#### **Corporate Social and Environmental Programmes**

Our Corporate Social Responsibility and Investments (CSRI) programmes focus on empowering communities, nurturing goodwill, and fostering allegiance to ensure business sustainability. In the year, our initiatives spanned environmental conservation, education, and social impact activities, each tailored to address the unique needs of the communities we serve.

#### **Corporate Social Responsibility and Investments Programmes (2023-24)**

##### **Safeguarding our Ecosystems**

As a company reliant on natural resources, environmental conservation is a critical pillar of our sustainability strategy. During the year, we continued our dedication to afforestation through the Kijani tree planting campaign. Over 350,000 trees were planted across key forests, institutions, and water catchment areas such as Benon, Mumberes, and Narasha in Baringo county, and Kiu in Makueni county. Working in collaboration with Kenya Forest Service and local Community-Based Organisations, we aim to restore the country's forest cover and improve ecosystem while mitigating the effects of climate change.

Recognising the transformative power of education, Kenya Power remains committed to supporting academic development at all levels. We are prioritising Science, Technology, Engineering, and Mathematics (STEM) education, especially for girls, to bridge the gender gap in technical fields and nurture future talent for the energy sector.

During the year, the Company conducted mentorship programs at Starehe Girls and Boys Centres, Nairobi School, University of Nairobi, and Masinde Muliro University of Science and Technology. Through our partnership with Mentorthon, we mentored over 10,000 students in Elgeyo Marakwet and Baringo Counties.

Through the Kenya Power Endowment Fund, we continued to support students from disadvantaged backgrounds. During the year, we sponsored over 10 students at Starehe Girls and Boys Centre and donated Ksh 500,000 towards Machakos Girls High School's endowment fund. In addition, we renovated facilities at Umoja Primary and Nairobi School and constructed a classroom at Namakhele Primary in Bungoma County. To address infrastructure challenges, we contributed to the construction of a 600-bed hostel at Kapsabet Girls, easing accommodation pressures.

Under the new "Luku Safi" campaign that provides school uniforms to children from disadvantaged backgrounds, we provided school uniforms to over 500 children from Mathare, Daniel Comboni, and Kwa Nge'the primary schools in Nairobi County, helping to restore their dignity and improve their learning experience.

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#### **Educating Our Young**

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#### **Promoting community wellness**

The Company actively supports programmes that address social welfare and humanitarian needs across our operational areas. In the health sector, we partnered with Mediforte Hospital to offer free medical screenings for the public and Company employees in Kisii County, and collaborated with the Embu County Professionals Development Association (ECPDA) to host a wellness clinic at Kigari Teachers College.

### **Sports and Uplifting Communities**

Sports are integral to national pride and talent development. This year, we sponsored the Stima Darts Club to participate in the International Open Darts Championship, competing alongside teams from Tanzania, Rwanda, Burundi, South Sudan, and Uganda.

We also donated food and diapers to St. Stephen's Children's Home and New Life Home Trust, provided personal effects to Nakuru Women Prisons, and sponsored the Turkana Peace and Development Initiative to promote peace and cohesion among local communities.

### **Looking to the Future: The Kenya Power Foundation**

The Company has long supported social and environmental programs through its 2007 Corporate Social Responsibility (CSR) policy, which committed 1% of the Company's net profit towards initiatives that enhance socio-economic development within the communities we serve in four key areas; environment, education, health, and sports. Over the past decade, the Company has invested approximately KSh.100 million in various initiatives aligned with these thematic areas.

However, due to resource constraints arising during periods of reduced cashflow and profitability, sustaining these community support programmes has been challenging. To address this, the Company has established the Kenya Power Foundation as a vehicle to secure additional funding and ensure sustainable implementation of these programmes. This is underpinned by the newly revised CSRI policy which sustains the 1 percent net profit allocation, while also committing a minimum of KSh 30 million in periods that the Company does not post a profit.

### **Foundation Purpose Statements**

The Foundation is dedicated to creating a brighter future by promoting environmental stewardship, economic empowerment, and social impact by empowering communities by leveraging partnerships to transform lives and Empower communities for a brighter and sustainable future.

The Foundation's programs are aligned with the United Nations Sustainable Development Goals (SDGs) and will focus on three key thematic areas: energy and environment, education and skills development, and social investment and community wellness.

### **Energy and environment**

The Foundation will support initiatives that promote environmental conservation and the protection of endangered species. Key focus areas include Promoting clean energy transitions such as clean cooking technologies and e-mobility, protecting natural ecosystems by advocating for environmentally friendly energy systems, increasing forest cover through tree-planting initiatives around water catchment areas, schools, and hospitals and partnering with organizations to protect and conserve endangered species in various regions across the country.

### **Education and skills development**

To support education and skills development programmes, the Foundation will Improve learning facilities in schools and scaling up endowment funds to support marginalised children, undertake mentorship programs for students from underserved communities, implement youth empowerment initiatives and support skills development programmes, especially in STEM, including enhancing competencies for the Company's technical staff and equipping students in technical institutions.

#### 4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

KPLC, through the KPLC Project Implementation Team 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 (period) ended on 30 June 2020. 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 (vi) making accounting estimates that are reasonable in the circumstances.

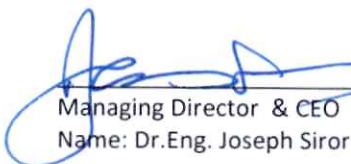
The KPLC Project Implementation Team accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS).

The KPLC Project Implementation Team is 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 30 June 2020, and of the Project's financial position as at 30 June 2020 in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS). The KPLC Project Implementation Team further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project's financial statements as well as the adequacy of the systems of internal financial control.

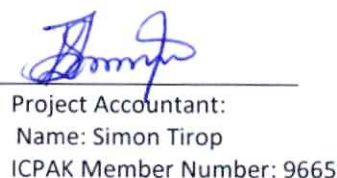
The KPLC Project Implementation Team confirms that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial years under audit were used for the eligible purposes for which they were intended and were properly accounted for.

##### Approval of the Project financial statements

The Project financial statements were approved by Kenya Power and Lighting Company PLC Project Implementation Team on 06/12/2020 2020 and signed on their behalf by:

  
\_\_\_\_\_  
Managing Director & CEO  
Name: Dr. Eng. Joseph Siror

  
\_\_\_\_\_  
Project Manager  
Name: Eng. Charles Maweu

  
\_\_\_\_\_  
Project Accountant:  
Name: Simon Tirop  
ICPAK Member Number: 9665

# REPUBLIC OF KENYA



*Enhancing Accountability*

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

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

## **REPORT OF THE AUDITOR-GENERAL ON HYBRID GENERATION OF OFF-GRID POWER SYSTEMS CREDIT NO. CKE 1066 01 L FOR THE YEAR ENDED 30 JUNE, 2020 - KENYA POWER AND LIGHTING COMPANY PLC**

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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 Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Hybrid Generation of Off-Grid Power Systems set out on pages 13 to 23, which comprise the statement of financial

assets and liabilities as at 30 June, 2020 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Hybrid Generation of Off-Grid Power Systems as at 30 June, 2020 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No. CKE 1066 01L dated 1 August, 2016, between the Agence Française De Development Bank (AFD) and the Government of the Republic of Kenya, and the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Hybrid Generation of Off-Grid Power Systems 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**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparative basis of Kshs.191,000,000 and Nil respectively resulting to an underfunding of Kshs.191,000,000 or 100% of the budget.

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

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

### **Other Information**

Management is responsible for the other information set out on page 1 to 11 which comprise of the Project Information and Overall Performance, Statement of Performance

Against Project's Predetermined Objectives, Environmental and Sustainability Reporting, Statement of Project Management 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. I have nothing to report in this regard.

## 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 effects 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**

#### **Late Submission of Financial Statements**

The Hybrid Generation of Off-grid Power Systems Project Management submitted the financial statements for the year ended 30 June, 2020, on 22 October, 2024, four (4) years after the submission deadline which was in contravention of Section 81(4) of the Public Finance Management Act, 2012, which require the financial statements to be submitted to the Auditor-General within three months of the financial year then ended. In addition, the Financing Agreement requires the financial statements of the Project to be audited on an annual basis during the drawdown period.

In the circumstances, Management was in breach of the law and the Project Financing Agreement.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, 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 No. CKE 1066 01L dated 1 August, 2016, between the Agence Française De Development Bank (AFD) and the Government of the Republic of Kenya, 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.

The Financing Agreement 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 (Cash Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and 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 for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

Nairobi


03 December, 2024

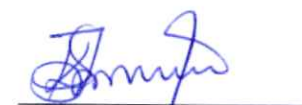
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Notes	FY 2019/2020 Payments made by third parties Kshs'000	FY 2018/2019 Payments made by third parties Kshs'000	Cumulative to-date (From inception) KShs'000
<b>RECEIPTS</b>				
Loan from Agence Francaise De Developpement (AFD)	11.1	-	80,035	80,035
<b>TOTAL RECEIPTS</b>		-	<b>80,035</b>	<b>80,035</b>
<b>PAYMENTS</b>				
Purchase of Good and Services	11.2	-	80,035	80,035
<b>TOTAL PAYMENTS</b>		-	<b>80,035</b>	<b>80,035</b>
<b>SURPLUS/(DEFICIT)</b>		-	-	-

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

  
 Managing Director & CEO  
 Name: Dr. Eng. Joseph Siror

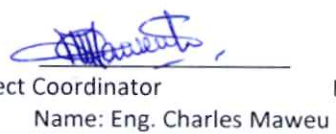
  
 Project Coordinator  
 Name: Eng. Charles Maweu

  
 Project Accountant  
 Name: Simon Tirop  
 ICPAK Member No.: 9665

7. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30 JUNE 2020

	Notes	FY 2019/2020	FY 2018/2019
		KShs	KShs
<b>Financial Assets</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances		-	-
Cash Balances		-	-
Cash Equivalents (short-term deposits)		-	-
<b>Total Cash and Cash Equivalents</b>		-	-
Accounts receivables – Imprest and Advances		-	-
<b>Total Financial Assets</b>		-	-
<b>Represented By</b>			
Fund balance b/fwd		-	-
Prior year adjustments		-	-
Surplus/(Deficit) for the year		-	-
<b>Net Financial Position</b>		-	-

  
 Managing Director & CEO  
 Name: Dr. Eng. Joseph Siror

  
 Project Coordinator  
 Name: Eng. Charles Maweu


  
 Project Accountant  
 Name: Simon Tirop  
 ICPAK Member No.: 9665

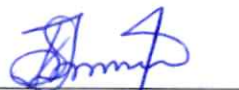
8. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Notes	FY 2019/2020 KShs '000	FY 2018/2019 KShs '000
<b>Receipts from operating activities</b>			
Transfer from Government entities		-	-
Miscellaneous Receipts		-	-
<b>Net Cash Flows from Operating Activities</b>		-	-
<b>Net cash flows from Investing Activities</b>			
Purchase of Goods and services	11.2	-	(80,035)
<b>Net Cash Flows from Investing Activities</b>		-	(80,035)
<b>Cash Flows from Borrowing Activities</b>			
Proceeds from AFD	11.1	-	80,035
<b>Net Cash Flows from Borrowing Activities</b>		-	80,035
<b>Net Increase in Cash and Cash Equivalent</b>		-	-
Cash and cash equivalent at beginning of the year		-	-
<b>Cash and cash equivalent at end of the year</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 06/12/2020 2020 and signed by:

  
 Managing Director & CEO  
 Name: Dr. Eng. Joseph Siror

  
 Project Coordinator  
 Name: Eng. Charles Maweu


  
 Project Accountant  
 Name: Simon Tirop  
 ICPAK Member No.: 9665

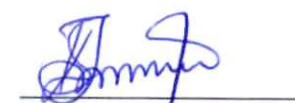
9. STATEMENT OF COMPARISON BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020

	Original budget	Adjustments	Final budget	Actual on Comparable Basis	Budget Utilization Difference	% Utilization
	A	B	C = A+B	D	E = C-D	F = D/C
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	
<b>Receipts</b>						
Proceeds from ADF	191,000	-	191,000	-	191,000	0%
<b>Total receipts</b>	<b>191,000</b>	<b>-</b>	<b>191,000</b>	<b>-</b>	<b>191,000</b>	<b>0%</b>
<b>Payments</b>						
Consultancy	191,000	-	191,000	-	191,000	0%
<b>Total payments</b>	<b>191,000</b>	<b>-</b>	<b>191,000</b>	<b>-</b>	<b>191,000</b>	<b>0%</b>

**NB:** Budget utilization differences are explained in Annex1 to the financial statements.

  
 Managing Director & CEO  
 Name: Dr.Eng. Joseph Siror

  
 Project Coordinator  
 Name: Eng. Charles Maweu

  
 Project Accountant  
 Name: Simon Tirop  
 ICPAK Member No.: 9665

## 10. SIGNIFICANT ACCOUNTING POLICIES

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

### 10.1 Basis of Preparation

#### 10.1.1 Statement of compliance and basis of preparation

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

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

#### 10.1.2 Reporting entity

The financial statements are for the Last Mile Connectivity Project I under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

#### 10.1.3 Reporting currency

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

### 10.2 Significant Accounting Policies

#### a) Recognition of receipts

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

- **Transfers from the Exchequer**

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

- **External Assistance**

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

#### **Donations and grants**

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

## Significant Accounting Policies (Continued)

### a) Recognition of receipts (continued)

#### Proceeds from borrowing

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

#### Undrawn external assistance

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

### b) Recognition of payments

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

- **Compensation of employees**  
Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.
- **Use of goods and services**  
Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.
- **Interest on borrowing**  
Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.
- **Repayment of borrowing (principal amount)**

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

## Significant Accounting Policies (Continued)

### b) Recognition of payments (Continued)

- **Acquisition of fixed assets**

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

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

### c) In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

### d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

#### **Restriction on cash**

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

### e) Accounts receivable

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

## Significant Accounting Policies (Continued)

### f) Contingent Liabilities

A contingent liability is:

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

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

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

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

### g) Contingent Assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

### h) Pending bills

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

### **Significant Accounting Policies (Continued)**

#### **i) Budget**

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

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

#### **j) Third party payments**

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

During the year, there was no loan disbursements received in form of direct payments from third parties.

#### **k) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of receipts and payments.

#### **l) Comparative figures**

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

#### **m) Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended 30 June 2020.

#### **n) Errors Prior period adjustments**

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

## 11. NOTES TO THE FINANCIAL STATEMENTS

### 11.1 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2020, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Name of Donor	Amount in Loan currency	Loans received as direct payment	Total amount in KShs'000	
	EURO	KShs'000	FY 2019/2020	FY 2018/2019
Loans Received from Agence Francaise De Developpement (AFD)	-	-	-	80,035
<b>Total</b>	-	-	-	<b>80,035</b>

### 11.2 PURCHASE OF GOODS AND SERVICES

	FY 2019/2020			FY 2018/2019	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Total Payments
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Consultancy fees	-	-	-	80,035	80,035
<b>Total</b>	-	-	-	<b>80,035</b>	<b>80,035</b>

### 11.3 ACQUISITION OF NON FINANCIAL ASSETS

	FY 2019/2020		FY 2018/2019	Cumulative to-date
	Payments made by third parties	Total Payments	Total Payments	Total Payments
	KShs '000	KShs '000	KShs '000	KShs'000
	-	-	-	-
<b>Total</b>	-	-	-	-

## 12 OTHER IMPORTANT DISCLOSURES

### 12.1 PENDING ACCOUNTS PAYABLE

There were no pending bills for the year ended 2019/2020.

Description	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
	KShs'000	KShs'000	KShs'000	KShs'000
Consultancy fees	-	-	-	-
<b>Total</b>	-	-	-	-

## 13 PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

There were no issues raised by the external auditor.

## 14 ANNEXES

### ANNEX 1: VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustment	Final budget	Actual on Comparable Basis	Budget Utilization Difference	% Utilization	Comments on Variance
	A	B	C = A + B	D	E = C - D	F = D / C	
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000		
<b>Receipts</b>							
Proceeds from AFD	191,000	-	191,000	-	(191,000)	0%	i
<b>Total receipts</b>	<b>191,000</b>	<b>-</b>	<b>191,000</b>	<b>-</b>	<b>(191,000)</b>	<b>0%</b>	
<b>Payments</b>							
Consultancy	191,000	-	191,000	-	(191,000)	0%	i
<b>Total payments</b>	<b>191,000</b>	<b>-</b>	<b>191,000</b>	<b>-</b>	<b>(191,000)</b>	<b>0%</b>	

- i. The technical studies undertaken by the consultant took longer time than had earlier anticipated leading to low absorption of funds.

**ANNEX 2: ANALYSIS OF PENDING BILLS**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Amount Approved for payments	Outstanding Balance as June 2020	Outstanding Balance as June 2019
		KShs'000'		KShs'000'	KShs'000'	KShs'000'	KShs'000'
		a	b	c	d	e= d-c	
Artelia EAU Environnement & Capsicum & Gamma Systems Limited Consortium	Consultancy Services	394,788	17/08/2018	80,035	-	-	-
<b>Grand Total</b>				<b>80,035</b>	<b>-</b>	<b>314,753</b>	<b>-</b>

The were no Pending Bills at the end of the year.

**ANNEX 3: SUMMARY FIXED ASSETS REGISTER**

Asset class	Opening Cost as at 01.07.2019	Acquisition in the year	Disposals in the Year	Transfers in/(out)	Closing Cost as 30.06.2020
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
	(a)	(b)	(c)	(d)	(e)=(a)+(b)-(c)+(-)d
	-	-	-	-	-
<b>Total</b>	-	-	-	-	-