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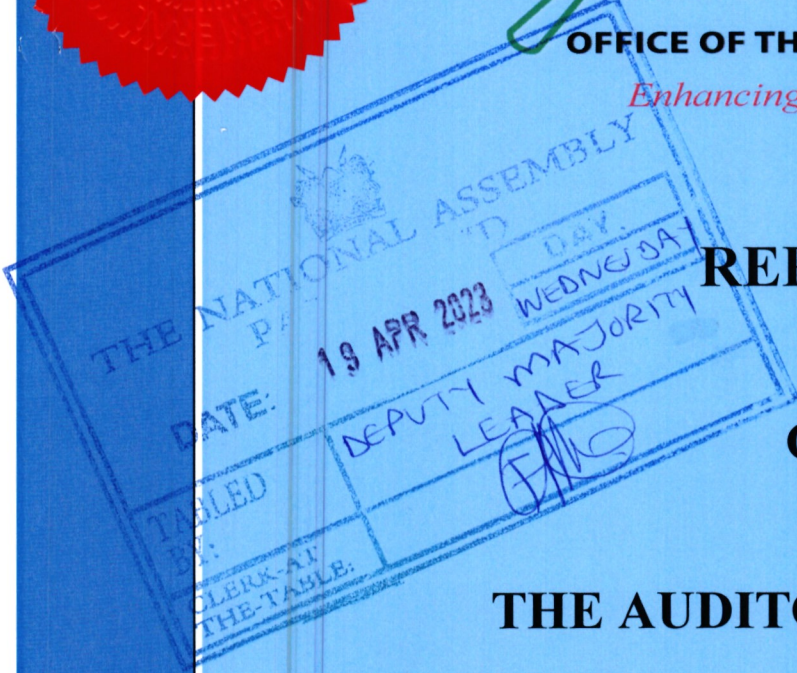
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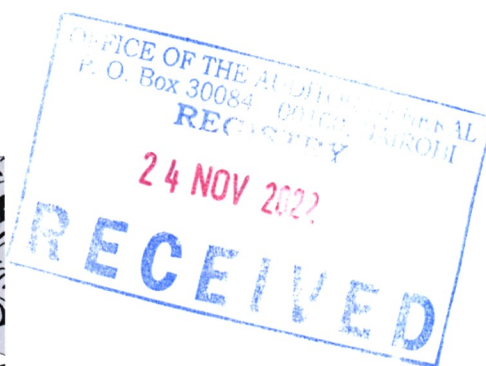
ON

**RURAL ELECTRIFICATION IN FIVE REGIONS
PROJECT (CR. NO.11/597KE, CR. NO.1407PKE)**

**FOR THE YEAR ENDED
30 JUNE, 2022**

**RURAL ELECTRIFICATION AND
RENEWABLE ENERGY CORPORATION**





RURAL ELECTRIFICATION IN FIVE REGIONS PROJECT

PROJECT CREDIT NUMBER 11/597KE, 1407PKE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

Rural Electrification In Five Regions Project
Annual Report and Financial Statements for the financial year ended June 30, 2022

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Rural Electrification In Five Regions Project
Annual Report and Financial Statements for the financial year ended June 30, 2022

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: Rural Electrification in Five Regions Project

Objective: The key objectives of the project are:

- The provision of power supply to houses, schools health and government centres and commercial, industrial and agricultural activities which will help on boosting the economic and social development.
- The project will improve small industries working in the field of agriculture industries specially tea and coffee.

The project headquarters offices are in Nairobi, Kenya

The address of its registered office is:

Kawi House, Red Cross Road,
P.O Box 34585 – 000100,
Telephone: (254) 2341400, 2710955,
E-mail: info@rea.co.ke,
Website: www.rea.co.ke

1.2 Project Information

Project Start Date:	The project start date is 23 th September 2013
Project End Date:	The project end date is 31 st December 2022
Project Coordinator:	The project coordinator is Mr. Edward Gakunju
Project Sponsor:	The project sponsor is BADEA, OFID, Abu Dhabi, Saudi and GOK, through the National Treasury

1.3 Project Overview

Line Ministry	The project is under the supervision of the Ministry Of Energy.
Project number	CREDIT NUMBER 11/597KE/1407PKE
Strategic goals of the project	The strategic goals of the project are as follows: (i) To connect public facilities in selected areas (ii) To connect household in the selected areas
Achievement of strategic goals	The project management aims to achieve the goals through the extension of electricity supply
Other important	The overall project has components:

***Rural Electrification In Five Regions Project
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background information of the project	a) Construction of distribution networks b) Consultancy service for preparation of design and tender documents.
Current situation that the project was formed to intervene	To supplement the Government efforts of connection of all public facilities and households in the rural areas by the year 2020, though we are requesting extension due to Covid-19 Pandemic challenges.
Project duration	The project started on 23rd September 2013 and is expected to run until 31 st December 2022.

1.4 Bankers

The project does not operate bank accounts.

1.5 Auditors

The project was audited by the:

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

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.6 Roles and Responsibilities

Names and contact details	Title designation	Key Qualifications	Responsibilities
Edward Gakunju 0722244879 egakunju@rea.co.ke	Project Coordinator	Master's Degree in Economic Policy Management	<p>Overall coordination of Project activities</p> <p>Responsibilities</p> <ul style="list-style-type: none"> • Coordinate Project implementation activities as per the work plan • Prepare project implementation reports • Attend project coordination meetings
Caroline Kamau 0724517005 ckamau@rea.co.ke	Project Accountant	Bsc Admin(Accounting), C.P.A (K)	<ul style="list-style-type: none"> • Preparation of Financial Reports for the project • Process of project related payments
Festus Kasonzo 0722138880 fkasonzo@rea.co.ke	Procurement Specialist	Master's Degree in Procurement and Supplies	<ul style="list-style-type: none"> • Preparation of projects procurement plans • Preparation of bid documents • Coordinate tendering evaluation and award notifications • Coordination of procurement activities of the project
Nicholas Muigai 0722269540 nmuigai@rea.co.ke	Project Engineer	Bsc in Electrical Engineering	<ul style="list-style-type: none"> • Review of project designs • Analyse all the Technical aspects of the project
BADEA,OFID, ABUDHABI, SAUDI and Government of Kenya			<ul style="list-style-type: none"> • Project sponsors. • Review and approving the projects withdrawal applications,

*Rural Electrification In Five Regions Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

				<p>expenditure justifications, no objection requests, annual work plan and budget, expenditure category reallocation request.</p> <ul style="list-style-type: none"> • Participating in implementation support missions.
The Parent Ministry				<ul style="list-style-type: none"> • Ensures Project's budget is captured in its development Projects • Disburse the government counterpart funding. • Review and track the Project's annual work plan and budget against the set targets and makes the approvals. • Oversee the execution of the project coordinating team.
The Auditor				<ul style="list-style-type: none"> • Mandated to audit all national government entities, which include government development projects and present these

***Rural Electrification In Five Regions Project
Annual Report and Financial Statements for the financial year ended June 30, 2022***

			<p>statutory financial statements to the Parliament.</p> <ul style="list-style-type: none">• Facilitate submission of the audited report to the project's sponsors by 31 December each year.
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1.7 Funding summary

The Project is for duration of Eight (8) years from 2013 to 2022. The total project Cost is US \$ 57M (BADEA- US\$ 10M; OFID US\$15M; SAUDI- US\$12 M ABU DHABI –US\$10M and Kenya Government US\$10M) as highlighted in the table below:

*Rural Electrification In Five Regions Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date (30.06.2022)		Undrawn balance to date (30.06.2022)	
	USD (A)	Kshs (A')	USD (B)	Kshs (B')	USD (A)-(B)	Kshs (A')-(B')
(i) Loan						
BADEA, OFID, SAUDI, ABUDHABI	47,000,000	4,828,780,000	23,189,680	2,371,084,534	23,810,320	2,457,695,466
(ii) Counterpart funds						
Government of Kenya	10,000,000	1,027,400,000	4,111,575	420,397,889	5,888,425	607,002,111
Total	57,000,000	5,856,180,000	27,301,255	2,791,482,423	29,698,745	3,064,697,577

*Rural Electrification In Five Regions Project
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PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2022)		Cumulative amount paid to date – (30 th June 2022)	Unutilised balance to date (30th June 2022)	
	Donor currency	Kshs		Donor currency	Kshs
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
(i) Loan					
BADEA, OFID, SAUDI, ABUDHABI	23,189,680	2,371,084,534	2,371,084,534	-	-
(ii) Counterpart funds					
Government of Kenya	4,111,575	420,397,889	420,397,889	-	-
Total	27,301,255	2,791,482,423	2,791,482,423	-	-

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.8 Summary of Overall Project Performance:

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

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

During the year under review, the project received Kshs. 935,490,440 against a final budget of Kshs. 1,389,000,000 and incurred a total expenditure of Kshs. 935,490,440 against a budget of Kshs 1,389,000,000 resulting to underutilization of Kshs 453,509,560 or 33%. The project's cumulative receipts and payments are Kshs 2,791,482,423 and Kshs 2,791,482,423 respectively.

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

Activities planned for the reporting period	Activity Implementation Status	Narration
Preparation of projects designs and lotting	Design and surveying of projects	Completed
Recruitment of Consultant for the project done	To supervise the construction of distribution lines	Completed
Recruitment of Construction contractor	Preparation of bid, advertisements, opening of bids, evaluation of bids and awards of	Completed

***Rural Electrification In Five Regions Project
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	jobs	
Submission of bonds and guarantees	For the Lots awarded	Completed
Site and design files handing over	For the Lots awarded	Completed
Payment of advance	For materials both local and foreign	Completed
Factory Acceptance Tests	For materials already completed was done virtually	95% Completed
Delivery of materials	For the Lots awarded	56% complete
Installation of power lines	For the Lots awarded	On going

iii) Comment on value-for-money achievements

The project was extended and the new closure date is 31st December 2022. The Corporation is overseeing activities of the construction contractor to ensure implementation of the planned activities is achieved. The following are the achievements: -

1. Design for distribution lines done and completed on time
2. Recruitment of construction contractors done 2016
3. Supervision consultant recruited for the project
4. Construction materials delivery at 70%
5. Construction of power distribution lines at 50%

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

The absorption rate is 48% compared to the disbursement plan in the Project Appraisal Document (PAD) this was due to delay by contractors in delivery of key powerline materials such as transformers. As at to date the Financiers have disbursed USD 27,301,255 against a commitment of USD 57,000,000.

v) Implementation challenges and recommended way forward.

- a) The world is experiencing a pandemic called COVID-19. An effort to contain the spread is social distancing which has drastically affected the progress in material manufacturer, travel and exchange of documents.
- b) Complexity of dealing with more than one financier. This can be resolved by appointing one financier as the lead.
- c) Complexities of opening letters of credit given different conditions for the financiers.
- d) Delay in processing of documents since hardcopies must be forwarded to all financiers to effect payments.
- e) Delay by the contractors in delivering key powerline materials such as transformers for completion of the projects.

1.9 Summary of Project Compliance:

There were no significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants.

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Introduction

- a) 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.
- b) The Government of Kenya has committed to achieve universal access to power supply by ensuring all the public facilities and households are connected. This will help in realization of the Vision 2030 as well as the support to the Big 4 Agenda being implemented by the Government; i.e food security, affordable housing, manufacturing and affordable healthcare. In view of this there are a number of public facilities connected to power supply and this project is aimed at connection of these public facilities and households. These public facilities including Health Centres, Trading Centres and Secondary Schools etc.
- c) Energy access is a critical factor in reducing poverty and is a fundamental means to achieve sustainable development. By developing adequate infrastructure that provides consistent and affordable access to energy, the local communities can significantly improve their standard of living and enhance their economic status through a healthier home environment, access to new productive activities and improved education.
- d) Recognizing importance of electricity access to national development the government identified energy as one of the key enablers to its long-term development plan the "Kenya Vision 2030" that was launched in the year 2008. The aim of the Vision is to make Kenya a globally competitive and prosperous country with a high-quality life to all Kenyans by 2030.
- e) This will only be achieved if all the public facilities and households are connected. According to REREC Strategic Plan 2018/19 to 2022/2023, there are about 25,899 public facilities that are yet to be connected to electricity. This project aims at connection of some of the non-electrified public facilities.

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:

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Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Rural Electrification in Five Regions	Provision of electricity in five regions	Connection of public facilities and households	Availability of electricity	Delivery of construction materials at 56% Installation of distribution lines at 24% Factory Acceptance Tests for all distribution line materials at 95%

3. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The project exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

1. Sustainability strategy and profile

The Corporation is committed to promoting reliable power supply and through dedicated departments, quality powerline systems is sustained. The evaluation and monitoring that is done throughout the project implementation process ensures compliance with sustainability strategy.

2. Environmental performance

The Corporation engages environmental specialists in the identification of projects and complies with NEMA guidelines on impact on environment.

3. Employee welfare

The policies that guides the Corporation on recruitment includes: 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 Human Resources Policies and Procedures Manual for the Public Service, May 2016. This enabled the Corporation to promote common cadre under the delegated powers as guided by the policy taking into consideration gender and regional balance.

For skills improvement and career progression the Corporation is guided by Human Resource Development Policy for the Public Service, June 2015 and Guidelines on Managing Training in the Public Service. This enabled the Corporation to conduct individual training programmes required for career progression/promotion and those required in the Schemes of Service for various cadres and also group trainings for various cadres.

The Corporation has developed its own Occupational Safety and Health Policy with reference to the Occupational Safety and Health, ACT of 2007. A Corporation Committee on Occupational Safety and Health is in place which ensures adherence to OSHA and safety and security of the staff and Corporation properties.

4. Market Place Practices

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;

- a) 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.
- b) Promptly acknowledge Complaints received
- c) Resolve complaints promptly and fairly, preserve the confidentiality and proprietary information of other Applicants/ Bidders/Proposers/Consultants including commercial and financial information and trade secrets as required by the Bidders/Proposers/Consultants in their Bids/proposals
- d) Maintain complete records of all debriefings and Complaints and their resolution
- e) 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
- f) 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

Strict adherence to financiers Regulations on bank Anti-corruption guidelines

c) Regulatory impact assessment

We have to ensure adherence to NEMA in Project implementation is undertaken and as well as pursuing "green procurement" to ensure that suppliers who value the environment are encouraged

5. Community Engagements

The Corporation has carried out the following measures to ensure acceptance of the projects by the communities around the project area; The Corporation has put in place

Rural Electrification In Five Regions Project
Annual Report and Financial Statements for the financial year ended June 30, 2022

mechanism for engagement of the people during project implementation. Among them includes operationalization of Stakeholders Coordination committees and rolling out of community engagement strategy and policy.

In addition, the Corporation continued to ensure that local communities were considered for jobs during the implementation of the energy projects. Local communities were also involved wayleaves acquisition.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer, Rural Electrification and Renewable Energy Corporation and the Project Manager are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2022.

This responsibility includes: maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project, 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; safeguarding the assets of the project; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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

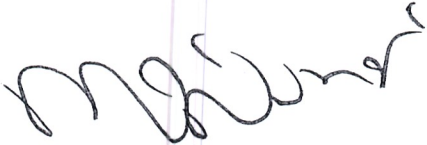
The Chief Executive Officer and the Project Manager for BADEA Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2022, and of the Project's financial position as at that date. The Chief Executive Officer and the Project Manager for further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Chief Executive Officer and the Project Manager for BADEA 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.

Rural Electrification In Five Regions Project
Annual Report and Financial Statements for the financial year ended June 30, 2022

Approval of the Project Financial Statements

The Project financial statements were approved by the Chief Executive Officer and the Project Manager for BADEA on 30/9 2022 and signed by them.



.....
CPA Peter Mbugua
Chief Executive
Officer



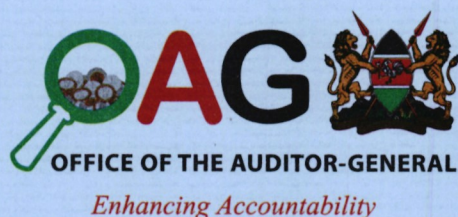
.....
Edward Gakunju
Project Manager



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Caroline Kamau
Project Accountant
ICPAK Member No:8665

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Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON RURAL ELECTRIFICATION IN FIVE REGIONS PROJECT (CR. NO.11/597KE, CR. NO.1407PKE) FOR THE YEAR ENDED 30 JUNE, 2022 - RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Rural Electrification in Five Regions Project (Cr. No.11/597KE, Cr. No.1407PKE) set out on pages 1 to 33, which

Report of the Auditor-General on Rural Electrification in Five Regions Project (Cr. No.11/597KE, Cr. No.1407PKE) for the year ended 30 June, 2022 - Rural Electrification and Renewable Energy Corporation

comprise of the statement of financial assets as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and the statement of comparative 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 Rural Electrification in Five Regions Project as at 30 June, 2022, 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 Public Finance Management Act, 2012 and the Financing Agreement with Arab Bank for Economic Development in Africa ((BADEA) dated 23 September, 2013, Cr. No.11/597KE dated 6 September, 2013, with the Saudi Fund Development, and Cr. No.1407PKE dated 25 September, 2011, the OPEC Fund for the International Development, the OPEC Fund for International Development and the Republic of Kenya.

Basis for Opinion

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

Emphasis of the Matter

Low Absorption of Project Funds

Note 1.7 on funding summary indicates that both the Donor and the Government of the Republic of Kenya had made commitments amounting to Kshs.5,856,180,000 (USD 57,000,000). The actual amount received during the Project's period totalled to Kshs.2,791,482,423 (USD 27,301,255) of the funding, leaving a balance of Kshs.3,064,697,577 (USD 29,698,745) undrawn, yet the project had been ongoing for eight years and nine months leaving a variance of implementation period of six months only. However, with the extended Project's closing date of 31 December, 2022, the credit may lapse without being fully utilized and the objectives and planned deliverables may not be realized.

The Management has not provided any documentary evidence to demonstrate mitigation against credit lapse before implementation of all project activities.

My opinion is not modified with respect to this matter.

Key Audit Matters

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

Other Matter

1. Delayed Project Implementation

Financial records availed for audit indicated that the Government of Kenya entered into financing agreement with four (4) financiers for implementation of rural electrification projects in five (5) regions at a total cost of Kshs.5,856,180,000.

According to the agreements, the projects were to commence in September, 2013 with an expected completion date of December, 2021. The statement of receipts and payments indicates that an amount of Kshs.2,791,482,423 had been incurred on the projects, which amounts to 48% of the total funding. However, out of the project timelines of 111 months, 105 months which is equivalent to 95% of the time, had lapsed. The Management did not explain how they intend to fast track the implementation of the projects considering the fact that the financing agreements will lapse on 31 December, 2022.

In the circumstances, delay in project implementation has affected the project's planned activities and therefore impacting negatively on service delivery to the public.

2. Pending Bills

Annex 3A to the financial statements reflects pending bills totalling to Kshs.501,420,076 as at 30 June, 2022. The Management did not explain reasons for non-settlement of the bills and therefore the project is at the risk of incurring significant interest costs and penalties with the continued delay in payment. Further, failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Commingling of Funds

The statement of receipts and payments reflects total receipts of Kshs.935,490,440 comprising of Kshs.784,334,227 and Kshs.151,156,213 in respect of payments made by third parties as loans from external development partners and transfers from Government

entities respectively. However, no separate bank account was opened and operated by the Project. Project funds were commingled in Corporation's bank accounts where project payments and receipts are recorded. No evidence of exemption by the Cabinet Secretary was provided against opening a project account.

In the circumstances, Management was in breach of the law and did not comply with requirements of the financing agreement.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance on whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities which 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 overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

amounts which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



CPA Nancy Gathungu, GBS
AUDITOR-GENERAL

Nairobi

09 December, 2022

**Rural Electrification In Five Regions Project
Annual Report and Financial Statements for the financial year ended June 30, 2022**

6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2022.

Note	2021-2022		2020-2021		Cumulative to date
	Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payments controlled by the entity	Payments made by third parties	
	KShs	KShs	KShs	KShs	KShs
RECEIPTS					
1	151,156,213	-	151,156,213	-	420,397,889
2	-	-	-	-	-
3	-	784,334,227	784,334,227	638,230,355	2,371,084,534
4	-	-	-	-	-
TOTAL RECEIPTS	151,156,213	784,334,227	935,490,440	638,230,355	2,791,482,423
PAYMENTS					
5	-	-	-	-	-
6	-	-	-	-	-
7	-	-	-	-	-
8	151,156,213	784,334,227	935,490,440	638,230,355	2,791,482,423
9	-	-	-	-	-
10	-	-	-	-	-
TOTAL PAYMENTS	151,156,213	784,334,227	935,490,440	638,230,355	2,791,482,423
SURPLUS/DEFICIT FOR THE YEAR	-	-	-	-	-

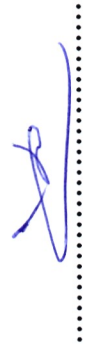
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.


.....

CPA Peter Mbugua
Chief Executive Officer


.....

Edward Gakunju
Project Manager

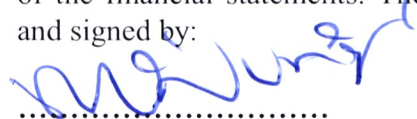

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Caroline Kamau
Project Accountant
ICPAK Member No:8665

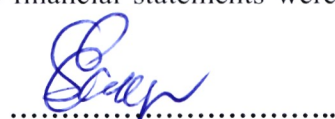
7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2022

Description	Note	2021-2022 KShs	2020-2021 KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	11.A	-	-
Cash Balances	11.B	-	-
Cash Equivalents (short term deposits)	11.C	-	-
Total Cash and cash equivalents		-	-
Accounts receivables – Imprest and Advances	12	-	-
TOTAL FINANCIAL ASSETS		-	-
FINANCIAL LIABILITIES			
Payables-Deposits and Retentions	13	-	-
REPRESENTED BY			
Fund balance b/fwd	14	-	-
Prior year adjustments	15	-	-
Surplus/Deficit for the year		-	-
NET FINANCIAL POSITION		-	-

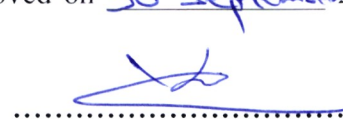
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30 September 2022 and signed by:



.....
CPA Peter Mbugua
Chief Executive officer



.....
Edward Gakunju
Project Manager



.....
Caroline Kamau
Project Accountant


ICPAK Member No:8665

*Rural Electrification In Five Regions Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*


8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2022

Description	Note	2021-2022 KShs	2020-2021 KShs
CASHFLOWS FROM OPERATING ACTIVITES			
Receipts			
Transfer from Government entities	1	151,156,213	126,049,978
Proceeds from domestic and foreign grants	2	-	-
Miscellaneous receipts	4	-	-
Total Receipts			
Payments			
Compensation of employees	5	-	-
Purchase of goods and services	6	-	-
Social security benefits	7	-	-
Transfers to other government entities	9	-	-
Other grants and transfers	10	-	-
Total Payments			
Adjustments during the year			
Prior year adjustments	15		
Decrease/ (increase) in accounts receivables	16	-	-
Increase/(decrease) in accounts payable	17		
Net cash flow from operating activities		151,156,213	126,049,978
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of non-financial assets	8	(935,490,440)	(764,280,333)
Net cash flows from Investing Activities		(935,490,440)	(764,280,333)
CASHFLOW FROM FINANCING ACTIVITIES			
Proceeds from foreign borrowings	3	784,334,227	638,230,355
Net cash flow from financing activities		784,334,227	638,230,355
NET INCREASE IN CASH AND CASH EQUIVALENT		-	-
Cash and cash equivalent at beginning of the Year	11	-	-
Cash and cash equivalent at end of the Year	11	-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30 Sept. 2022 and signed by:


.....
CPA Peter Mbugua
CHIEF Executive Officer


.....
Edward Gakunju
Project Manager



.....
Caroline Kamau
Project Accountant
ICPAK Member No:8665

Rural Electrification In Five Regions Project
Annual Report and Financial Statements for the financial year ended June 30, 2022


9. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Final Budget	Actual on comparable basis	Budget Utilisation Difference	% of Utilisation	Comments on Variance (Below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
RECEIPTS					
Transfer from Government entities	151,156,213	151,156,213	-	100%	
Proceeds from domestic and foreign grants	-	-	-	-	
Proceeds from borrowings	1,389,000,000	784,334,227	604,665,773	56%	
Miscellaneous receipts	-	-	-	-	
Total Receipts	1,540,156,123	935,490,440	604,665,773	61%	By the end of the FY several invoices were under various stages of payment processing by the different financiers
PAYMENTS					
Compensation to employees	-	-	-	-	
Purchase of goods and services	-	-	-	-	
Social security benefits	-	-	-	-	
Acquisition of non-financial assets	1,540,156,123	935,490,440	604,665,773	61%	
Transfers to other government entities	-	-	-	-	
Other grants and transfers	-	-	-	-	
Total Payments	1,540,156,123	935,490,440	604,665,773	61%	
Surplus or Deficit	-	-	-	-	


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



CPA Peter Mbugua
 Chief Executive Officer



Edward Gakunju
 Project Manager



Caroline Kamau
 Project Accountant
 ICPAK Member No:8665

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 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.

10.2 Reporting entity

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

10.3 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 Kenya Shilling.

10.4 Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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


Kenya Electricity Expansion Project

Annual Report and Financial Statements for the financial year ended June 30, 2022

9. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Final Budget	Actual on comparable basis	Budget Utilisation Difference	% of Utilisation	Comments on Variance (Below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
RECEIPTS					
Transfer from Government entities	-	-	-	-	
Proceeds from domestic and foreign grants	-	-	-	-	
Proceeds from borrowings	728,541,000	379,579,957	348,961,043	52%	Delay in budget approval. Supplementary budget approved in April 2022
Miscellaneous receipts	-	-	-	-	
Total Receipts	728,541,000	379,579,957	348,961,043	52%	
PAYMENTS					
Compensation to employees	-	-	-	-	
Purchase of goods and services	-	-	-	-	
Social security benefits	-	-	-	-	
Acquisition of non-financial assets	728,541,000	379,579,957	348,961,043	52%	
Transfers to other government entities	-	-	-	-	
Other grants and transfers	-	-	-	-	
Total Payments	728,541,000	379,579,957	348,961,043	52%	
Surplus or Deficit					

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements.


C/A Peter Mbugua
Chief Executive Officer


Edward Gakunju
Project Manager


Caroline Kamau
Project Accountant

ICPAK Member No:8665

Key
Figures recalculated and found correct

Significant Accounting Policies (Continued)

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

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

10.6 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.

Significant Accounting Policies (Continued)

10.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

10.8 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.

10.9 Imprests and Advances

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

10.10 Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:

Significant Accounting Policies (Continued)

- i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

Annex 5 of this financial statement is a register of the contingent liabilities in the year.

10.11 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.

10.12 Pending bills

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

Significant Accounting Policies (Continued)

10.13 Budget

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

10.14 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, Kshs 784,334,227 being loan disbursements were received in form of direct payments from third parties.

10.15 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 recognised in the statements of receipts and payments.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10.16 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.

10.17 Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2022.

10.18 Prior period adjustments

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

11. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from Government entities

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

Description	KShs	KShs	Cumulative to date (from inception)
	2021-2022	2020-2021	
Counterpart funding through Ministry of Energy	-	-	-
Counterpart funds Quarter 1	-	-	-
Counterpart funds Quarter 2	-	-	-
Counterpart funds Quarter 3	-	-	-
Counterpart funds Quarter 4	-	-	-
Total (Annex 2)	-	-	-
<i>Other transfers from government entities</i>			
Ministry of Finance	151,156,213	126,049,978	420,397,889
Appropriations-in-Aid	-	-	-
Total	151,156,213	126,049,978	420,397,889

“Other transfers from government entities” is not the counterpart funding which is the government’s share of contribution towards the implementation of the project as mandated by the Project Agreement.

*Rural Electrification In Five Regions Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Proceeds From Domestic and Foreign Grants

During the financial period to 30 June 2022, we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants Received in Cash	Grants received as direct payments	Grants Received in Kind	Total amount in Kshs	
						2020-2022	2020-2021
Grants Received from Bilateral Donors (Foreign Governments)			KShs	KShs	KShs	KShs	KShs
World Bank			-	-	-	-	-
Grants Received from Multilateral Donors (International Organisations)							
International Development Association (IDA)			-	-	-	-	-
Grants Received from Local Individuals and organisations							
			-	-	-	-	-
Total			-	-	-	-	-

(* The direct payment grants represent payments for goods and services done directly by the donor on behalf of the project. Projects should ensure that the adequate documents and support document is requested from the donors to support this grant).

*Rural Electrification In Five Regions Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Loan from External Development Partners

During the financial period to 30 June 2022, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Amount Received in Cash	Loan Received as Direct Payment	Total amount In Kshs	
					2021-2022	2020-2021
Loans Received from Bilateral Donors (Foreign Governments)			KShs	KShs		
			-	-	-	-
Loans Received from Multilateral Donors (International Organisations)						
BADEA			-	-	227,316,475.92	48,267,041.00
OFID					99,986,232.57	159,911,355.00
SAUDI					267,412,969.69	29,439,294.00
ABU DHABI			-	-	189,618,548.68	400,612,665.00
Total			-	-	784,334,226.86	638,230,355.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Miscellaneous receipts

Description	2021-2022		2020-2021		Cumulative to date (from inception) KShs
	Receipts controlled by the entity KShs	Receipts controlled by third parties KShs	Total Receipts KShs	Total Receipts KShs	
Property income	-	-	-	-	-
Sales of goods and services	-	-	-	-	-
Administrative fees and charges	-	-	-	-	-
Fines, penalties and forfeitures	-	-	-	-	-
Voluntary transfers other than grants	-	-	-	-	-
Other receipts not classified elsewhere	-	-	-	-	-
Total	-	-	-	-	-

*Rural Electrification In Five Regions Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Compensation to Employees

Description	2021-2022			2020-2021	
	Payments made by the entity in cash KShs	Payments made by third parties KShs	Total Payments KShs	Total Payments KShs	Cumulative to date KShs
Basic salaries of permanent employees	-	-	-	-	-
Basic wages of temporary employees	-	-	-	-	-
Personal allowances paid as part of salary	-	-	-	-	-
Personal allowances paid as reimbursements	-	-	-	-	-
Personal allowances provided in kind	-	-	-	-	-
Pension and other social security contributions	-	-	-	-	-
Compulsory national social security schemes	-	-	-	-	-
Compulsory national health insurance schemes	-	-	-	-	-
Social benefit schemes outside government	-	-	-	-	-
Other Personal Payments	-	-	-	-	-
Total	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Purchase of Goods and Services

Description	2021-2022			2020-2021	
	Payments made in cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to date
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	-	-	-	-	-
Communication, supplies and services	-	-	-	-	-
Domestic travel and subsistence	-	-	-	-	-
Foreign travel and subsistence	-	-	-	-	-
Printing, advertising and - information supplies & services	-	-	-	-	-
Rentals of produced assets	-	-	-	-	-
Training expenses	-	-	-	-	-
Hospitality supplies and services	-	-	-	-	-
Insurance costs	-	-	-	-	-
Specialised materials and services	-	-	-	-	-
Other operating payments	-	-	-	-	-
Routine maintenance - vehicles and other transport equipment	-	-	-	-	-
Routine maintenance - other assets	-	-	-	-	-
Exchange rate losses/gains (net)	-	-	-	-	-
Total	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Social Security Benefits

Description	2021-2022			2020-2021	
	Payments made by the Entity in cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to date
	KShs	KShs	KShs	KShs	KShs
Government pension and retirement benefits	-	-	-	-	-
Social security benefits in cash and in kind	-	-	-	-	-
Employer social benefits in cash and in kind	-	-	-	-	-
Total	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Acquisition of Non-Financial Assets

Description	Payments made by the Entity in cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to date
	2021-2022		2020-2021		
	KShs	KShs	KShs	KShs	KShs
Works	-	-	-	31,609,569.00	123,246,459.00
Purchase of Goods	151,156,213	784,334,227	935,490,440	732,670,764	2,668,235,964
Total	151,156,213	784,334,227	935,490,440	764,280,333	2,791,482,423

*Rural Electrification In Five Regions Project
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Notes to the Financial Statements (Continued)

9. Transfers to other Government Entities

During the financial period to 30 June 2022, we transferred funds to reporting government entities as shown below:

Description	Payments made by the Entity in cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to date
	2021-2022		2020-2021		
	KShs	KShs	KShs	KShs	KShs
Transfers to National Government entities					
Ministry of Energy	-	-	-	-	-
Transfers to County Government					
Total	-	-	-	-	-

We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. We have attached these duly signed confirmations as an Appendix to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Other Grants, Transfers and Payments

Description	Payments made by the Entity in cash	2021-2022		Total Payments	Total Payments	Cumulative to date
		Payments made by third parties	Total Payments			
	KShs	KShs	KShs	KShs	KShs	KShs
Grants for scholarships	-	-	-	-	-	-
Transfers to lower levels of government e.g schools	-	-	-	-	-	-
Miscellaneous expenditure	-	-	-	-	-	-
Total	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Cash And Cash equivalents

Description	2021-2022	2020-2021
	KShs	KShs
Bank accounts (Note 11.A)	-	-
Cash in hand (Note 11.B)	-	-
Cash equivalents (short-term deposits) (Note 11.C)	-	-
Total	-	-

The Project does not operate a bank account.

11. A Bank Accounts

Project Bank Accounts

The Project does not operate a bank account.

Special Deposit Accounts

The Project did not operate a special deposit account as at 30th June 2022.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 B Cash in hand

Description	2021-2022	2020-2021
	KShs	KShs
Location	-	-
Total cash in hand balances	-	-

11 C Cash equivalents (short-term deposits)

Description	2021-2022	2020-2021
	KShs	KShs
Kenya Commercial Bank	-	-
Co-Operative Bank of Kenya	-	-
Others (<i>Specify</i>)	-	-
Total cash equivalents	-	-

12. Imprests and Advances

Description	2021-2022	2020-2021
	KShs	KShs
Government Imprest and Advances	-	-
Salary advances	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12b: Breakdown of Imprests and Advances

Name of Officer or Institution	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance 2022	Balance 2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Officer	-	-	-	-	-
Officer	-	-	-	-	-
Programme 1	-	-	-	-	-
Total	-		-	-	-

13. Deposits and Retention Monies

Description	2021-2022	2020-2021
	KShs	KShs
Retention	-	-
Deposits	-	-
Total	-	-

14. Fund Balance Brought Forward

Description	2021-2022	2020-2021
	KShs	KShs
Bank Accounts	-	-
Cash in hand	-	-
Cash equivalents (short term deposits)	-	-
Outstanding Imprests and advances	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Prior Year adjustment

	Balance b/f FY (2020/2021 audited financial statements)	Adjustments	Adjusted balance b/f FY 2020/2021
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	-	-	-
Cash in hand	-	-	-
Accounts Payables	-	-	-
Receivables	-	-	-
Others (<i>specify</i>)	-	-	-
Total	-	-	-

16. Changes in Receivable

Description	2020-2021	2019-2020
	Kshs	Kshs
Opening Receivables as at 1 st July 2022	-	-
Closing account receivables as at 30 th June 2022	-	-
Change in Receivables	-	-

17. Changes in Accounts Payable

Description	2021-2022	2020-2021
	Kshs	Kshs
Deposit and Retentions as at 1 st July 2022	-	-
Closing accounts payables as at 30 th June 2022	-	-
Change in payables	-	-

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12. OTHER IMPORTANT DISCLOSURES

1. Pending Accounts Payable (See Annex 3a)

	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings				
Construction of civil works				
Supply of goods		501,420,076		501,420,076
Supply of services				
Total		501,420,076		501,420,076

2. Pending Staff Payables (See Annex 3b)

	Balance b/f FY 2020/20 21	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Senior management	-	-	-	-
Middle management	-	-	-	-
Union employees	-	-	-	-
Others	-	-	-	-
Total	-	-	-	-

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OTHER IMPORTANT DISCLOSURES (Continued)

3. Other Pending Payables (See Annex 3c)

	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	-	-	-	-
Amounts due to County Government entities	-	-	-	-
Amounts due to third parties	-	-	-	-
Total	-	-	-	-

4. External Assistance

	2021-2022	2020-2021
Description	Kshs	Kshs
External assistance received as grants	-	-
External assistance received as loans	784,334,227	638,230,355
External assistance received in kind- as payment by third parties		
Total	784,334,227	638,230,355

a). External assistance relating loans and grants

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
External assistance received as loans	784,334,227	638,230,355
External assistance received as grants	-	-
Total	784,334,227	638,230,355

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OTHER IMPORTANT DISCLOSURES (Continued)

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2021/2022	FY 2020/2021
Description		Kshs	Kshs
Undrawn external assistance - loans		2,457,695,466	3,242,029,693
Undrawn external assistance - grants		-	-
Total		2,457,695,466	3,242,029,693

c) Classes of providers of external assistance

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	784,334,227	638,230,355
NGOs	-	-
National Assistance Organization	-	-
Total	784,334,227	638,230,355

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OTHER IMPORTANT DISCLOSURES (Continued)

d. Non-monetary external assistance

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
Goods	-	-
Services	-	-
Total	-	-

e Purpose and use of external assistance

Payments made by third parties	FY 2021/2022	FY 2020/2021
	Kshs	Kshs
Compensation to employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to other Government entities	-	-
Other grants and transfers	-	-
Social Security benefits	-	-
Acquisition of assets	784,334,227	638,230,355
Finance Costs including loan interest	-	-
Repayment of principal on domestic and foreign borrowing	-	-
Other payments	-	-
Total	784,334,227	638,230,355

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OTHER IMPORTANT DISCLOSURES (Continued)

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

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

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
International assistance organization- BADEA, SAUDI, OFID, ABUDHABI	784,334,227	638,230,355
Total	784,334,227	638,230,355

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13. PRIOR YEAR AUDITOR-GENERAL'S RECOMMENDATIONS

Reference No.on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
1	<p>Delayed Project Implementation</p> <p>Review of the financial records indicated that the Government of Kenya entered into financing agreement with four (4) financiers for implementation of rural electrification projects in five (5) regions at a total cost of Kshs. 5,856,180,000. According to the agreements, the projects were to commence in September, 2013 with an expected completion date of December, 2021. Review of the statement of receipts and payments indicates that an amount of kshs. 1,855,991,983 had been incurred on the projects, which amounts to 31.7% of the total funding. However, out of the project timelines of 99 months, 93 months which is equivalent to 94% of the time, had lapsed.</p>	<p>The implementation of the project commenced in July 2016 when the implementation contacts were executed. However, there was a delay in opening the letters of Credit due to disbursement conditions of the financiers that required the contractor's bank pay the contractors for supply of materials and claim for reimbursement. This delayed the actual commencement of the project but was finally resolved in Jan 2019 through the intervention of the National Treasury. The</p>	Resolved	Expected Completion date: 31 st December 2022

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Reference No.on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>Pending Bills</p> <p>Annex 3A to the financial statements reflects pending bills totalling to Kshs. 795,366,464 as at 30 June, 2021. The Management did not explain reasons for non-settlement of the bills and therefore the project is at risk of incurring significant interest costs and penalties with the continued delay in payment. Further, failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the consequent year as they form a first charge.</p>	<p>implementation of the project in 2020/21 FY was affected by the covid -19 pandemic which slowed down the manufacturing and delivery of materials by the contractors.</p> <p>This was however resolved after the reduction of the covid-19 pandemic transmission rates. The materials were manufactured and delivered and implementation of the project is in progress and expected to be completed by December 2022 with implementation contracts expected to expire on 30th June 2023.</p> <p>The pending bills were basically for payments were in progress 30th</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
		June 2021 which were cleared. All the project expenditures are fully covered by the credit financing from the financiers		



.....
Chief Executive Officer
CPA Peter Mbugua



.....
Edward Gakunju
Project Manager

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14. ANNEXES

ANNEX1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR FY 2021-2022

Receipts/Payments Item	Final Budget	Actual on comparable basis	Budget Utilisation Difference	% of Utilisation	Comments on Variance (Below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
RECEIPTS					
Transfer from Government entities	151,156,213	151,156,213	-	100%	
Proceeds from domestic and foreign grants	-	-	-	-	
Proceeds from borrowings	1,389,000,000	784,334,227	604,665,773	56%	
Miscellaneous receipts	-	-	-	-	
Total Receipts	1,540,156,123	935,490,440	604,665,773	61%	By the end of the FY several invoices were under various stages of payment processing by the different financiers
PAYMENTS					
Compensation to employees	-	-	-	-	
Purchase of goods and services	-	-	-	-	
Social security benefits	-	-	-	-	
Acquisition of non-financial assets	1,540,156,123	935,490,440	604,665,773	61%	
Transfers to other government entities	-	-	-	-	
Other grants and transfers	-	-	-	-	
Total Payments	1,540,156,123	935,490,440	604,665,773	61%	
Surplus or Deficit	-	-	-	-	

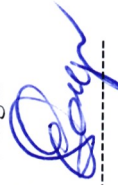
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ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS

Project Name: Rural Electrification In Five Regions Project				
Break down of transfers from the State Department of Energy				
a. Government Counterpart funding	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate	
		-		
		-		
		-		
	Total	-		
B. Direct payments	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate	
		-		
		-		
	Total	-		
C. Others	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate	
		-		
		-		
	Total	-		
	Total (A+B+C)	-		

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

Project Manager
RREC



Sign -----

Head of Accounting Unit
Ministry Of Energy



Sign-----

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ANNEX 3A - ANALYSIS OF PENDING BILLS

Supplier of Goods and Services	a	b	c	d=a-c
Supply of goods				
Lot 1 - Lomas and Lomas Limited	278,035,215	01.07.2016	160,229,051	117,806,164
Lot 2 - Sinotec Company Ltd Limited	465,324,648	01.07.2016	276,723,432	188,601,216
Lot 3 - Fountain Technologies Limited	154,623,203	01.07.2016	48,262,405	106,360,799
Lot 4 - Magnate Ventures Limited	44,610,949	01.07.2016	22,223,928	22,387,021
Lot 5 - Wayne Homes (k) Limited	18,529,434	01.07.2016	3,161,546	15,367,889
Sub-Total	961,123,449		510,600,361	450,523,088
Supply of services				
Consultancy - Aberdare Engineering Ltd	50,896,986	01.07.2016	-	50,896,987
Sub-Total			-	50,896,987
Grand Total	1,012,020,435	-	510,600,361	501,420,076

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ANNEX 3B - ANALYSIS OF PENDING: STAFF BILLS

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2020-2021	Outstanding Balance 2019/20	Comments
Permanent Employees - Management							
1.							
2.							
Sub-Total							
Permanent Employees - Others							
3.							
4.							
Sub-Total							
Temporary employees							
5.							
6.							
Sub-Total							
Others (specify)							
7.							
8.							
Sub-Total							
Grand Total							

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ANNEX 3C - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Description	Original Amount	Date Contracted	Payable Amount Paid To-Date	Outstanding Balance 20xx	Outstanding Balance 20xx	Comments
Amounts due to National Govt Entities							
1.							
2.							
Sub-Total							
Amounts due to County Govt Entities							
3.							
4.							
Sub-Total							
Amounts due to Third Parties							
5.							
6.							
Sub-Total							
Others (<i>specify</i>)							
7.							
8.							
Sub-Total							
Grand Total							

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ANNEX 4 – SUMMARY OF FIXED ASSETS REGISTER

Asset class	Opening Cost (KShs) 2020/2021	Donations in form of assets (KShs) 201/2022	*Purchases/ Additions in the Year (KShs) 2021/2022	**Disposals in the Year (KShs) 2021/2022	Transfers in/(out) Kshs 2021/2022	Closing Cost (KShs) 2022
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+(c)-(d)+(-)d
Land	-	-	-	-	-	-
Buildings and structures	-	-	-	-	-	-
Transport equipment	-	-	-	-	-	-
Office equipment, furniture and fittings	-	-	-	-	-	-
ICT Equipment,	-	-	-	-	-	-
Other Machinery and Equipment	-	-	-	-	-	-
Heritage and cultural assets	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-
Infrastructure assets roads, rails	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Work in Progress	1,855,991,983	-	935,490,440	-	-	2,791,482,423
Total	1,855,991,983	-	935,490,440	-	-	2,791,482,423

Notes

* Purchases/Additions in the year reconciled to the amount in Statement of Receipts and Payments

** The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold. The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year. Ensure this section is complete covering all the entities assets. Ensure the complete fixed asset register is separately prepared as per circular number 5/2020 and follow up reminder of circular No. 23/2020 of The National Treasury

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ANNEX 5 – CONTINGENT LIABILITIES REGISTER

	Nature of contingent liability	Payable to	Estimated Amount Kshs	Expected date of payment	Remarks
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

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ANNEX: 6 REPORTING OF CLIMATE RELEVANT EXPENDITURES

Name of the Organization
 Telephone Number
 Email Address
 Name of CEO/MD/Head

Name and contact details of contact person (in case of any clarifications)

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

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ANNEX 7 DISASTER EXPENDITURE REPORTING TEMPLATE

Date:						
Entity						
Period to which this report refers (FY)	Year	Quarter				
Name of Reporting Officer						
Contact details of the reporting officer:	Email	Telephone				
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

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ANNEX 8: OTHER SUPPORT DOCUMENTS

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2022
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)
- v. GOK IFMIS comparison Trial Balance