

REPUBLIC OF KENYA



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REPORT

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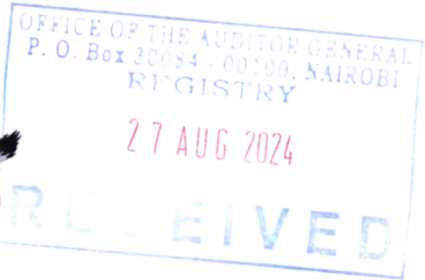
TABLED BY: Majority Whip
CLERK-AT-THE-TABLE: Irene Nduku
Hon. Silvanus Osoo

ON

**KENYA ELECTRICITY MODERNIZATION
PROJECT (IDA GRANT NUMBER TFA059 AND
CREDIT NUMBER 5587 KE)**

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

**RURAL ELECTRIFICATION AND RENEWABLE
ENERGY CORPORATION**



**KENYA ELECTRICITY MODERNIZATION PROJECT
(KEMP)**

RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION

**PROJECT GRANT & CREDIT NUMBERS:
TFA0579 & 55870KE**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

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1. Acronyms and Definition of Terms

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

2. Project Information and Overall Performance

2.1 Name and registered office

Name: Kenya Electricity Modernization Project.

Objective: The key objective of the project:

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

Address:

The project headquarters offices are in Nairobi, Kenya.

The address of its registered office is:

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

2.2 Project Information

Project Start Date:	29 th June, 2015.
Project End Date:	30 th June, 2023.
Project Coordinator:	Mr. Edward Gakunju.
Project Sponsor:	The International Development Association (IDA), having fully funded all project costs.

2.3 Project Overview

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

	No. TFA0579, respectively.
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> (i) To connect public facilities in selected areas: This initiative aims to enhance infrastructure by linking public facilities in designated regions, thereby improving access and service delivery. (ii) To increase access to electricity: The objective is to expand electricity coverage, ensuring more households and businesses benefit from reliable power supply. (iii) To improve reliability of electricity service: This goal focuses on enhancing the stability and dependability of the electricity network, reducing outages, and ensuring consistent service quality.
Summary of Project Strategies for achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> (i) Mini-grids supplied preferably by hybrid generation systems: Mini-grids should ideally be powered by hybrid generation systems to optimize energy efficiency and reliability. (ii) Construction of necessary distribution infrastructure: This involves the development of essential distribution infrastructure to support the effective delivery of electricity.
Other important background information of the project	The project is being implemented in conjunction with MOE and KPLC.

<p>Areas that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas:</p> <p>The project has two components:</p> <p>(i) Consultancy Services: This component focuses on providing expert guidance and strategic planning to ensure the project's successful implementation. It encompasses feasibility studies, technical assessments, and advisory services to optimize the design and deployment of solar mini-grids.</p> <p>(ii) Construction of Solar Mini-Grids: This component involves the physical development and installation of solar-powered mini-grids. It includes the construction of infrastructure necessary for harnessing and distributing solar energy, aimed at improving access to reliable and sustainable electricity in targeted regions.</p> <p>Together, these components are designed to enhance energy access and reliability while leveraging expert insights and advanced solar technology.</p>
<p>Project duration</p>	<p>The project started on 29th June, 2015 to 30th June, 2023. (8) Years (0) Months (2) days.</p>

2.4 Bankers

The following are the bankers for the project:

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

Project Information and Overall Performance (Continued)

2.5 Auditors

The project is audited by the:

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

2.6 Roles and Responsibilities

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

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

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

2.7 Funding summary

The project is for a duration of (8) years, (0) months, and (2) days, spanning from June 29, 2015, to June 30, 2023, with an approved budget of US\$10 million, equivalent to Kshs. 1,013,000,000. Although the credit financing expired on June 30, 2023, the World Bank extended the project

disbursement period to December 31, 2023, to facilitate the processing of payments for works completed by June 30, 2023. The funding summary is outlined in the table below:

Kenya Electricity Modernization Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

Project Information and Overall Performance (Continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date (30.06.2024)		Undrawn balance to date (30.06.2024)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
International Development Association - IDA	7,500,000	759,750,000	4,660,434	573,722,018	2,839,566	186,027,982
(ii) Loan						
International Development Association - IDA	2,500,000	253,250,000	1,274,400	129,083,976	1,225,600	124,166,024
(iii) Counterpart Funds						
Government of Kenya (GOK)	1,000,000	100,000,000	50	5,000	999,950	99,995,000
Total	11,000,000	1,113,000,000	5,934,884	702,810,994	5,065,116	410,189,006

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

Project Information And Overall Performance (Continued)

B. Application of Funds

Application of funds	Amount received to date - (30th June,2024)		Cumulative amount paid to date - (30 th June, 2024)		Unutilised balance to date - (30th June 2024)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
International Development Association-IDA	4,660,434	573,722,018	4,660,434	573,722,018	-	-
(ii) Loan						
International Development Association - IDA	1,274,400	129,083,976	1,263,521	127,982,020	10,879	1,101,956
(iii)Counterpart Funds						
Government of Kenya	50	5,000	50	5000	-	-
Total	5,934,884	702,810,994	5,924,005	701,709,038	10,879	1,101,956

Project Information and Overall Performance (Continued)

2.8 Summary of Overall Project Performance

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

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

During the year under review, the project received Kshs. 130,923,055 and incurred total expenditures of Kshs. 135,870,398, against a final budget of Kshs. 150,000,000. This resulted in an underutilization of Kshs. 14,129,602, or 9.42%. The project's cumulative receipts and payments amount to Kshs. 702,810,996 and Kshs. 701,709,038, respectively.

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

Activities planned for the reporting period	Activity Implementation Status	Remarks
Recruitment of consultants for preliminary designs and environmental impact assessment.	Preparation of bids, advertisements, opening of bids, evaluation of bids, and awards of contracts.	Completed.
Recruitment of	Preparation of bids, advertisements, opening of bids,	Completed.

Activities planned for the reporting period	Activity Implementation Status	Remarks
transaction advisors'	evaluation of bids, and awards of contracts.	
Submission of a final report on preliminary designs and ESIA's	For the ten sites draft final report in 2018	Completed
Submission of bid document by the transaction advisors'	For recruitment of construction contractor	Completed
Recruitment of Construction contractor	Advertisements, opening of bids, evaluation of bids and awards of contracts	Completed
Site handover to the contractor	For Seven sites that are ready for implementation	Completed
Material manufacture	All the remaining materials were manufactured.	Completed
Factory Acceptance Tests	For materials already completed, it was done virtually.	Completed
Delivery of materials	A tax exemption was obtained. All materials were delivered to the sites	Completed
Installation of the mini-grids	Areas for connection of customers and households	Ongoing

Project Information and Overall Performance (Continued)

iii) Comment on value-for-money achievements,

The project credit was extended, and the deadline for closing was June 30, 2023, with a disbursement application deadline of December 31, 2023 for goods delivered and services rendered up to June 30, 2023.

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

- a) Preliminary designs for the mini-grids were done and completed on time.
- b) ESIA reports were done and completed on time.
- c) Transaction advisors' recruited and submitted bidding documents for the recruitment of construction contractors.
- d) Construction materials were delivered.
- e) The construction contractor is on site carrying out installation.

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

The absorption rate for the project stands at 59.35% of the total donor commitment. To date, the World Bank has disbursed US\$ 5,934,834 out of its total commitment of US\$ 10,000,000. This reflects that 59.35% of the allocated funds have been effectively utilized, demonstrating substantial progress in project implementation and financial management.

The remaining works will be addressed through additional funding from the Government of Kenya via the exchequer. This funding will cover any outstanding works and ensure the completion of all project activities as initially planned. Transitioning to government funding underscores the commitment to fulfilling project objectives and addressing any final requirements to achieve the project's

Project Information and Overall Performance (Continued)

full scope and impact. This approach ensures that project goals are fully realized and that any financial gaps are effectively managed.

v) Implementation challenges and recommended way forward.

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

Project Information and Overall Performance (Continued)

underway. Moving forward, it is essential to verify material deliveries against contractual specifications before acceptance to prevent similar issues.

2.9 Summary of Project Compliance

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

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

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81 (2) (f) 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.

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

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

contributing to the broader goal of expanding electricity access in underserved regions.

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

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

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic, and time-bound (SMART) and converted into development outcomes. Attendant

indicators were identified for reasons of tracking progress and performance measurement:

Below, we provide progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Kenya Electricity Modernization Project.	Provision of electricity in selected islands.	Connection of public facilities and households.	Availability of electricity in the selected islands	In FY 2023/24, two (2) minigrids were commissioned to supply power, subject to full completion for the issuance of a completion certificate. Installation of the minigrids is in progress, with most of the power generation plant installation and power distribution network infrastructure nearly completed. A total of four (4) minigrids, namely Wasini/Mkwiro, Mageta, Ngodhe, and Takawiri, are supplying power to the communities.

4. Environmental and Sustainability Reporting

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

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

i. Sustainability strategy and profile

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

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

ii. Environmental performance

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

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

The operational policy on natural habitats (OP/BP 4.04) has been triggered on the assumption that the project activities under Components 1 and 3 are likely to affect the

natural habitats through the erection of poles, the construction of mini-grids, and the installation of solar water pumping equipment.

iii. Employee welfare

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

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

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

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

iv. Market place practices

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

This commitment to transparency and accountability upholds the trust of stakeholders and promotes a culture of responsible competition.

a) Responsible Supply chain and supplier relations

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

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

b) Responsible ethical Practices

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

Additionally, if clarifications or changes to bidding documents are required, the Corporation provides extensions to the response deadlines. This ensures that all potential bidders have the necessary time to adjust their proposals in light of the new information, maintaining the integrity and fairness of the procurement process. By implementing these practices, the Corporation promotes ethical standards and fairness, ensuring that all suppliers have an equal opportunity to participate in procurement activities

c) Regulatory impact assessment

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

v. Community Engagements

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

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

In addition to engagement, the Corporation is committed to providing tangible benefits to the local communities. During the implementation of energy projects, there is a concerted

effort to prioritize local residents for employment opportunities. This not only boosts local economies but also enhances community support and ownership of the projects. Furthermore, the Corporation involves local communities in the land acquisition process, ensuring that their rights and interests are respected and that any potential impacts are mitigated through fair and transparent procedures.

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

5. Statement of Project Management Responsibilities

The Chief Executive Officer of Rural Electrification and Renewable Energy Corporation and the Project 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, 2024.

This responsibility includes:

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

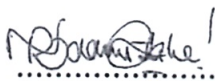
The Chief Executive Officer and the Project Manager for KEMP Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting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

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


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

Approval of the Project Financial Statements

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

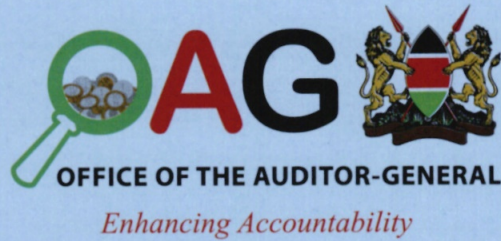

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CS Dr. Rose Mkalama
Chief Executive
Officer


.....
Mr. Edward Gakunju
Project Coordinator


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

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY MODERNIZATION PROJECT (IDA GRANT NUMBER TFA059 AND CREDIT NUMBER 55870KE) FOR THE YEAR ENDED 30 JUNE, 2024 – RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Electricity Modernization Project set out on pages 1 to 55, which comprise of the statement of financial assets and

liabilities as at 30 June, 2024 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 Kenya Electricity Modernization Project as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with Financing Agreements between the Republic of Kenya and International Development Association for Credit Number 5587 KE dated 29 June 2015 and Grant Number TFA0579 dated 29 June, 2016, and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Other Information

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

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

In connection with my audit on the Kenya Electricity Modernization Project 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 USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Accrued Commitment Fees on Undrawn Financing Amount

Paragraph 2.7 of the Project information discloses that the Project was earmarked to close on 30 December, 2023. Additionally, the funding summary indicates that the Donor had made a total loan and grant commitment totalling USD10,000,000 equivalent to Kshs.1,013,000,000. However, actual drawdowns during the project life of over eight (8) years amounted to USD5,934,834 equivalent to Kshs.702,805,994 leaving out Kshs.310,194,006 or 31% of committed funds undrawn after closure of the project on 31 December, 2024. Management did not provide for audit review, mitigation measures taken to absorb the remaining funds or secure an extension the project from the Donor.

In addition, the financing agreement provides that undrawn loan balance will attract a commitment charge of 0.5%. As at 30 June, 2024, an equivalent of Kshs.124,166,024 or 49% of the loan commitment was undrawn, attracting at minimum of Kshs.620,830 commitment fee on undrawn amount during the year.

In the circumstances, value for money in implementation of the financing agreement cannot be confirmed.

2. Irregular Variation Contract Term

Management contracted a foreign company on 9 October, 2019 to design, supply and install a Solar Voltaic Power Generation Plant (SPGP) with associated power distribution network, and operation and maintenance services to consumers. The contract was to be implemented in twelve (12) months. On 14 July, 2023 the parties to the contract signed an addendum IV to change facilities terms contained in the original contract. Review of the addendum revealed the following inconsistencies and anomalies:

- i. The Addendum IV was signed on 14 July, 2023 which was after the financing agreement had lapsed on 30 June, 2023. It was not clear how the changes were to be implemented after the project period.

- ii. Clause VIII of the addendum provided that the parties had agreed to the change in facilities terms in the original contract to facilitate completion of the project at a cost of Kshs.132,463,587 drawn from the Corporation's internal funding since the project implementation period had lapsed.
- iii. Management budgeted for Kshs.332,000,000 in the budget of the subsequent year, 2024/2025. However, the change of facilities according to the addendum was Kshs.132,463,585 resulting in unexplained variance of Kshs.177,730,421.

In the circumstances, the legality of the contract variation through the addendum and the value for money in respect of the contract could not be confirmed.

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 about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and 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 financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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.


CPA Nancy Gatundu, CBS
AUDITOR-GENERAL

Nairobi

30 October 2024

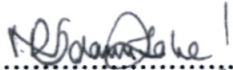
*Kenya Electricity Modernization Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

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

Description	Note	2023-2024		2022-2023		Total	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	Kshs
Receipts							
Transfer from Government entities	1	-	-	-	-	-	5,000
Proceeds from domestic and foreign grants	2	-	130,923,055	130,923,055	-	353,822,036	573,722,020
Loan from external development partners	3	-	-	-	-	-	129,083,976
Miscellaneous receipts	4	-	-	-	-	-	-
Total Receipts		-	130,923,055	130,923,055	-	353,822,036	702,810,996
Payments							
Compensation of employees	5	-	-	-	-	-	-
Purchase of goods and services	6	-	-	-	-	-	-
Social security benefits	7	-	-	-	-	-	-
Acquisition of non-financial assets	8	4,942,423	130,923,055	135,865,478	41,866,717	353,822,036	701,625,489
Transfers to other government entities	9	-	-	-	-	-	-
Other grants and transfers and payments	10	4,920	-	4,920	1,602	1,602	83,549
Total Payments		4,947,343	130,923,055	135,870,398	41,868,319	395,690,355	701,709,038
Surplus/(Deficit)		(4,947,343)	-	(4,947,343)	(41,868,319)	(41,868,319)	1,101,956

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

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



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CS Dr. Rose Mkalama
Chief Executive Officer



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Mr. Edward Gakunju
Project Coordinator




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CPA Walter Nduta
Project Accountant
ICPAK Member No:23665

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

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Financial Assets			
Cash and Cash Equivalents			
Bank Balances	11.A	1,101,956	6,049,299
Cash Balances	11.B	-	-
Cash Equivalents (short term deposits)	11.C	-	-
Total Cash and cash equivalents		1,101,956	6,049,299
Accounts receivables – Imprest and Advances	12	-	-
Total Financial Assets (A)		1,101,956	6,049,299
Financial Liabilities			
Third party Deposits and Retentions	13	-	-
Total Financial Liabilities (B)		-	-
Net Financial Assets (A-B)		1,101,956	6,049,299
Represented By			
Fund balance B/fwd.	14	6,049,299	47,917,618
Prior year adjustments	15	-	-
Surplus/(Deficit) for the year		(4,947,343)	(41,868,319)
Net Financial Position		1,101,956	6,049,299

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


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CS Dr. Rose Mkalama
Chief Executive Officer


.....
Mr. Edward Gakunju
Project Coordinator

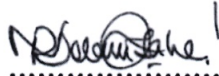

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9. Statement of Cashflow for the year ended 30th June 2024

Description	Notes	2023-2024	2022-2023
		Kshs	Kshs
Cashflows From Operating Activites			
Receipts			
Transfer from Government entities	1	-	-
Proceeds from domestic and foreign grants	2	-	-
Miscellaneous receipts	4	-	-
Total Receipts			
Payments			
Compensation of employees	5	-	-
Purchase of goods and services	6	-	-
Social security benefits	7	-	-
Transfers to other government entities	9	-	-
Other grants and transfers	10	(4,920)	(1,602)
Total Payments		(4,920)	(1,602)
Net receipts/(payments)		(4,920)	(1,602)
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		(4,920)	(1,602)
Cashflow From Investing Activities			
Acquisition of non-financial assets	8	(135,865,478)	(395,688,753)
Net cash flows from Investing Activities		(135,865,478)	(395,688,753)
Cashflow From Financing Activities			
Proceeds from foreign borrowings	3	130,923,055	353,822,036
Net cash flow from financing activities		130,923,055	353,822,036
Net Increase In Cash And Cash Equivalent		(4,947,343)	(41,868,319)
Cash and cash equivalent at beginning of the Year	11	6,049,299	47,917,618
Cash and cash equivalent at end of the Year	11	1,101,956	6,049,299

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

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



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CS Dr. Rose Mkalama
Chief Executive Officer



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Mr. Edward Gakunju
Project Coordinator



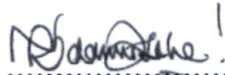
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10. Statement of Comparison of Budget and Actual Amounts for year ended 30th June 2024

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c%
Receipts						
Transfer From Government Entities			-	-	-	0.00%
Proceeds From Domestic And Foreign Grants	327,052,657	(182,000,000)	145,052,657	130,923,055	14,129,602	90.26%
Proceeds From Borrowings	4,947,343	-	4,947,343	-	4,947,343	0.00%
Miscellaneous Receipts			-	-	-	0.00%
Total Receipts	332,000,000	(182,000,000)	150,000,000	130,923,055	19,076,945	87.28%
Payments						
Compensation To Employees			-	-	-	0.00%
Purchase Of Goods And Services			-	-	-	0.00%
Social Security Benefits			-	-	-	0.00%
Acquisition Of Non-Financial Assets	331,995,080	(182,000,000)	149,995,080	135,865,478	14,129,602	90.58%
Transfers To Other Government Entities			-	-	-	0.00%
Other Grants And Transfers	4,920	-	4,920	4,920	-	100.00%
Total Payments	332,000,000	(182,000,000)	150,000,000	135,870,398	14,129,602	90.58%
Surplus Or (Deficit)	-	-	-	(4,947,343)	-	

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

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



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Chief Executive Officer**



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**Mr. Edward Gakunju
Project Coordinator**



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**CPA Walter Nduta
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ICPAK Member No:23665**

11. Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

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

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

b) Reporting entity

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

c) Reporting currency

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

d) Recognition of receipts

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

i) Transfers from the Exchequer

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

Significant Accounting Policies (continued)

ii) External Assistance

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

iii) Other receipts

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

iv) Donations and grants

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

v) Proceeds from borrowing

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

vi) Undrawn external assistance

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

Significant Accounting Policies (continued)

e) Recognition of payments

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

i) Compensation to employees

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

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

Significant Accounting Policies (continued)

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

f) In-kind donations

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

g) Cash and cash equivalents

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

h) Restriction on cash

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

Significant Accounting Policies (continued)

i) Imprests and Advances

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

j) Contingent Liabilities

A contingent liability is:

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

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

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. **Annex 6** of this financial statement is a register of the contingent liabilities in the year.

k) Contingent Assets

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

Significant Accounting Policies (Continued)

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.

l) Pending bills

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

m) Budget

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

Significant Accounting Policies (Continued)

n) Third party payments

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

o) Exchange rate differences

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

p) Comparative figures

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

q) Subsequent events

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

r) Prior period adjustments

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

12. Notes to the Financial Statements

1. Transfers from Government entities

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

Description	2023 - 2024	2022 - 2023	Cumulative to date (from inception)
	Kshs	Kshs	Kshs
Counterpart funding through Ministry of Energy	-	-	-
Counterpart funds Quarter 1	-	-	-
Counterpart funds Quarter 2	-	-	-
Counterpart funds Quarter 3	-	-	-
Counterpart funds Quarter 4	-	-	-
Total (See Annex 3)	-	-	-
Other transfers from government entities	-	-	-
Ministry of Finance	-	-	5,000
Appropriations-in-Aid	-	-	-
Total	-	-	5,000

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

Notes to the Financial Statements (Continued)

2. Proceeds From Domestic and Foreign Grants

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

Name of Donor	Date received	2023 - 2024					2022-2023	Cumulative to date
		Amount received in donor currency	Grants Received in Cash	Grants received as direct payments	Grants Received in Kind	Total amount	Total amount	
		USD	KShs	KShs	KShs	2023-2024 KShs	2022-2023 KShs	
Grants Received from Bilateral Donors (Foreign Governments)								
World Bank			-	-	-	-	-	
Grants Received from Multilateral Donors (International Organisations)								
International Development Association (IDA)		898,330	-	130,923,055	-	130,923,055	353,822,036	
Total		- 898,330	-	130,923,055	-	130,923,055	353,822,036	

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Notes to the Financial Statements (Continued)

3. Loan from External Development Partners

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

Description	2023 - 2024					2022 -2023	Cumulative to date	
	Name of Donor	Date received	Amount in loan currency	Loans received in actual amount	Loan Received as Direct Payment	Total amount In Kshs		Total amounts in Kshs
			USD	KShs	KShs	KShs		KShs
Loans Received from Bilateral Donors (Foreign Governments)	-							
	-							
	-							
Loans Received from Multilateral Donors (International Organisations)	-							
World Bank	-						129,083,976	
Total	-						129,083,976	

Notes to the Financial Statements (Continued)

4. Miscellaneous receipts

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

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Notes to the Financial Statements (Continued)

5. Compensation to Employees

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

Notes to the Financial Statements (Continued)

6. Purchase of Goods and Services

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

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Notes to the Financial Statements (Continued)

7. Social Security Benefits

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

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Notes to the Financial Statements (Continued)

8. Acquisition of Non-Financial Assets

Description	2023-2024			2022-2023	Cumulative to date
	Payments made by the Entity in cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Consultancy/Training	-	-	-	-	81,094,331
Purchase of project materials and Installation works	4,942,423	130,923,055	135,865,478	395,688,753	620,531,158
Total	4,942,423	130,923,055	135,865,478	395,688,753	701,625,489

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Notes to the Financial Statements (Continued)

9. Transfers to other Government Entities

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

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

Notes to the Financial Statements (Continued)

10. Other Grants, Transfers and Payments

Description	2023-2024			2022-2023	Cumulative to date
	Payments made by the Entity in cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Bank Charges	4,920	-	4,920	1,602	83,549
Total	4,920	-	4,920	1,602	83,549

Notes to the Financial Statements (Continued)

11. Cash And Cash equivalents

Description	2023-2024	2022-2023
	Kshs	Kshs
Bank accounts (Note 11.A)	1,101,956	6,049,299
Cash in hand (Note 11.B)	-	-
Cash equivalents (short-term deposits) (Note 11.C)	-	-
Total	1,101,956	6,049,299

11. A Bank Accounts

Project Bank Accounts

Description	2023-2024	2022-2023
	Kshs	Kshs
<u>Foreign Currency Accounts</u>		
N/A		
Total foreign currency Balances	-	-
<u>Local Currency Accounts</u>		
Co-operative Bank of Kenya (A/c No.01136125016302)	1,101,956	6,049,299
Total local currency balances	1,101,956	6,049,299
Total bank account balances	1,101,956	6,049,299

Special Deposit Accounts

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

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

Notes to the Financial Statements (Continued)

Special Deposit Accounts Movement Schedule

Description	2023/24	2023/24	2022/23	2022/23
KEMP A/C 0128945650	USD	Kshs	USD	Kshs
Opening balance	79.80	8103.00	79.80	8103.00
Closing Balance	79.80	8103.00	79.80	8103.00

(The Special Deposit Account reconciliation statement has been attached as **Annex 9** support these closing balance)

Notes to the Financial Statements (Continued)

11 B Cash in hand

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

11 C Cash equivalents (short-term deposits)

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

12. Imprests and Advances

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

Notes to the Financial Statements (Continued)

12A: Breakdown of Imprests and Advances

Name of Officer or Institution	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance Current 2023/24	Balance Comparative 2022/23
	Kshs	Kshs	Kshs	Kshs	Kshs
Officer 1	-	-	-	-	-
Officer 2	-	-	-	-	-
Programme 1	-	-	-	-	-
Total	-	-	-	-	-

13. Third-Party Deposits and Retention

Description	2023-2024		2022-2023	
	Kshs		Kshs	
Retention	-	-	-	-
Deposits	-	-	-	-
Total	-	-	-	-
Ageing analysis	Current 2023/24	% of the Total	Comparative 2022/23	% of the Total
Under one year	-	-	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	-	-	-	-

14. Fund Balance Brought Forward

Description	2023-2024	2022-2023
	Kshs	Kshs
Bank Accounts	6,049,299	47,917,618
Cash in hand	-	-
Cash equivalents (short term deposits)	-	-
Outstanding Imprests and advances	-	-
Total	6,049,299	47,917,618

Notes to the Financial Statements (Continued)

15. Prior Year Adjustment

Description of the error	Balance b/f 2022/2023 (Audited financial statements)	Adjustments	Adjusted balance b/f 2022/2023
	Kshs	Kshs	Kshs
Bank account Balances	-	-	-
Cash in hand	-	-	-
Imprests and advances	-	-	-
Deposits and retentions	-	-	-
Others (<i>specify</i>)	-	-	-
Total	-	-	-

16. Changes in Accounts Receivables (Imprests and Advances)

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

17. Changes in Accounts Deposits and Retention

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

13. Other Important Disclosures

1. Pending Accounts Payable (See Annex 4a)

Description	Balance b/f from Comparative FY 2022/23	Additions for the period	Paid during the year	Balance c/f For Current FY 2023/24
	Kshs	Kshs	Kshs	Kshs
Supply of Project Materials: PDN Line Fittings payable to KSNR				
Invoice No. INV/KNSR/2023/04/01	11,784,992	0.00	11,784,992	0.00
Invoice No. INV/KNSR/2023/04/02	24,751,307	0.00	24,751,307	0.00
Total	36,536,299	0.00	36,536,299	0.00

2. Pending Staff Payables (See Annex 4b)

Description	Balance b/f from Comparative 2022/23	Additions for the year	Paid during the year	Balance c/f for Current 2023/24
	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 4c)

Description	Balance b/f from Comparative FY 2022/23	Additions for the period	Paid during the year	Balance c/f For Current FY 2023/24
	Kshs	Kshs	Kshs	Kshs
Amounts due to third parties: project contractor (Kingshore New Resources Jiangsu Co. Ltd)	112,440,652	25,233,698	0.00	137,674,350
Total	112,440,652	25,233,698	0.00	137,674,350

4. External Assistance

Description	2023-2024	2022-2023
	Kshs	Kshs
External assistance received as grants	130,923,055	353,822,036
External assistance received as loans	-	-
External assistance received in kind- as payment by third parties	-	-
Total	130,923,055	353,822,036

a) External assistance relating loans and grants

Description	2023-2024	2022-2023
	Kshs	Kshs
External assistance received as loans	-	-
External assistance received as grants	130,923,055	353,822,036
Total	130,923,055	353,822,036

Other Important Disclosures (Continued)

b) Undrawn external assistance

Description	Purpose for which the undrawn external assistance may be used	2023/2024	2022/2023
		Kshs	Kshs
Undrawn external assistance - loans		124,166,024	124,166,024
Undrawn external assistance - grants		186,027,982	316,951,037
Total		310,194,006	441,117,061

Note: During the fiscal year 2022/23, an arithmetic error was identified, resulting in an overstatement of the undrawn amount as Kshs.378,648,864 instead of Kshs.316,951,037. This error has since been rectified, and the correct balances are now reflected in the current year.

c) Classes of providers of external assistance

Description	2023/2024	2022/2023
	Kshs	Kshs
International Assistance Organization - IDA World Bank	130,923,055	353,822,036
Total	130,923,055	353,822,036

d) Non-monetary external assistance

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

e) Purpose and use of external assistance

Payments made by third parties	2023-2024	2022-2023
	Kshs	Kshs
Acquisition of assets	130,923,055	353,822,036
Other payments	-	-

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Payments made by third parties	2023-2024	2022-2023
	Kshs	Kshs
Total	130,923,055	353,822,036

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

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

Description	2023-2024	2022-2023
	Kshs	Kshs
International assistance organization - World Bank	130,923,055	353,822,036
Total	130,923,055	353,822,036

5. Payments By Third Party on Behalf of The Project

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

5.1 Classification by Source

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

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

Payments made by third parties	2023/2024	2022/2023
Description	Kshs	Kshs
Compensation of employees	-	-
Use of goods and services	-	-

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

6. Related Party Disclosures

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

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

Related party transactions:

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

Other Important Disclosures (Continued)

7. Contingent Liabilities

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

(Give details - Update Annex 6 Contingent liabilities register)

8. Land Ownership

There are seven (7) No's mini-grids development sites identified fall in five (5 No's) counties namely, Wasini & Mkwiro in Kwale County, Ngodhe and Takawiri in Homabay County, Mageta in Siaya County, Kaeris and Kerio in Turkana County, and Dabel in Marsabit County. The land identification and sourcing process was supported by the Ministry of Energy and Petroleum, the Ministry of Lands, Public Works, Housing, and Urban Development, the County Governments of Kwale, Homabay, Siaya and Turkana; and the National Land Commission. The land acquisition process has been completed for three sites (Wasini/Mkwiro, Ngodhe, and Takawiri) and title / reservation registered in the name of the Corporation (REREC), while the processing of the remaining four sites (Mageta, Dabel, Kaeris and Kerio) are at various stages within the acquisition process. Below is the summary.

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

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S/No's	Project Location	Land Characteristics	Land Status	Remarks
2	Ngodhe	Private land acquired through a willing seller, willing buyer transaction.	Certificate of Title Received.	Complete.
3	Takawiri	Public land, allocated to REREC by the NLC.	A land reservation was registered. Processing of the title has begun.	Land Reservation Complete.
4	Mageta	Public land, allocated to REREC by the NLC.	Adjudication completed, and records digitization completed.	Waiting for the Certificate of Title.
5	Dabel	Unregistered community land. In-kind compensation was completed and handed over to communities.	Early entry, valuation of land, and public inquiry were completed. Processing of the Letter of Allotment.	Waiting for the Certificate of Title.
6	Kaeris	Unregistered community land. In-kind compensation was completed and handed over to communities.	Early entry, valuation of land, and public inquiry were completed. Processing of the Letter of Allotment.	Waiting for the Certificate of Title.

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S/No's	Project Location	Land Characteristics	Land Status	Remarks
7	Kerio	Unregistered community land. In-kind compensation is pending.	Early entry, valuation of land, and public inquiry were completed. Processing of the Letter of Allotment.	Waiting for the Certificate of Title.

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

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14. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference Number on the external audit Report	Issue / Observations from Auditor	Detailed Management Comments	Status: (Resolved / Not Resolved)	Timeframe
No. 1	<p>Delay in Project Funding and Project Implementation</p> <p>As disclosed in paragraph 2.2 of the Project information and overall performance, the Project was earmarked to close on 30 June, 2023 following a grant extension dated 31 December 2022 with application deadline for all payments for works done up to 30 June, 2023.</p> <p>However, it was noted that the Donor had made a commitment amounting to Kshs.1,113,000,000 comprising of IDA grant and IDA loan and GOK counterpart fund of Kshs. 100,000,000 as at 30 June 2023 but actual drawdowns for IDA grant during the project life amounted to Kshs.442,798,963 and IDA</p>	<p>The slow absorption of funds has been attributed to delays in project completion by the contractor. While the contractor has delivered nearly all required materials, there have been delays in completing the civil works and finalizing the mini grids.</p> <p>All payments made to date have been for materials delivered. The balance in fund absorption is due to the delays in completing civil works, which have necessitated rework at several sites since January 2023. As of June 2023, the</p>	Resolved	30th June,2025

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Reference Number on the external audit Report	Issue / Observations from Auditor	Detailed Management Comments	Status: (Resolved / Not Resolved)	Timeframe
	<p>loan of kshs.129,083,976 leaving and kshs.124,166,024 or 49.8% and 49% respectively of Donor commitment undrawn. Further, the GOK counterpart fund of Kshs.100,000,000 has not been disbursed to date.</p> <p>In addition, addendum IV dated 14 July, 2023 provided an amount of kshs.132,463,585 for remaining works but the source of financing was not indicated.</p>	<p>contractor had not submitted invoices for installation services.</p> <p>During the credit grace period, extending up to December 31, 2023, for processing payments for services and materials completed by June 30, 2023, the corporation received and processed invoices from the contractor for various PDN materials supplies as of June 30, 2023. These invoices were settled by the World Bank.</p> <p>The total IDA grant drawdowns as of June 30, 2023, amount to Kshs. 573,722,018. The contract agreement requires the contractor to submit final</p>		

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Reference Number on the external audit Report	Issue / Observations from Auditor	Detailed Management Comments	Status: (Resolved / Not Resolved)	Timeframe
		<p>designs for approval to facilitate the delivery of materials for mini grid installation, which is still in progress.</p> <p>According to the Project Appraisal Document (PAD), a provision of Kshs. 100,000,000 as counterpart funds was initially allocated for internal contributions towards the preparation of mini grid designs. However, during a project review mission by the World Bank team in September 2015, it was agreed that project design consultants would be recruited. The consultant prepared preliminary designs used in the bidding documents, while the implementation contractor prepared the</p>		

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Reference Number on the external audit Report	Issue / Observations from Auditor	Detailed Management Comments	Status: (Resolved / Not Resolved)	Timeframe
		<p>final designs for mini grid installation.</p> <p>Addendum IV, signed on July 14, 2023, addresses additional works at three sites in the North Eastern region—Kerio and Kaeris in Turkana County, and Dabel in Marsabit County—where medium voltage was omitted from the original BOQ. Although Addendum IV was signed after the credit financing deadline of June 30, 2023, discussions and commitment to undertake these works were made earlier. The funding for these additional works is covered under the credit, and the financier provided a no-objection for the addendum.</p>		

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Reference Number on the external audit Report	Issue / Observations from Auditor	Detailed Management Comments	Status: (Resolved / Not Resolved)	Timeframe
		<p>A joint inspection with the contractor was conducted from September 28 to October 7, 2023, by the Corporation Engineers/Supervision Team. The contractor has committed to correcting defects in civil and electro-mechanical works and preparing the facilities for commissioning.</p> <p>To ensure quality assurance and control, a Project Supervision Team is in place. Additionally, the Corporation's FY 2024/25 budget includes Kshs. 300 million allocated as a first charge to finance the KEMP Project, aimed at addressing pending bills.</p>		

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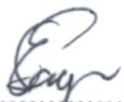
Reference Number on the external audit Report	Issue / Observations from Auditor	Detailed Management Comments	Status: (Resolved / Not Resolved)	Timeframe
No.2	<p>Budgetary Control and Performance</p> <p>The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis as well as an expenditure budget and actual on comparable basis of and Kshs.395,690,355 respectively, resulting to an underfunding and underperformances of Kshs.54,309,645 or 13%. Similarly, Kshs.395, 690,000 was spent by Project against an approved expenditure budget of Kshs.450, 000,000 resulting to an under expenditure of Kshs.100, 030,745 or 13% meaning that no physical progress has been registered on the project.</p> <p>The underfunding and underperformance affected the implementation of planned activities and it was not possible to confirm that the Project implementation</p>	<p>As disclosed in the financial statements under Annex 2: Variance Explanations - Comparative Budget and Actual Amounts for FY 2022/23, the Contractor's late submission of PDN line fittings bills No. INV/KNSR/2023/04/01 and INV/KNSR/2023/04/02, totaling USD 261,253.48 (equivalent to Kshs. 36.5 million), remained unpaid as of June 30, 2023. Had these bills been paid, the budget utilization rate would have been 96%. The World Bank settled this bill on August 14, 2023.</p> <p>The Corporation engaged the World Bank to extend the grace period to</p>	Resolved	August 14, 2023

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Reference Number on the external audit Report	Issue / Observations from Auditor	Detailed Management Comments	Status: (Resolved / Not Resolved)	Timeframe
	was on course and that its strategic goals would be realized.	accommodate the settlement of installation work invoices already submitted by the Contractor. This extension was granted, and the outstanding bills were subsequently settled by the World Bank in November and December 2023.		

Signed by:


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


.....
Mr. Edward Gakunju
Project Coordinator

Kenya Electricity Modernization Project

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

Receipts/Payments Item	Final Budget	Actual on comparable basis	Budget Utilisation Difference	% of Utilisation	Comments on Variance (Below 90% and over 100%)
	a	b	c=a-b	d=b/a%	
	Kshs	Kshs	Kshs		
Receipts					
Transfer From Government Entities	-	-	-	0.00%	
Proceeds From Domestic And Foreign Grants	145,052,657	130,923,055	14,129,602	90.26%	Failure by the contractor to complete the project and invoice on time resulted in a 9.42% budget underutilization.
Proceeds From Borrowings	4,947,343	4,947,343	-	100.00%	
Miscellaneous Receipts	-	-	-	0.00%	
Total Receipts	150,000,000	135,870,398	14,129,602	90.58%	
Payments					
Compensation To Employees	-	-	-	0.00%	
Purchase Of Goods And Services	-	-	-	0.00%	
Social Security Benefits	-	-	-	0.00%	
Acquisition Of Non-Financial Assets	149,995,080	135,865,478	14,129,602	90.58%	Failure by the contractor to complete the project and invoice on time resulted in a 9.42% budget underutilization.
Transfers To Other Government Entities	-	-	-	0.00%	
Other Grants And Transfers	4,920	4,920	-	100.00%	
Total Payments	150,000,000	135,870,398	14,129,602	90.58%	
Surplus Or (Deficit)	-	-	-		

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Annex 3: Reconciliation of Inter-Entity Transfers

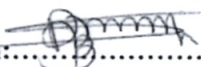
Project Name: Kenya Electricity Modernization Project			
Break down of transfers from the State Department of Energy			
A. Government Counterpart funding			
	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	Indicate the FY to which the amounts relate
	Not Applicable	0.00	Not Applicable
	Total	0.00	
B.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

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

**Project Coordinator
(REREC)**

Sign: 

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

Sign: 

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Annex 4a: Analysis of Pending Bills

Supplier of Goods or Services	Date Invoiced	Original Amount	Amount Paid to Date	Outstanding Balance 2023/24	Outstanding Balance 2022/23	Comments
		a	b	c=a-b		
		Kshs	Kshs	Kshs	Kshs	
Supply of Project Materials: PDN Line Fittings payable to KSNR						
Invoice No. INV/KNSR/2023/04/01	June 4,2023	11,784,992	11,784,992	0.00	11,784,992	Fully paid on August 14, 2023 by WB
Invoice No. INV/KNSR/2023/04/02	June 4,2023	24,751,307	24,751,307	0.00	24,751,307	Fully paid on August 14, 2023 by WB
Grand Total		36,536,299	36,536,299	0.00	36,536,299	

Note: There were no pending bills during the period under review. The Corporation successfully negotiated an extension of the grant grace period with the World Bank, which facilitated the settlement of submitted invoices in November and December 2023.

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Annex 4b: Analysis of Pending: Staff Bills

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

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Annex 4c: Analysis of Other Pending Payables

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid to Date	Outstanding Balance 2023/24	Outstanding Balance 2022/23	Comments
		Kshs		Kshs	Kshs	Kshs	
Amounts due to Third Parties	Retention Monies payable upon issuance of final completion certificate to project Contractor (KSNR)						
1.	APRIL 2022 BATCH	2,666,461	27.05.2022	0.00	2,666,461	2,666,461	Retention Monies
2.	JUNE 2022 BATCH	41,049,604	31.10.2022	0.00	41,049,604	41,049,604	Retention Monies
3.	INV/KSNR/2022/08/01	3,329,035	09.11.2022	0.00	3,329,035	3,329,035	Retention Monies
4.	INV/KSNR/2022/09/03	42,080,056	08.12.2022	0.00	42,080,056	42,080,056	Retention Monies
5.	INV/KSNR/2022/09/04	47,828	08.12.2022	0.00	47,828	47,828	Retention Monies
6.	INV/KSNR/2022/09/05	1,564,234	08.12.2022	0.00	1,564,234	1,564,234	Retention Monies
7.	INV/KSNR/2022/09/06	614,388	08.12.2022	0.00	614,388	614,388	Retention Monies
8.	INV/KSNR/2022/12/22/1	4,620,728	03.04.2023	0.00	4,620,728	4,620,728	Retention Monies
9.	INV/KSNR/2022/12/22/2	6,277,804	25.04.2023	0.00	6,277,804	6,277,804	Retention Monies
10.	INV/KSNR/2022/12/22/13	220,932	12.05.2023	0.00	220,932	220,932	Retention Monies
11.	INV/KNSR/2023/05/01	9,374,988	02.06.2023	0.00	9,374,988	9,374,988	Retention Monies

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Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid to Date	Outstanding Balance 2023/24	Outstanding Balance 2022/23	Comments
		Kshs		Kshs	Kshs	Kshs	
12.	INV/KNSR/2023/06/26/02	594,594	19.06.2023	0.00	594,594	594,594	Retention Monies
13.	INV/KNSR/2023/04/01	2,946,248	14.08.2023	0.00	2,946,248	-	Retention Monies
14.	INV/KNSR/2023/04/02	6,187,827	14.08.2023	0.00	6,187,827	-	Retention Monies
15.	INV/KNSR/2023/06/26/04R	7,877,882	26.09.2023	0.00	7,877,882	-	Retention Monies
16.	INV/KSNR/2023/06/26/05	193,837	02.10.2023	0.00	193,837	-	Retention Monies
17.	INV/KSNR/2023/06/26/01	1,041,768	02.10.2023	0.00	1,041,768	-	Retention Monies
18.	INV KSNR/2023/10/27/01	5,209,460	08.12.2023	0.00	5,209,460	-	Retention Monies
19.	INV KSNR/2023/10/27/02	1,776,676	20.12.2023	0.00	1,776,676	-	Retention Monies
Grand Total		137,674,350		0.00	137,674,350	112,440,652	

Note:

As of the reporting date, the retention monies due to Kingshore New Resources Jiangsu Co. Ltd remain outstanding and are payable upon the issuance of the Final Completion Certificate. These funds are held in accordance with the contract terms and will be disbursed once the project is deemed fully complete and all contractual obligations have been fulfilled. The retention monies are intended to ensure that the contractor completes any remaining work and rectifies any defects identified during the defects liability period.

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Annex 5: Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2023/2024	Donations in form of assets (KShs) 2023/2024	Purchases/ Additions in the Year (KShs) 2023/2024	Disposals in the Year (KShs) 2023/2024	Transfers in/(out) Kshs 2023/2024	Closing Cost (KShs) 2024
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)-(d)+(-)d
Work in Progress	565,760,011	-	135,865,478	-	-	701,625,489
Total	565,760,011	-	135,865,478	-	-	701,625,489

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Annex 6: Contingent Liabilities Register

No.	Nature of contingent liability	Remarks
1		
2		
3		
4		
5		

Note: There was no information on the contingent liabilities register.



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Annex 7: Reporting Of Climate Relevant Expenditures

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

Note: There was no information on climate relevant expenditures.

Annex 8: Reporting Disaster Management Expenditure

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

Note: There was no information on disaster management expenditures

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Annex 9: Other Support Documents

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