

REPUBLIC OF KENYA



*Enhancing Accountability*



**REPORT**

DATE: 07 DEC 2023

OF

*Arthur I  
Hon Owen Bwaya CBS, MP  
Deputy majority leader  
A. elyendo*

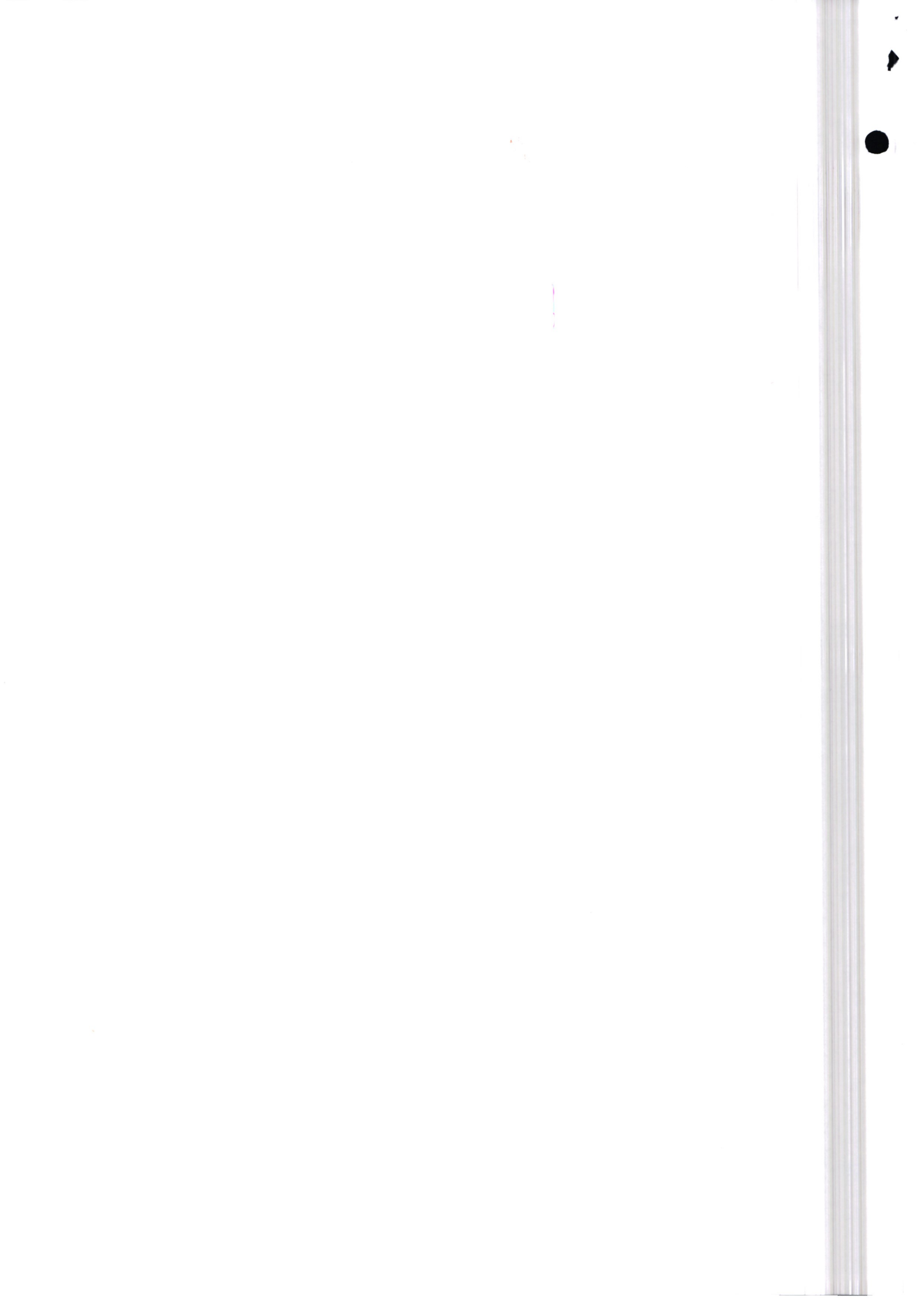
**THE AUDITOR-GENERAL**

**ON**

**KENYA ELECTRICITY EXPANSION  
PROJECT (OFID CREDIT NO.1487P)**

**FOR THE YEAR ENDED  
30 JUNE, 2023**

**RURAL ELECTRIFICATION AND  
RENEWABLE ENERGY CORPORATION**





**KENYA ELECTRICITY EXPANSION PROJECT  
(KEEP)**

**RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION**

**PROJECT CREDIT NUMBER: 1487P**

---

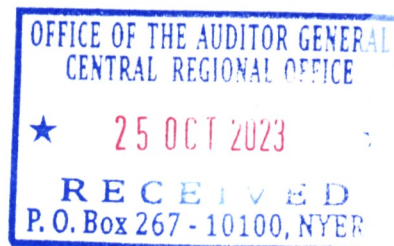
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

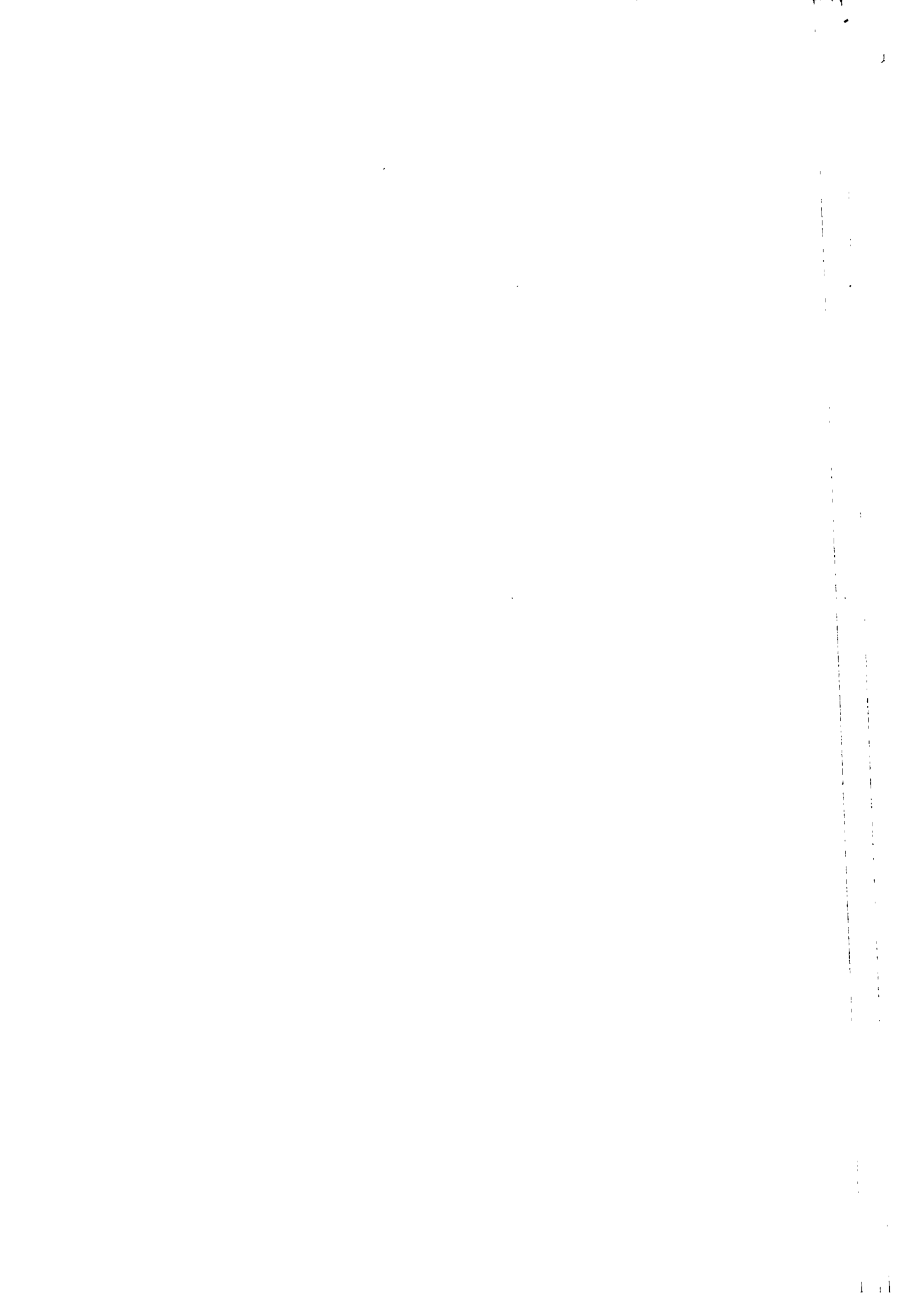
**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2023**

---

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





<b>Table Contents</b>	<b>Page</b>
<b>KENYA ELECTRICITY EXPANSION PROJECT</b> .....	<b>i</b>
1. Acronyms and Glossary of Terms .....	iv
2. Project Information and Overall Performance .....	v
3. Statement of Performance against Project's Predetermined Objectives .....	xiii
4. Environmental and Sustainability Reporting .....	xv
5. Statement of Project Management Responsibilities.....	xviii
6. Report of the Auditor General on Financial Statements for the Kenya Electricity Expansion Project ..	xx
7. Statement of Receipts and Payments For the Year Ended 30th June 2023.....	1
8. Statement of Financial Assets as at 30 <sup>th</sup> June 2023.....	3
9. Statement of Cash flow For the Year Ended 30 <sup>th</sup> June 2023.....	4
10. Statement of Comparison of Budget and Actual Amounts for Year ended 30 <sup>th</sup> June 2023 .....	6
11. Significant Accounting Policies .....	8
12. Notes to the Financial Statements .....	15
13. Other Important Disclosures .....	31
Annexes.....	39

**1. Acronyms and Glossary of Terms**

KEEP	Kenya Electricity Expansion 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
OFID	Organization for Petroleum Exporting Countries Fund for International Development
OSHA	Occupational Safety and Health Administration
Comparative FY	Financial year preceding the current financial year

## 2. Project Information and Overall Performance

### 2.1 Name and registered office

**Name:** Kenya Electricity Expansion Project

**Objective:** The key objectives of the project is:

The Government aims to achieve universal access to electricity by the year 2028. The Project objective is to assist the government in achievement of this target by enhancing electrification access in off-grid 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](mailto:info@rerec.co.ke),  
Website: [www.rerec.co.ke](http://www.rerec.co.ke)

### 2.2 Project Information

Project Start Date:	The project start date is 01 <sup>st</sup> October 2017
Project End Date:	The project end date is 30 <sup>th</sup> December 2023
Project Manager:	The project Manager is Mr. Edward Gakunju
Project Sponsor:	The project sponsor is OFID, through the National Treasury

### 2.3 Project Overview

Line Ministry	The project is under the supervision of the Ministry Of Energy
Project number	The project number is <b>OFID CREDIT NUMBER 1487P</b>
Strategic goals of the project	The strategic goals of the project are as follows: (i) To connect public facilities in selected areas (ii) To connect household in the selected areas
Achievement of strategic goals	The project management aims to achieve the goals through the extension of electricity supply
Achievement of strategic goals	The project management aims to achieve the goals through the following means:

	(i) Construction of powerlines (ii) Installation of transformers
Other important background information of the project	The project will connect households and public facilities in the off-grid areas and distribution lines constructed will enhance electricity access in these regions
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: i. Attainment of universal access to power by 2030 ii. Improve living standards of citizens
Project duration	The project started on 01 <sup>st</sup> October 2017 and is expected to run until 30 <sup>th</sup> December 2023.

#### **2.4 Bankers**

There is no operating bank account for the project.

#### **2.5 Independent Auditors**

The project is audited by the:

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

Project Information and Overall Performance (Continued)

2.6 Roles and Responsibilities

Names and contact details	Title designation	Key Qualifications	Responsibilities
Edward Gakunju +254722244879 egakunju@rea.co.ke	Project Manager	Master's Degree in Economic Policy Management	<ul style="list-style-type: none"> <li>• Overall coordination of Project activities</li> <li>• Coordinate Project implementation activities as per the work plan</li> <li>• Prepare project implementation reports</li> <li>• Attend project coordination meetings</li> </ul>
Walter Nduta +254707879796 Walter.nduta@rerec.co.ke	Project Accountant	BBM (Accounting), CPA (K)	<ul style="list-style-type: none"> <li>• Preparation of the project's financial reports</li> <li>• Process of project-related payments</li> </ul>
Festus Kasonzo +254722138880 fkasonzo@rea.co.ke	Procurement Specialist	Master's Degree in Procurement and Supplies	<ul style="list-style-type: none"> <li>• Preparation of projects procurement plans</li> <li>• Preparation of bid documents</li> <li>• Coordinate tendering evaluation and award notifications</li> <li>• Coordination of procurement activities of the project</li> </ul>
Nicholas Muigai +254722269540 nmuigai@rea.co.ke	Project Engineer	Bsc in Electrical Engineering	<ul style="list-style-type: none"> <li>• Review of project designs</li> <li>• Analyse all the Technical aspects of the project</li> </ul>
OPEC Fund for International Development			<ul style="list-style-type: none"> <li>• Sponsors of the Project</li> <li>• Reviewing and accepting requests for no objection, yearly work plans and budgets, project withdrawal</li> </ul>

			<p>applications, and expenditure category reallocation.</p> <ul style="list-style-type: none"> <li>• Participating in implementation support missions.</li> </ul>
Ministry Of Energy			<ul style="list-style-type: none"> <li>• Ensures Project's budget is captured in its development Projects</li> <li>• Disburse the government counterpart funding.</li> <li>• Review and track the Project's annual work plan and budget against the set targets and makes the approvals.</li> <li>• Oversee the execution of the project coordinating team.</li> </ul>
Office of The Auditor General			<ul style="list-style-type: none"> <li>• Mandated to audit all national government entities, which include government development projects and present these statutory financial statements to the Parliament.</li> <li>• Facilitate submission of the audited report to the project's sponsors by 31 December each year.</li> </ul>

## 2.7 Funding summary

The Project is for duration of (6) years, (2) months and (29) days from 01<sup>st</sup> October 2017 to 30<sup>th</sup> December 2023 with an approved budget of US\$ 1,500,000 equivalent to Kshs 1,500,000,000 as highlighted in the table below:

*Kenya Electricity Expansion 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:

**Source of Funds**

Source of funds	Donor Commitment		Amount received to date (30.06.2023)		Undrawn balance to date (30.06.2023)	
	USD (A)	Kshs (A')	USD (B)	Kshs (B')	USD (A)-(B)	Kshs (A')-(B')
(i) Loan						
OPEC Fund For International Dvpt	15,000,000	1,500,000,000	9,373,500	1,109,159,289	5,626,500	390,840,711
<b>Total</b>	<b>15,000,000</b>	<b>1,500,000,000</b>	<b>9,373,500</b>	<b>1,109,159,289</b>	<b>5,626,500</b>	<b>390,840,711</b>

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

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

**B. Application of Funds**

Application of funds	Amount received to date – (30 <sup>th</sup> June 2023)		Cumulative amount paid to date – (30 <sup>th</sup> June 2023)		Unutilised balance to date (30 <sup>th</sup> June 2023)	
	USD	Kshs (A')	USD	Kshs (B')	USD (A)-(B)	Kshs (A')-(B')
(i) Loan						
OPEC Fund For International Dvpt	9,373,500	1,109,159,289	9,373,500	1,109,159,289	-	-
<b>Total</b>	<b>9,373,500</b>	<b>1,109,159,289</b>	<b>9,373,500</b>	<b>1,109,159,289</b>	<b>-</b>	<b>-</b>

**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,**

During the year under review, the project received Kshs.73,028,570 and incurred a total expenditure of Kshs. 73,028,570 against a final budget of Kshs. 150,000,000 resulting to underutilization of Kshs.76,971,429 or 51%.

Since the financial statements are prepared on the cash basis of accounting under IPSAS, they include invoices paid through letters of credit that were committed in prior years but paid or settled during the current year amounting to Kshs. 392,859,128.

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

The projects' cumulative receipts and payments are Kshs.1, 109,159, 289 and Kshs. 1,109,159,289 respectively.

The project implementation commenced in November 2020 after the payment of advance payments to the contractors. By the end of the financial year the contractors had manufactured and delivered some of the key materials and installation of power lines will be done by December 2023.

The implementation challenges have been on the delay in delivery of materials as a result of COVID -19 pandemic which slowed down the manufacturing inspection and delivery of the materials. This has been resolved as the effects of the pandemic has now reduced and contractors have been able to deliver the materials. Installation works are in progress.

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

**2.9 Summary of Project Compliance:**

The Program has ensured that all its activities carried out are within the laws of the Republic of Kenya and that all regulations and procedures have been followed. Among the regulations include the Public Procurement and Assets Disposal Act 2015 for which the Corporation had to ensure recruitment of the Contractors was done in accordance with the Act.

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

The Project's overall objective is to help achieve sustainable national economic growth by improving access to modern, clean and affordable energy services and specifically aims at increasing the capacity, efficiency and quality of electricity supply as well as to expand the access to electricity in urban, peri-urban and rural areas of the North-Eastern parts of Kenya.

**C- Distribution**, including the expansion and upgrading of the distribution network as well as connection of 300,000 new customers during the period.

Additional scope: The expansion of the 33 kV distribution lines will facilitate connection to un-electrified public facilities, households and market centres in the region. The selected mini grid stations are located in the counties of Mandera, Wajir, Marsabit and Turkana. The market centres to be connected are within a distance of less than 30 km from the mini grid stations to ensure reliability of power supply. The expansion is also covering other market centres and households in the nearby counties of Laikipia and Samburu. In total, about 500 km of 33 kV distribution lines will be constructed to connect over 50 market centres and over 200,000

#### **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) To help achieve sustainable national economic growth by improving access to Modern, clean and affordable energy services
- b) Increasing the capacity, efficiency and quality of electricity supply
- c) To expand the access to electricity in urban, peri-urban and rural areas of the North-Eastern region of Kenya

#### **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 the progress on attaining the stated objectives:

<b>Project</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Kenya Electricity Expansion Project (KEEP)	To help achieve sustainable national economic growth by improving access to modern, clean and affordable energy services	Improved economic growth.	No of connections to households.	In the FY 22/23 the Contractors have installed service cables for Connections of Customers
	To increase the capacity, efficiency and quality of electricity supply	Increased electricity capacity	No of connections to households.	
	To expand the access to electricity in urban, peri-urban and rural areas of the North-Eastern, Western, Central and Nyanza Provinces of Kenya	Electricity access expanded	Area covered with electricity	

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

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

##### **1. Sustainability strategy and profile**

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

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

##### **2. Environmental performance**

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

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

Every year the Corporation carries out tree planting initiatives across the country. Recent projects have been in the participation of National Tree Planning Programme that was launched by the President in December 2022. The Corporation participated in Nyeri County, National Tree Growing Campaign took place at Gakanga area, Gatarakwa ward in Kieni West, Nyeri County where 5,600 tree seedlings were planted. Also, the Corporation undertook a tree planting exercise in Turkana County at Turkana University where 2,000 seedlings were planted and 3,000 seedlings donated to the community.

### **3. Employee welfare**

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

- The Corporation is an equal opportunity employer and shall not in its recruitment and selection process, discriminate on the basis of gender, race, disability, religion, ethnicity or any other form of discrimination.
- The principles of affirmative action, gender and persons living with disability and national values will apply in the recruitment process. The Corporation shall observe gender mainstreaming, balance on appointment, promotion and ensure that a minimum of a third (1/3) are of either gender.
- Short listing criteria shall include minimum constitutional and statutory requirements and shall be on merit (meeting minimum requirements as advertised). The requirement for Gender and Disability Mainstreaming may be considered.
- The policy also provides flexi hours for staff. An expectant Employee is entitled to time off from work with full pay in order to attend antenatal clinic and any hospital appointments relating to her pregnancy.

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

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

### **4. Market place practices-**

- In carrying out its activities, the Corporation is guided by its Customer Service charter that outlines the services provided and expected timelines of the service to be provided.
- The Corporation has also put in place a Complaints Handling System where Complaints received are managed from a central point. Monthly and quarterly reports are generated on the same. Quarterly reports are sent to the Commission on Administrative Justice for their information and annual rating on complaints handling and management.
- The Corporation is currently implementing the Access to Government Procurement Opportunities (AGPO) programme whose objective is to facilitate the youth, women and persons with disability-owned enterprises to be able to participate in government procurement. The Corporation has set aside 30% of its procurement spent for

purposes of empowering youth, women and persons with disability-owned enterprises.

- The Corporation embarked on the automation of its procurement system in February 2017 in response to the Presidential Directive that all State Corporations adopt E-Procurement in a bid to enhance efficiency and transparency in planning, budgeting and procurement of goods and services in the Public Service. SRM has enabled the Corporation to organize its interactions with its critical suppliers in a more efficient and effective and transparent manner and thereby reduce the time taken to procure project materials.

#### **5. Community Engagements**

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

##### **Education:**

- Donated Classroom Furniture to six School in various Counties ;
  - a) Kenya- Njeru Primary School
  - b) Wangige Primary School
  - c) Margaret Kenyatta Olkuroto Primary School
  - d) Narumoro Primary School
  - e) Mwatate Primary Schl
  - f) Sinogo Secondary School
- The Corporation has also donated textbooks sourced from the Kenya Literature Bureau to various needy schools. These were; Shimo la Tewa Primary School; Kabwe Primary School; Kituluni Primary School; D.E.B Primary School; Mtalani Primary School; Lamu Boys Secondary School.

##### **Health:**

Donated sanitary towels to Girls in various Counties. These were;

- Esageri For Deaf
- Mirimaini Primary School
- Mkang'ombe Primary School
- Tunzanani Primary School
- Ngenyilel Primary School
- Masinga Girls Secondary School
- St. Veronica Kokwa Girls School
- Ibubi Girls Secondary School
- Nkondi Girls Secondary School
- Kaheti Girls Secondary School
- Olderkesi Primary School

#### **5. Statement of Project Management Responsibilities**

The Chief Executive Officer, Rural Electrification and Renewable Energy Corporation and the Project Manager are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2023.

This responsibility includes: maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project, designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; safeguarding the assets of the project; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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

The Chief Executive Officer and the Project Manager for KEEP 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, 2023, 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 KEEP 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 KEEP on 24.10.2023 and signed by them.

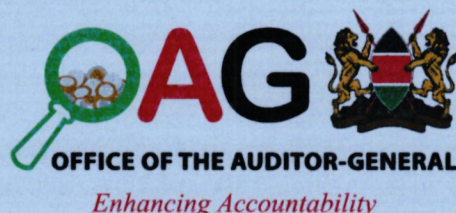
*For*  
.....  
**CS Dr. Rose Mkalama**  
**Ag. Chief Executive**  
**Officer**

.....  
**Edward Gakunju**  
**Project Manager**

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

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY EXPANSION PROJECT (OFID CREDIT NO.1487P) FOR THE YEAR ENDED 30 JUNE, 2023 - 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 Effectiveness of Internal controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution 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 Expansion Project set out on pages 1 to 47, which comprise of the statement of financial assets as

---

*Report of the Auditor-General on Kenya Electricity Expansion Project (OFID Credit No.1487P) for the year ended 30 June, 2023 - Rural Electrification and Renewable Energy Corporation*

at 30 June, 2023, statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Electricity Expansion Project as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No.1487P dated 17 October, 2017, between the OPEC Fund for International Development (OFID) and the Republic of Kenya and the Public Finance Management Act, 2012.

### **Basis for Opinion**

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

### **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 Matter**

#### **Low Budget Absorption**

As disclosed in paragraph 2.7 of the Project Information and Overall Performance on the Project's funding summary, the Donor had made a commitment of USD 15,000,000 equivalent to Kshs.1,500,000,000. However, with the Project targeted completion date set for 30 December, 2023, actual drawdowns amounted to USD 9,373,500 equivalent to Kshs.1,109,159,289 leaving Kshs.390,840,711 (or 26%) of Donor commitment undrawn. In addition, over 95% of the project duration has passed and the credit is set to lapse before full utilization of the credit, thus the project's planned activities may not be realized.

Management did not provide documentary evidence for audit review indicating any mitigation measures which had been taken to secure an extension of the project from the Donor.

In the circumstances, the Project objectives may not be achieved.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing 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**

#### **Delay in Implementation of the Project**

The statement of receipts and payments reflects cumulative payments of Kshs.1,109,159,289 in respect of acquisition of non-financial assets, representing approximately 82% of the total contracted value of works totalling Kshs.1,355,607,840 for the three (3) lots under the project. The contracts were signed in June, 2020 and the works were expected to be completed by June, 2022. In addition, the project was set to close on 30 December, 2023. However, over 26% of the contract have not been executed despite contract period having lapsed.

In the circumstances, it could not be confirmed whether the Project objectives would be achieved within the remaining time.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance on whether effective processes and systems of internal 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 which are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of the internal controls, risk management and overall governance.

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up

to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

08 November, 2023

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

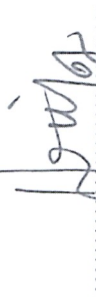
**7. Statement of Receipts and Payments For the Year Ended 30th June 2023.**

	Note	2022 - 2023		2021 - 2022		Cumulative to date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payments controlled by the entity	
		KShs	KShs	KShs	KShs	KShs
<b>RECEIPTS</b>						
	1	-	-	-	-	-
	2	-	-	-	-	-
	3	-	465,887,700	465,887,700	-	1,109,159,289
	4	-	-	-	-	-
		-	465,887,700	465,887,700	-	1,109,159,289
<b>TOTAL RECEIPTS</b>						
<b>PAYMENTS</b>						
	5	-	-	-	-	-
	6	-	-	-	-	-
	7	-	-	-	-	-
	8	-	465,887,700	465,887,700	-	1,109,159,289
	9	-	-	-	-	-
	10	-	-	-	-	-
		-	465,887,700	465,887,700	-	1,109,159,289
<b>TOTAL PAYMENTS</b>						
<b>SURPLUS/(DEFICIT)</b>						
		-	-	-	-	-

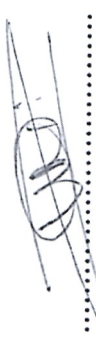
*Kenya Electricity Expansion Project  
Annual Report and Financial Statements for the financial year ended June 30, 2023*

---

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

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

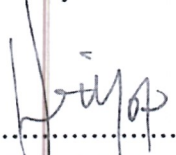
  
.....  
Edward Gakunju  
Project Manager

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

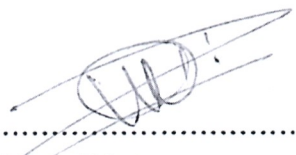
8. Statement of Financial Assets as at 30<sup>th</sup> June 2023

Description	Note	2022-2023	2021-2022
		KShs	KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	11.A	-	-
Cash Balances	11.B	-	-
Cash Equivalents (short term deposits)	11.C	-	-
<b>Total Cash and cash equivalents</b>		-	-
Accounts receivables – Imprest and Advances	12	-	-
<b>TOTAL FINANCIAL ASSETS</b>		-	-
<b>FINANCIAL LIABILITIES</b>			
Payables-Deposits and Retentions	13		
<b>REPRESENTED BY</b>			
Fund balance b/fwd	14	-	-
Prior year adjustments	15	-	-
Surplus/Deficit for the year		-	-
<b>NET FINANCIAL POSITION</b>		-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 24.10.2023 and signed by:

  
 .....  
 CS Dr. Rose Mkalama  
 Ag. Chief Executive officer

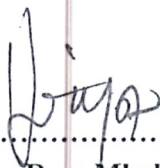
  
 .....  
 Edward Gakunju  
 Project Manager

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

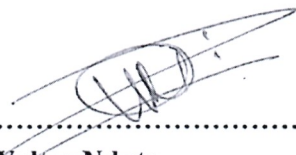
**9. Statement of Cash flow For the Year Ended 30<sup>th</sup> June 2023**

Description	Note	2022-2023	2021-2022
		KShs	KShs
<b>CASHFLOWS FROM OPERATING ACTIVITES</b>			
<b>Receipts</b>			
Transfer from Government entities	1	-	-
Proceeds from domestic and foreign grants	2	-	-
Miscellaneous receipts	4	-	-
<b>Total Receipts</b>			
<b>Payments</b>			
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	-	-
<b>Total Payments</b>			
<b>Adjustments during the year</b>			
Prior year adjustments	15		
Decrease/ (increase) in accounts receivables	16	-	-
Increase/(decrease) in accounts payable	17		
<b>Net cash flow from operating activities</b>		-	-
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of non-financial assets	8	(465,887,700)	(379,579,957)
<b>Net cash flows from Investing Activities</b>		<b>(465,887,700)</b>	<b>(379,579,957)</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from foreign borrowings	3	465,887,700	379,579,957
<b>Net cash flow from financing activities</b>		<b>465,887,700</b>	<b>379,579,957</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		-	-
Cash and cash equivalent at beginning of the Year	11	-	-
Cash and cash equivalent at end of the Year	11	-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 24.10.2023 and signed by:

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

  
.....  
**Edward Gakunju**  
Project Manager

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

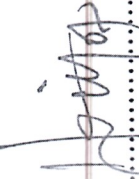
*Kenya Electricity Expansion Project  
Annual Report and Financial Statements for the financial year ended June 30, 2023*


**10. Statement of Comparison of Budget and Actual Amounts for Year ended 30<sup>th</sup> June 2023**

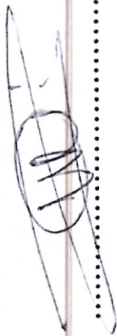
Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on comparable basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>RECEIPTS</b>						
Transfer from Government entities		-				0%
Proceeds from domestic and foreign grants		-				0%
Proceeds from borrowings	150,000,000	-	150,000,000	465,887,700	(315,887,700)	311%
Miscellaneous receipts						0%
<b>Total Receipts</b>	<b>150,000,000</b>	<b>-</b>	<b>150,000,000</b>	<b>465,887,700</b>	<b>(315,887,700)</b>	<b>311%</b>
<b>PAYMENTS</b>						
Compensation to employees						0%
Purchase of goods and services						0%
Social security benefits						0%
Acquisition of non-financial assets	150,000,000	-	150,000,000	465,887,700	(315,887,700)	311%
Transfers to other government entities						0%
Other grants and transfers						0%
<b>Total Payments</b>	<b>150,000,000</b>	<b>-</b>	<b>150,000,000</b>	<b>465,887,700</b>	<b>(315,887,700)</b>	<b>311%</b>
<b>Surplus or Deficit</b>						

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

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

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

  
.....  
Edward/Gakunju  
Project Manager

  
.....  
Walter Nduta  
Project Accountant  
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 KEEP under the National Government of Kenya. The financial statements are for the reporting entity Project Kenya Electricity Expansion Project 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.

#### **ii) External Assistance**

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

**Significant Accounting Policies (continued)**

**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. An analysis of the Project's undrawn external assistance is shown in the funding summary.

**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.

**Significant Accounting Policies (continued)**

**ii) Use of goods and services**

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

**iii) Interest on borrowing**

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

**iv) Repayment of borrowing (principal amount)**

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

**v) Acquisition of fixed assets**

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

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

**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.

**Significant Accounting Policies (Continued)**

**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.

**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:

**Significant Accounting Policies (Continued)**

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

**Annex 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 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.

**Significant Accounting Policies (Continued)**

**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.

**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.

**Significant Accounting Policies (Continued)**

**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, 2023

**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	2022 - 2023	2021 - 2022	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	-	-	-
<b>Total (See Annex 3)</b>	-	-	-
Other transfers from government entities	-	-	-
Ministry of Finance	-	-	-
Appropriations-in-Aid	-	-	-
<b>Total</b>	-	-	-

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

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

Notes to the Financial Statements (Continued)

4. Proceeds From Domestic and Foreign Grants

During the financial period to 30 June 2023, we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	2022 - 2023			2021 - 2022		Cumulative to date
			Grants Received in Cash	Grants received as direct payments	Grants Received in Kind	Total amount		
			KShs	KShs	KShs	KShs	KShs	KShs
Grants Received from Bilateral Donors (Foreign Governments)								
World Bank			-	-	-	-	-	-
Grants Received from Multilateral Donors (International Organisations)								
International Development Association (IDA)			-	-	-	-	-	-
Grants Received from Local Individuals and organisations								
			-	-	-	-	-	-

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

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

Notes to The Financial Statements (Continued)

3. Loan from External Development Partners

During the financial period to 30 June 2023, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Name of Donor	Date received	Amount in loan currency USD	2022 - 2023		2021 - 2022		Cumulative to date (from inception) KShs
			Amount Received in Cash KShs	Loan Received as Direct Payment KShs	Total amount KShs	Total amount KShs	
Loans Received from Bilateral Donors (Foreign Governments)	-						
	-						
Loans Received from Multilateral Donors (International Organisations)	-						
OFID	-	3,330,681		465,887,700	465,887,700	379,579,957	1,109,159,289
Total	-	3,330,681		465,887,700	465,887,700	379,579,957	1,109,159,289

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

Notes to the Financial Statements (Continued)

1. Miscellaneous receipts

Description	2022-2023		2021-2022		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	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

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

Notes to the Financial Statements (Continued)

5. Compensation to Employees

Description	2022-2023			2021-2022		Cumulative to date
	Payments made by the entity in cash	Payments made by third parties	Total Payments	Total Payments	Total Payments	
	KShs	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	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

Notes to The Financial Statements (Continued)

6. Purchase of Goods and Services

Description	2022-2023			2021-2022		Cumulative to date
	Payments made in cash	Payments made by third parties	Total Payments	Total Payments		
	KShs	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	-	-	-	-	-	-
Communication, supplies and services	-	-	-	-	-	-
Domestic travel and subsistence	-	-	-	-	-	-
Foreign travel and subsistence	-	-	-	-	-	-
Printing, advertising and - information supplies & services	-	-	-	-	-	-
Rentals of produced assets	-	-	-	-	-	-
Training expenses	-	-	-	-	-	-
Hospitality supplies and services	-	-	-	-	-	-
Insurance costs	-	-	-	-	-	-
Specialised materials and services	-	-	-	-	-	-
Other operating payments	-	-	-	-	-	-
Routine maintenance - vehicles and other transport equipment	-	-	-	-	-	-
Routine maintenance - other assets	-	-	-	-	-	-
Exchange rate losses/gains (net)	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-

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

Notes to the Financial Statements (Continued)

7. Social Security Benefits

Description	2022-2023		2021-2022		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	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

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

Notes to the Financial Statements (Continued)

8. Acquisition of Non-Financial Assets

Description	2022-2023		2021-2022		Cumulative to date
	Payments made by the Entity in cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Works	-	-	-	-	-
Purchase of Goods	-	465,887,700	465,887,700	379,579,957	1,109,159,289
<b>Total</b>	-	<b>465,887,700</b>	<b>465,887,700</b>	<b>379,579,957</b>	<b>1,109,159,289</b>

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

**Notes to the Financial Statements (Continued)**

**9. Transfers to other Government Entities**

During the financial period to 30 June 2023, we transferred funds to reporting government entities as shown below:

Description	2022-2023		2021-2022		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					
<b>Total</b>	-	-	-	-	-

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

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

Notes to the Financial Statements (Continued)

10. Other Grants, Transfers and Payments

Description	2022-2023		2021-2022		Cumulative to date
	Payments made by the Entity in cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Grants for scholarships	-	-	-	-	-
Transfers to lower levels of government e.g. schools	-	-	-	-	-
Miscellaneous expenditure	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

Notes to the Financial Statements (Continued)

**11. Cash And Cash equivalents**

Description	2022-2023	2021-2022
	KShs	KShs
Bank accounts (Note 11.A)	-	-
Cash in hand (Note 11.B)	-	-
Cash equivalents (short-term deposits) (Note 11.C)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

The Project does not operate a bank account.

**11. A Bank Accounts**

**Project Bank Accounts**

The Project does not operate a bank account.

Description	2022-2023	2021-2022
	KShs	KShs
<u>Foreign Currency Accounts</u>		
<b>Total foreign currency Balances</b>	<b>-</b>	<b>-</b>
<u>Local Currency Accounts</u>		
Co-operative Bank of Kenya [A/c No.]	-	-
<b>Total local currency balances</b>	<b>-</b>	<b>-</b>
<b>Total bank account balances</b>	<b>-</b>	<b>-</b>

Notes to the Financial Statements (Continued)

**Special Deposit Accounts**

The balances in the Project's Special Deposit Account(s) as at 30<sup>th</sup> June 2023 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.

**Special Deposit Accounts Movement Schedule**

Description	2022/2023	2021/2022
	KShs	KShs
<b>(i) A/C Name [A/c No.....]</b>		
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	-	-
<b>(ii) A/c Name [A/c No.....]</b>	-	-
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	-	-

The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as Appendix xx support these closing balances.

Notes to the Financial Statements (Continued)

11 B Cash in hand

Description	2022-2023	2021-2022
	KShs	KShs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other locations ( <i>specify</i> )	-	-
<b>Total cash in hand balances</b>	<b>=</b>	<b>=</b>

11 C Cash equivalents (short-term deposits)

Description	2022-2023	2021-2022
	Kshs	Kshs
Kenya Commercial Bank [A/C No.....]	-	-
Co-Operative Bank of Kenya [A/C No.....]	-	-
Others ( <i>Specify</i> )	-	-
<b>Total</b>	<b>=</b>	<b>=</b>

12. Imprests and Advances

Description	2022-2023	2021-2022
	Kshs	Kshs
Government Imprests	-	-
Salary advances	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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 FY	Balance Current FY
	Kshs	Kshs	Kshs	Kshs	Kshs
Officer 1	-	-	-	-	-
Officer 2	-	-	-	-	-
Officer 3	-	-	-	-	-
Officer 4	-	-	-	-	-
Officer 5	-	-	-	-	-
Programme 1	-	-	-	-	-
Total	=	=	-	-	-

13. Deposits and Retention Monies

Description	2022-2023		2021-2022	
	Kshs		Kshs	
Retention	-		-	
Deposits	-		-	
<b>Total</b>	-		-	
<b>Ageing analysis:</b>		% of the		% of the
	Current FY	Total	Comparative FY	Total
Under one year	-	-	-	-
1-2 years	-	-	-	-
2- 3 years	-	-	-	-
Over 3 years	-	-	-	-
<b>Total</b>	-	-	-	-

Notes to the Financial Statements (Continued)

**14. Fund Balance Brought Forward**

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank accounts	-	-
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	-	-

Notes to the Financial Statements (Continued)

15. Prior Year adjustment

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

16. Changes in Imprests and Advances

Description	2022-2023	2021-2022
	Kshs	Kshs
Opening Receivables as at 1 <sup>st</sup> July 2022	-	-
Closing account receivables as at 30 <sup>th</sup> June 2023	-	-
<b>Change in Imprests and advances</b>	-	-

17. Changes in Accounts Deposits and Retention

Description	2022-2023	2021-2022
	Kshs	Kshs
Deposit and Retentions as at 1 <sup>st</sup> July 2022	-	-
Closing accounts payables as at 30 <sup>th</sup> June 2023	-	-
<b>Change in deposit and retention</b>	-	-

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

**13. Other Important Disclosures**

**1. Pending Accounts Payable (See Annex 4a)**

Description	Balance b/f From Comparative FY	Additions for the period	Paid during the year	Balance c/f For Current FY
	Kshs	Kshs	Kshs	Kshs
Construction of buildings	-	-	-	-
Construction of civil works	-	-	-	-
Supply of goods	-	-	-	-
Supply of services	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**2. Pending Staff Payables (See Annex 4b)**

Description	Balance b/f FY from Comparative FY	Additions for the period	Paid during the year	Balance c/f FY for Current FY
	Kshs	Kshs	Kshs	Kshs
Senior management	-	-	-	-
Middle management	-	-	-	-
Union employees	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

**Other Important Disclosures (Continued)**

**3. Other Pending Payables (See Annex 4c)**

Description	Balance b/f	Additions for the period	Paid during the year	Balance c/f for
	From Comparative FY			Current FY
	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	-	-	-	-
Amounts due to County Government entities	-	-	-	-
Amounts due to third parties – Retention Monies Upon issuance of final Completion Certificate	0.00	30,948,722	0.00	30,948,722
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>30,948,722</b>

**4. External Assistance**

Description	2022-2023		2021-2022	
	Kshs		Kshs	
External assistance received as grants	-	-	-	-
External assistance received as loans	465,887,700	-	379,579,957	-
External assistance received in kind- as payment by third parties	-	-	-	-
<b>Total</b>	<b>465,887,700</b>	<b>-</b>	<b>379,579,957</b>	<b>-</b>

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

**Other Important Disclosures (Continued)**

*a). External assistance relating loans and grants*

Description	FY 2022/2023 Kshs	FY 2021/2022 Kshs
External assistance received as loans	465,887,700	379,579,957
External assistance received as grants		
<b>Total</b>	<b>465,887,700</b>	<b>379,579,957</b>

*b) Undrawn external assistance*

Description	Purpose for which the undrawn external assistance may be used	FY 2022/2023 Kshs	FY 2021/2022 Kshs
Undrawn external assistance - loans		390,840,711	856,728,411
Undrawn external assistance - grants		-	-
<b>Total</b>		<b>390,840,711</b>	<b>856,728,411</b>

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

**Other Important Disclosures (Continued)**

*c) Classes of providers of external assistance*

Description	FY 2022/2023		FY 2021/2022	
	Kshs		Kshs	
Multilateral donors	-		-	
Bilateral donors	-		-	
International assistance organization- OFID	465,887,700		379,579,957	
NGOs	-		-	
National Assistance Organization	-		-	
<b>Total</b>	<b>465,887,700</b>		<b>379,579,957</b>	

*d. Non-monetary external assistance*

Description	FY 2022/2023		FY 2021/2022	
	Kshs		Kshs	
Goods	-		-	
Services	-		-	
<b>Total</b>	<b>-</b>		<b>-</b>	

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

*Other Important Disclosures (Continued)*

*c. Purpose and use of external assistance*

Payments made by third parties	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Compensation to employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to other Government entities	-	-
Other grants and transfers	-	-
Social Security benefits	-	-
Acquisition of assets	465,887,700	379,579,957
Finance Costs including loan interest	-	-
Repayment of principal on domestic and foreign borrowing	-	-
Other payments	-	-
<b>Total</b>	<b>465,887,700</b>	<b>379,579,957</b>

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

**Other Important Disclosures (Continued)**

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

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

Description	FY 2022/2023 Kshs	FY 2021/2022 Kshs
International assistance organization - OPEC Fund	465,887,700	379,579,957
<b>Total</b>	<b>465,887,700</b>	<b>379,579,957</b>

**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	2022 - 2023 Kshs	2021 - 2022 Kshs
National government	-	-
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*(Third party payments may be done by other entities that are not providers of external assistance)*

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

**Other Important Disclosures (Continued)**

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

Payments made by third parties	2022 - 2023	2021 - 2022
Description	Kshs	Kshs
Compensation of employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to other government units	-	-
Other grants and transfers	-	-
Social security benefits	-	-
Acquisition of assets	-	-
Finance costs, including loan interest	-	-
Other payments	-	-
<b>Total</b>	-	-

*VB The above subclassification will be adopted based on the appropriate county's operations.*

**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

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

**Other Important Disclosures (Continued)**

**Related party transactions:**

	2022 - 2023 Kshs	2021 - 2022 Kshs
<b>Compensation to Key Management</b>		
Compensation to the program manager/ director	-	-
Key Management Compensation others (specify)	-	-
<b>Total Compensation to Key Management</b>	-	-
<b>Transfers to related parties</b>		
Transfers to other government entities	-	-
<b>Total Transfers to related parties</b>	-	-
<b>Transfers from related parties</b>		
Transfers from the Ministry/ department	-	-
Payments made on behalf of the project by other govt. entities	-	-
(Insert any other transfers received)	-	-
<b>Total Transfers from related parties</b>	-	-

**Contingent Liabilities**

	2022 - 2023 Kshs	2021 - 2022 Kshs
<b>Contingent liabilities</b>		
Court case xxx against the project	-	-
Bank guarantees in favour of other govt. entities	-	-
contingent liabilities arising from PPPs/ donor agreements	-	-
<b>Total</b>	-	-

*(Give details- Update ANNEX 6 Contingent liabilities register)*

ANNEXES

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved )	Timeframe:
No. 1	<p><b>Low Budget Absorption</b></p> <p>As disclosed in paragraph 1.7 of the funding summary, the Donor had made commitment of USD 15,000,000 equivalent to Kshs.1,500,000,000. However, with the Project targeted completion date set for 31 December 2022, actual drawdowns amounted to USD 5,459,208 equivalent to Kshs.643,271,589 leaving Kshs. 856,728,411 or 57% of Donor commitment undrawn. With over 95% of the project duration passed, the credit is set to lapse without being fully utilized and the project's planned deliverables earmarked for completion using the funding may not be realized.</p> <p>Management did not provide documentary evidence for audit review to indicate whether any mitigation measures had been taken to secure an extension the project from the</p>	<p>The total financing for this project is USD.15,000,000 equivalent to Kshs.1,500,000,000 however, the total signed contracts amount is USD. 13,147,330.00 equivalent to Kshs.1,314,733,017.00</p> <p>The project implementation commenced in June 2020 when the Contract agreements with three (3) contractors were signed. However despite signing, there was a slowdown in project activities in the year 2020 and also in 2021, due to COVID-19 Pandemic. The main project activities affected by the prolonged effects of the pandemic were manufacturing, inspection and delivery of the materials from outside the Country. To mitigate the challenge of the travel restrictions to carry out inspection, the Corporation introduced virtual inspection in order to facilitate inspection and delivery of the materials. The virtual inspection has been</p>	Resolved	Expected completion date:30 <sup>th</sup> December 2023

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved )	Timeframe:																				
	<p>Donor.</p> <p>In the circumstance, the Project objectives may not be achieved.</p>	<p>successful and most of the materials have been manufactured, inspected and delivered.</p> <p>Project implementation has been progressing well with the three contractors having delivered most of the major materials for the construction of the projects as detailed in the materials delivery schedules. Currently total drawdown amounts to Kshs.821,686,245.54 which translates to 62.5% cumulative expenditure against total contracts price.</p> <p>The project implementation is also at advanced stage with 36Nos. project out of a total of 46 Nos. in progress. This translates to 85% implementation progress.</p> <table border="1" data-bbox="1141 683 1396 1243"> <thead> <tr> <th>Lot Number</th> <th>Total Projects</th> <th>Projects in Progress</th> <th>Percentage Progress</th> </tr> </thead> <tbody> <tr> <td>Lot 1</td> <td>13</td> <td>13</td> <td>100</td> </tr> <tr> <td>Lot 2</td> <td>9</td> <td>9</td> <td>100</td> </tr> <tr> <td>Lot 3</td> <td>24</td> <td>17</td> <td>71</td> </tr> <tr> <td><b>TOTAL</b></td> <td></td> <td></td> <td><b>85</b></td> </tr> </tbody> </table>	Lot Number	Total Projects	Projects in Progress	Percentage Progress	Lot 1	13	13	100	Lot 2	9	9	100	Lot 3	24	17	71	<b>TOTAL</b>			<b>85</b>		
Lot Number	Total Projects	Projects in Progress	Percentage Progress																					
Lot 1	13	13	100																					
Lot 2	9	9	100																					
Lot 3	24	17	71																					
<b>TOTAL</b>			<b>85</b>																					

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: ( <i>Resolved</i> / <i>Not</i> <i>Resolved</i> )	Timeframe:
		<p>The Management developed mitigation measures to enhance the completion of the projects. This include;</p> <ul style="list-style-type: none"> <li>• Setting up a dedicated team for supervision of the projects. This is led by the Regional Managers in the project areas supported by the County supervisors in the project region.</li> <li>• Daily progress reporting</li> <li>• Weekly progress meeting with the Contractors and the supervision team</li> <li>• During the meetings the Contractors have been requested to enhance the implementation teams at site so as to accelerate the implementation rate.</li> </ul> <p>In order to ensure compliance with the concessional agreement the Corporation requested for an extension of withdrawal rights to 30<sup>th</sup> December, 2022. The Financier granted extension of the withdrawal rights to 30th December, 2022</p>		

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: ( <i>Resolved</i> / <i>Not Resolved</i> )	Timeframe:
No. 2	<p><b>Delay in Project Implementation</b></p> <p>The statement of receipts and payments for the year ended 30 June, 2022 reflects cumulative payments amounting to Kshs.643,271,589 in respect of acquisition of assets, representing approximately 49% of the total contracted value of works totalling Kshs.1,304,225,859 for the three (3) lots under the project. The works contracts were signed in June, 2020 were expected to be completed by June, 2022. In addition, the project was set to close on 31 December 2022 with over 52% of the contract not executed despite contract period having lapsed.</p>	<p>With the delivery of most of the major materials by all the contractors and also the increased number of implementation teams by the contractors, management is confident that the credit will be fully utilized and the project completed and commissioned.</p> <p>The project implementation commenced in June 2020 when the Contract Agreements with three (3) contractors were signed. However despite signing of there was a slowdown in project activities in the year 2020 and also in 2021, due to COVID-19 Pandemic. The main project activities affected by the prolonged effects of the pandemic were manufacturing, inspection and delivery of the materials from outside the Country. To mitigate the challenge of the travel restrictions to carry out inspection, the Corporation introduced virtual inspection in order to facilitate inspection and delivery of the materials. So despite the challenges</p>	Resolved	Expected completion

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

Reference	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
No. on the external audit Report	<p>In the circumstances, it could not be confirmed whether the Project objectives would be achieved and value for money incurred in respect of the contracts will be realized.</p>	<p>experienced, project implementation has progressed well with the delivery of most of the project materials and installation works are in progressed.</p> <p>The project targeted completion date was set for 31<sup>st</sup> December, 2022. As at 30<sup>th</sup> June, 2022 actual drawdown amounted to Kshs.643,271,589. During the financial year 2021/22 the budget allocated for this project was Kshs. 101 Million. Which was not enough to cater for both local and foreign materials. However, requests were made by Contractors to establish letters of credit. This required an additional budget considering that the total amount for Letters of credit must be committed in full through issuance of special commitments by the financier.</p> <p>A request for an additional budget of Kshs. 927,541,424.55 through the Ministry of Energy by a letter dated 3rd November 2021 was done. However, this was to be consider in Supplementary one (1). The Supplementary budget was approved in April 2022 as such the</p>		<p>date:31<sup>st</sup> December 2022</p>

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: ( <i>Resolved</i> / <i>Not</i> <i>Resolved</i> )	Timeframe:
		<p>local letters of credit could not be established until April 2022 almost at the end of the financial year. This delayed manufacturing and delivery of materials implying that less funds were expended resulting to low budget absorption during the period.</p> <p>The Contractor have since delivered most of the materials for construction of the projects except transformers under Lot 1 and Lot 2 which the Contractor has already initiated the delivery process and are expected to be delivered by December 2022.</p> <p>The total drawdown amounts credit as at 31<sup>st</sup> October, 2022 was Kshs.821, 686,245.54 which translates to 62.5% cumulative expenditure With the most of the major materials having been delivered, the project implementation is at an advanced stage with 36Nos. project out of a total of 46 Nos. in progress. This translates to 85% implementation progress.</p>		

Lot Number	Total Projects	Projects in	Percentage Progress
---------------	-------------------	----------------	------------------------

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

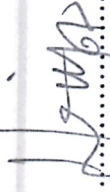
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved )	Timeframe:										
		<table border="1" data-bbox="560 680 738 1238"> <thead> <tr> <th></th> <th>Progress</th> </tr> </thead> <tbody> <tr> <td>Lot 1</td> <td>13</td> </tr> <tr> <td>Lot 2</td> <td>9</td> </tr> <tr> <td>Lot 3</td> <td>24</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>85</b></td> </tr> </tbody> </table> <p>The Management developed mitigation measures to enhance the completion of the projects. This include;</p> <ul style="list-style-type: none"> <li>• Setting up a dedicated team for supervision of the projects. This is led by the Regional Managers in the project areas supported by the County supervisors in the project region.</li> <li>• Daily progress reporting</li> <li>• Weekly progress meeting with the Contractors and the supervision team</li> <li>• During the meetings the Contractors have been requested to enhance the implementation teams at site so as to accelerate the implementation rate.</li> </ul>		Progress	Lot 1	13	Lot 2	9	Lot 3	24	<b>TOTAL</b>	<b>85</b>		
	Progress													
Lot 1	13													
Lot 2	9													
Lot 3	24													
<b>TOTAL</b>	<b>85</b>													

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: ( <i>Resolved</i> / <i>Not</i> <i>Resolved</i> )	Timeframe:
		<p>In order to ensure compliance with the concessional agreement the Corporation requested for an extension of withdrawal rights to 31<sup>st</sup> December, 2022. The Financier granted extension of the withdrawal rights to 31<sup>st</sup> December, 2022.</p> <p>With the delivery of most of the major materials by all the contractors and also the increased number of implementation teams by the contractors, management is confident that the credit will be fully utilized and the project completed and commissioned.</p>		

*Kenya Electricity Expansion Project*

*Annual Report and Financial Statements for the financial year ended June 30, 2023*

  
.....

Chief Executive Officer

CS Dr. Rose Mkalama

  
.....

Edward Gakunju

Project Manager

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

**Annex 2 - Variance Explanations - Comparative Budget and Actual Amounts for FY 2022-2023**

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 %	
<b>RECEIPTS</b>					
Transfer from Government entities	-	-	-	0%	
Proceeds from domestic and foreign grants	-	-	-	0%	
Proceeds from borrowings	150,000,000	465,887,700	(315,887,700)	311%	
Miscellaneous receipts	-	-	-	0%	
<b>Total Receipts</b>	<b>150,000,000</b>	<b>465,887,700</b>	<b>(315,887,700)</b>	<b>311%</b>	Since the financial statements are prepared on the cash basis of accounting under IPSAS, they include invoices paid through letters of credit that were committed in prior years but paid or settled during the year, representing Kshs. 392,859,128 or 262%, as well as invoices paid through direct payment that were committed and paid during the year, representing Kshs. 73,028,570 or 49%, against a final budget of Kshs. 150,000,000.00
<b>PAYMENTS</b>					
Compensation to employees	-	-	-	0%	
Purchase of goods and services	-	-	-	0%	
Social security benefits	-	-	-	0%	

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

Acquisition of non-financial assets	150,000,000	465,887,700	(315,887,700)	311%	
Transfers to other government entities	-	-	-	0%	
Other grants and transfers	-	-	-	0%	
<b>Total Payments</b>	<b>150,000,000</b>	<b>465,887,700</b>	<b>315,887,700</b>	<b>311%</b>	
<b>Surplus or Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>		


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

**Annex 3: Reconciliation of Inter-Entity Transfers**

<b>Project Name: Kenya Electricity Expansion Project</b>			
<b>Break down of transfers from the State Department of Energy</b>			
<b>a. Government Counterpart funding</b>	<b>Bank Statement Date</b>	<b>Amount (Kshs)</b>	<b>Indicate the FY to which the amounts relate</b>
		0.00	
		0.00	
		0.00	
	<b>Total</b>	0.00	
<b>b. Direct payments</b>	<b>Bank Statement Date</b>	<b>Amount (Kshs)</b>	<b>Indicate the FY to which the amounts relate</b>
		0.00	
		0.00	
	<b>Total</b>	0.00	
<b>c. Others</b>	<b>Bank Statement Date</b>	<b>Amount (Kshs)</b>	<b>Indicate the FY to which the amounts relate</b>
		0.00	
		0.00	
	<b>Total (A+B+C)</b>	0.00	

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

Project Manager  
RERC  
  
Sign -----

Head of Accounting Unit  
Ministry Of Energy  
  
Sign-----

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

**Annex 4a - Analysis of Pending Bills**

Supplier of Goods or Services	Date Contracted/ Invoiced	Original Amount	Amount Paid To- Date	Outstanding Balance Current FY 2022/23	Outstanding Balance Previous FY 2021/22	Comments
<b>Supply of goods</b>						
Mayleen (k) Limited	FY 2021/22	111,499,790	111,499,790	0.00	111,499,790	
Padaa Enterprises Ltd	FY 2021/22	152,177,877	152,177,877	0.00	152,177,877	
Integrated Supplies and Consultancy Ltd	FY 2021/22	2,037,068	2,037,068	0.00	2,037,068	
<b>Sub-Total</b>		<b>265,714,735</b>	<b>265,714,735</b>	<b>0.00</b>	<b>265,714,735</b>	
<b>Grand Total</b>		<b>265,714,735</b>	<b>265,714,735</b>	<b>0.00</b>	<b>265,714,735</b>	

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

**Annex 4b - Analysis of Pending: Staff Bills**

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance Current FY	Outstanding Balance Previous FY	Comments
<b>Permanent Employees - Management</b>							
1.							
2.							
Sub-Total							
<b>Permanent Employees - Others</b>							
3.							
4.							
Sub-Total							
<b>Temporary employees</b>							
5.							
6.							
Sub-Total							
<b>Others (specify)</b>							
7.							
8.							
Sub-Total							
Grand Total							

*There were no Pending: Staff Bills*

*Kenya Electricity Expansion Project*

*Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 4c - Analysis of Other Pending Payables

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance Current FY	Outstanding Balance Previous FY	Comments
Amounts due to National Govt Entities							
1.							
2.							
Sub-Total							
Amounts due to County Govt Entities							
3.							
4.							
Sub-Total							
Amounts due to Third Parties							
5. Project Contractors	Retention Monies		FY 2022/23	0.00	30,948,722	0.00	Payable upon issue of the final Project Completion Certificate.
6.							
Sub-Total				0.00	30,948,722	0.00	
Others ( <i>specify</i> )							
7.							
8.							

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

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance Current FY	Outstanding Balance Previous FY	Comments
Sub-Total							
Grand Total				0.00	30,948,722	0.00	

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

**Annex 5 – Summary of Fixed Assets Register**

Asset class	Opening Cost (KShs) 2022/2023 (a)	Donations in form of assets (KShs) 2022/2023 (b)	* Purchases/ Additions in the Year (KShs) 2022/2023 (c)	** Disposals in the Year (KShs) 2022/2023 (d)	Transfers in/(out) KShs 2022/2023 (d)	Closing Cost (KShs) 2023 (e) = (a) + (b) + c - (d) + (-) d
Land	-	-	-	-	-	-
Buildings and structures	-	-	-	-	-	-
Transport equipment	-	-	-	-	-	-
Office equipment, furniture and fittings	-	-	-	-	-	-
ICT Equipment,	-	-	-	-	-	-
Other Machinery and Equipment	-	-	-	-	-	-
Heritage and cultural assets	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-
Infrastructure assets roads, rails	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Work in Progress	643,271,589	-	465,887,700	-	-	1,109,159,289
<b>Total</b>	<b>643,271,589</b>	<b>-</b>	<b>465,887,700</b>	<b>-</b>	<b>-</b>	<b>1,109,159,289</b>

*Notes*

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

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

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

Annex 6 : Contingent Liabilities Register

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

*There was no information about contingent liabilities.*

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

**Annex 7: Reporting Of Climate Relevant Expenditure**

Project Name	Project Description	Project Objectives	Project Activities	Expenditure (KES)				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

*There was no information about Climate Relevant Expenditure.*

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

**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 (K.shs.)	Comments

*Kenya Electricity Expansion Project*

*Annual Report and Financial Statements for the financial year ended June 30, 2023*

**Annex 9: Other Support Documents**

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30<sup>th</sup> June 2023
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)
- v. GOK IFMIS comparison Trial Balance (Where applicable)

