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REPORT

OF	
THE NATIONAL ASSEMBLY PAPERS LAYD	
DATE:	06 DEC 2023 WEDNESDAY
THE AUDITOR-GENERAL	
TABLED BY:	HON. OWEN BAYA, MP DEPUTY MAJORITY LEADER
CLERK-AT THE TABLE:	FINLAY ON

KENYA ELECTRICITY MODERNIZATION PROJECT (IDA CREDIT NO. 5587-KE)

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

**RURAL ELECTRIFICATION AND
RENEWABLE ENERGY CORPORATION**





**KENYA ELECTRICITY MODERNIZATION PROJECT
(KEMP)**

RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION

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

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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



OFFICE OF THE ATTORNEY GENERAL
FISCAL RESPONSIBILITY OFFICE
* * * * *
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1. Acronyms and Glossary of Terms

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

2. Project Information and Overall Performance

2.1 Name and registered office

Name: Kenya Electricity Modernization Project

Objective: The key objectives of the project are:

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

The project headquarters offices are in Nairobi, Kenya.

The address of its registered office is:

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

2.2 Project Information

Project Start Date:	The project start date is 29 th June,2015
Project End Date:	The project end date is 30 th June, 2023
Project Manager:	The project coordinator is Mr. Edward Gakunju
Project Sponsor:	The project sponsor is International Development Association, which will contribute 100% of project costs.

2.3 Project Overview

Line Ministry	The project is under the supervision of the Ministry Of Energy and Petroleum
Project number	The Project Numbers are IDA Credit No. 55870KE & Grant No. TFA0579 respectively.
Strategic goals of the project	The strategic goals of the project are as follows: (i) To connect public facilities in selected areas (ii) To increase access to electricity.

Achievement of strategic goals	The project management aims to achieve the goals through (i) mini-grids supplied preferably by hybrid generation systems (ii) Construction of necessary distribution infrastructure.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) To connect public facilities in selected areas (ii) To connect households in the selected Islands
Other important background information of the project	The project is being implemented in conjunction with MOE, and KPLC
Areas that the project was formed to intervene	The project was formed to intervene in the following areas: The project has two components: (i) Consultancy (ii) Construction of Solar Mini Grids
Project duration	The project started on 29 th June, 2015 and is expected to run until 30 th June, 2023

2.4 Bankers

The following are the bankers for the project:

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

Project Information and Overall Performance (Continued)

2.5 Auditors

The project is audited by the:

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

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 Coordinator	Master's Degree in Economic Policy Management	<ul style="list-style-type: none"> • Overall coordination of Project activities • Coordinate Project implementation activities as per the work plan • Prepare project implementation reports • Attend project coordination meetings
Walter Nduta +254707879796 Walter.nduta@rerec.co.ke	Project Accountant	BBM(Accounting), C.P.A (K)	<ul style="list-style-type: none"> • Preparation of the project's financial reports • Process of project-related payments
Festus Kasonzo +254722138880 fkasonzo@rea.co.ke	Procurement Specialist	Master's Degree in Procurement and Supplies	<ul style="list-style-type: none"> • Preparation of projects procurement plans • Preparation of bid documents • Coordinate tendering evaluation and award notifications • Coordination of procurement activities of the project
Nicholas Muigai +254722269540 nmuigai@rea.co.ke	Project Engineer	Bsc in Electrical Engineering	<ul style="list-style-type: none"> • Review of project designs • Analyse all the Technical aspects of the project

2.7 Funding summary

The Project is for duration of (8) years (0) Months (1) days from 29th June, 2015 to 30th June, 2023 with an approved budget of US\$ 10M equivalent to Kshs 1,013,000,000 as highlighted in the table below:

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

Project Information and Overall Performance (Continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date (30.06.2023)		Undrawn balance to date (30.06.2023)	
	USD (A)	Kshs (A')	USD (B)	Kshs (B')	USD (A)-(B)	Kshs (A')-(B')
(i) Grant						
International Development Association - IDA	7,500,000	759,750,000	3,762,103	442,798,963	3,737,897	378,648,864
(ii) Loan						
International Development Association - IDA	2,500,000	253,250,000	1,274,400	129,083,976	1,225,600	124,166,024
(iii) Counterpart Funds - GOK						
	1,000,000	100,000,000	50	5,000	999,950	99,995,000
Total	11,000,000	1,113,000,000	5,036,553	571,887,939	5,963,447	602,809,888

Kenya Electricity Modernization 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 th June 2023)		Cumulative amount paid to date - (30 th June 2023)		Unutilised balance to date (30 th June 2023)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
International Development Association-IDA	3,762,103	442,798,963	3,762,103	442,798,963	-	-
(ii) Loan						
International Development Association - IDA	1,274,400	129,083,976	1,214,684	123,034,677	59,716	6,049,299
(iii) Counterpart Funds						
GOK	50	5,000	50	5000	-	-
Total	5,036,553	571,887,939	4,976,837	565,838,640	59,716	6,049,299

Project Information and Overall Performance (Continued)

2.8 Summary of Overall Project Performance

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

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

During the year under review, the project received Kshs. 353,822,036 and incurred a total expenditure of Kshs. 395,690,355 against a final budget of Kshs. 450,000,000 resulting to underutilization of Kshs. 54,309,645 or 12%. The projects' cumulative receipts and payments are Kshs. 571,887,939 and Kshs. 565,838,640 respectively.

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

Activities planned for the reporting period	Activity Implementation Status	Narration
Recruitment of consults for preliminary designs and environmental impact assessment	Preparation of bid, advertisements, opening of bids, evaluation of bids and awards of jobs	Completed.
Recruitment of transaction advisor	Preparation of bid, advertisements, opening of bids, evaluation of bids and awards of jobs	Completed.
Submission of final report on	For the ten sites raft final report	Completed

preliminary designs and ESIA's	in 2018	
Submission of bid document by the transaction advisor	For recruitment of construction contractor	Completed
Recruitment of Construction contractor	Advertisements, opening of bids, evaluation of bids and awards of jobs	Completed
Site handover to the contractor	For Seven sites that are ready for implementation	Completed
Material manufacture	All the remaining materials were manufactured.	Completed
Factory Acceptance Tests	For materials already completed was done virtually	Completed
Delivery of materials	Tax exemption obtained. All materials were delivered to sites.	Completed
Installation of the mini grids	Areas for connection of customers and households	Ongoing

iii) Comment on value-for-money achievements,

The project was extended, and the new closure date was 30th June, 2023. The Corporation is overseeing activities of the construction contractor to ensure implementation of the planned activities is achieved. The following are the achievements: -

- a) Preliminary designs for the mini-grids were done and completed on time
- b) ESIA reports were done and completed on time
- c) Transaction advisor recruited and submitted bidding documents for recruitment of construction contractor,
- d) Construction materials delivered
- e) Construction contractor already on site

Project Information and Overall Performance (Continued)

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

The absorption rate is 50.37% of the total donor commitment due to material delivery delays by the contractors'. To date, the Bank has disbursed USD 5,036,503 against a commitment of USD 10,000,000.

v) Implementation challenges and recommended way forward.

- a) The COVID-19 pandemic struck the world in 2020 - 2022. Social distancing, which negatively impacted the development of material manufacturing, travel, and document sharing, in an attempt to stop the spread.
- b) Lengthy process of land acquisition which has been solved by county and community engagements
- c) Delay by the contractors in manufacturing and delivery of materials.

2.9 Summary of Project Compliance

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

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives. This component will finance consultancy services, feasibility studies for new investments, training actions and other activities to support, among others:

The key development objectives of the project's 2018- 2023 plan are to:

- a) **Preparation of the National Electrification Strategy (NES).** The objective of the NES is to achieve universal access to electricity services meeting applicable standards on quality in a sustainable manner in the shortest possible time. The strategy should also optimize allocation of resources from a country perspective. MoEP will implement this activity.
- b) **Detailed national technical specifications.** This assistance will support the technical and economic optimization of the design and construction of electricity networks needed to supply new users located in areas that are currently not electrified, meeting applicable standards on service quality. This will result in the addition of new standardized construction units to those currently applied by KPLC and REREC. MoEP will implement this activity.
- c) **Regulations for enforcing quality on electricity service.** Assistance to ERC to implement a regime on service quality, based on systematic monitoring of key parameters through direct access of the records of the information systems used by KPLC. This will also be combined with assessment of KPLC's customers' complaints and commercial systems. MoEP through ERC will implement this activity.
- d) **Training and capacity building.** This will finance training and capacity building and

communications for the sector entities, including MoEP, KPLC, REREC, KETRACO, KenGen and EPRA.

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:

Project	Objective	Outcome	Indicator	Performance
Kenya Electricity Modernization Project.	Provision of electricity in selected islands.	Connection of public facilities and households.	Availability of electricity in the selected islands	Installation of the Minigrids is in progress with most of the Power Generation Plant installation and Power Distribution Network Infrastructure nearly completed

4. Environmental and Sustainability Reporting

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

i. Sustainability strategy and profile

The Corporation is committed to promoting sustainable environmental management and utilization of natural resources to generate socio- economic benefits. Measures were put in place in 2019/20 to ensure sustainable energy resource management. Among them include: Implementation of the Energy Act 2019 through development and review of various regulations (in draft form) that guides on sustainable utilization of the energy resources; Formulation of the Kenya Energy Efficiency and Conservation Strategy and Bio-energy strategy (which aims at promote the development and utilization of bio-energy resources in Kenya in a sustainable manner) both of which are at draft stage; among others. Other strategies put in place included protection of riparian land and reforestation of hydro dam catchment areas through direct involvement and also supply of seedlings to the communities living in project areas.

ii. Environmental performance

- a) The proposed project was screened by World Bank and assigned an Environmental Category B Partial Assessment, on the assumption that no major civil works will be funded and no major physical or economic displacement will take place. Four safeguard policies have been triggered for the project. They include (a) OP/BP 4.01 (Environmental Assessment); (b) OP/BP 4.04 (Natural Habitats); (c) OP/BP 4.10, (Indigenous Peoples); and (d) OP/BP 4.12 (Involuntary Resettlement).
- b) The World Bank operational policy on Environmental Assessment (OP/BP 4.01) has been triggered, due to the implementation of the activities outlined under Components 1–3. The main potential environmental impacts anticipated for the project are (a) civil works that would be limited to construction of the mini-grids in remote areas (Component 1), installation of stand-alone systems for households (Component 2), installation of solar PV for water pumping (Component 3), and construction of distribution lines to connect new customers and (b) environmental,

health, and safety concerns are likely to be associated with recycling and disposal of spent batteries at the end of their useful lives, which is usually 3–5 years after deployment. Rechargeable batteries for storing solar energy may run on nickel-cadmium (Ni-Cad), nickel metal hydride (NiMH), lithium-ion (Li-ion), lead-acid (Pb-A), or lead-gel (Pb-gel). These batteries should not be disposed in standard landfills because they can create long-lasting environmental and human health impacts (for example, headaches, abdominal discomfort, seizures and comas, cancers, irritation of skin and respiratory system, burns and damage to skin and eyes, and corrosion) due largely to the heavy metals such as mercury, lead, cadmium, and nickel and acids. The entire management processes including de-manufacturing, collection, storage, recycling, transport, and disposal may present a challenge to this project and, given the scope of this World Bank operation, could result in environmental and social risks and impacts, although these impacts are reversible and localized and can be easily and cost-effectively mitigated.

- c) The operational policy on Natural Habitats (OP/BP 4.04) has been triggered, on the assumptions that the project activities under Components 1 and 3 are likely to affect the natural habitats through erection of poles, construction of the mini-grids, and the installation of the solar water pumping equipment.

iii. Employee welfare

The policies that guides the Corporation on recruitment includes: PSC Recruitment and Selection Policy; Delegation of PSC HRM Functions to the Cabinet Secretary, July,2018; Framework for Short Term Employment in the Public Service, May,2019; and Human Resources Policies and Procedure Manual for the Public Service, May,2016. This enabled the Corporation to promote common cadre under the delegated powers as guided by the policy taking into consideration gender and regional balance.

For skill improvements and career progression the Corporation is guided by Human Resource Development Policy for the Public Service, June, 2015 and Guidelines on Managing Training in the Public Service. This enabled the Corporation to conducts individual trainings programmes required for career progression/promotion and those

required in the Schemes of Service for various cadres and also group trainings for various cadres.

The Corporation ensured that all staffs were put on Performance Appraisal System (PAS) as guided by guidelines for Implementation of Performance Rewards and Sanctions in the Public Service and also Performance Rewards and Sanctions framework.

The Corporation has developed its own Occupational Safety and Health Policy with reference to made Occupational Safety and Health, ACT of 2007.

A Corporation Committee on Occupational Safety and Health is in place which ensures adherence to OSHA and safety and security of the staff and Corporation properties.

iv. Market place practices

Responsible competition practice. (Strict adherence to Annex IV of World Bank Regulations on Banks Anti-corruption guidelines)

a) Responsible Supply chain and supplier relations - Procurement undertaken in compliance with WB Procurement Regulations as per Section 3.7 of the regulations are as follows;

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

(vi) For contracts subject to prior review, The Client consult with the Bank promptly and forthrightly throughout the Complaint review and resolution process.

b) Responsible ethical Practices

Ensuring suppliers are given sufficient time to respond. Provide extensions in even of clarifications lead to substantial changes to bidding documents

c) Regulatory impact assessment

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

5. Community Engagements

The Corporation has been carried out the following measures to enhance acceptance of the projects by the communities around the project area; The Ministry and its Agencies put in place mechanism for engagement of the people during project implementation. Among them includes operationalization of Stakeholders Coordination Committees and rolling out of community engagement strategy and policy.

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

6. Statement of Project Management Responsibilities

The Chief Executive Officer of Rural Electrification and Renewable Energy Corporation and the Project Manager are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 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 KEMP Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSA).

The Chief Executive Officer and the Project Manager for KEMP Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 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 KEMP Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external

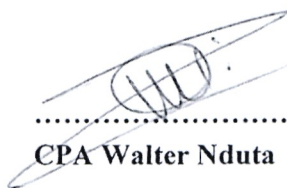
financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Project financial statements were approved by the Chief Executive Officer and the Project Manager for **KEMP Project** on 24.10.2023 and signed by them.

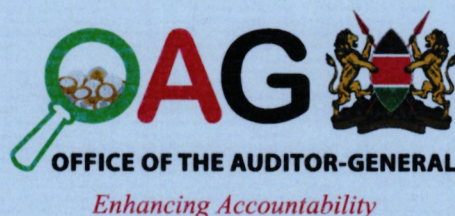

.....
CS Dr. Rose Mkalama
Ag. Chief Executive
Officer


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Edward Gakunju
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Project Accountant
ICPAK Member No:23665

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY MODERNIZATION PROJECT (IDA CREDIT NO. 5587-KE) 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, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Electricity Modernization Project (IDA Credit No. 5587-KE) set out on pages 1 to 44, which comprise the statement

Report of the Auditor-General on Kenya Electricity Modernization Project (IDA Credit No. 5587-KE) for the year ended 30 June, 2023 – Rural Electrification and Renewable Energy Corporation

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Electricity Modernization Project (IDA Credit No. 5587-KE) 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 Public Finance Management Act, 2012 and the Financing Agreement No. 5587-KE dated 29 June, 2015, between the International Development Association (IDA) and the Republic of Kenya.

In addition, the special accounts statement presents fairly the special accounts transaction and the closing balance has been reconciled with the books of account.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Electricity Modernization Project (IDA Credit No. 5587-KE) 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 judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Delay in Project Funding

As disclosed in paragraph 2.2 of the Project information and overall performance, the Project was earmarked to close on 30 June, 2023, following a one (1) year and six (6) months extension of the initial end date of 30 December, 2021.

However, table A on sources of funds, of paragraph 2.7 on funding summary, indicates that the Donor had made commitment amounting to Kshs.1,113,000,000, equivalent to USD.11,000,000, which comprises IDA grant of Kshs.759,750,000, IDA loan of Kshs.253,250,000 and GOK counterpart fund of Kshs.100,000,000 as at 30 June, 2023. However, actual drawdowns during the project life amounted to Kshs.571,887,939, equivalent to USD.5,036,553, leaving Kshs.602,809,888, equivalent to USD.5,963,447, (or 54% of Donor commitment) undrawn. The undrawn or undisbursed amount comprises

IDA grant of Kshs.378,648,864 (USD.3,737,897), IDA loan of Kshs.124,166,024 (USD.1,225,600) and GOK counterpart fund Kshs.99,995,000 (USD.999.950).

In addition, addendum IV dated 14 July, 2023 provided an amount of Kshs.132,463,585 for remaining works, but the source of the financing was not indicated.

In the circumstances, the credit may have lapsed without being fully utilized as planned deliverables earmarked for completion may not be realized, affecting the intended benefits to the public.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.450,000,000 and Kshs.395,690,355 respectively, resulting to an underfunding of Kshs.54,309,645 or 12% of budget. Similarly, the Project spent Kshs.395,690,000 against an approved expenditure budget of Kshs.450,000,000, resulting to an under-expenditure of Kshs.Kshs.54,309,645 or 12% of the budget.

The underfunding and under-expenditure affected the implementation of planned activities and it was not possible to confirm that the Project implementation was on course and that its strategic goals would be realized.

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 else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Delays in Project Implementation

Audit inspection of three (3) projects, out of the six (6) under implementation, in the month of October, 2023 revealed that the projects were yet to be completed and other unsatisfactory matters as indicated in the table below:

S/No.	Project	Verification Date	Amount	Observations
1	Mageta	6/10/2023	\$ 218,392 and Kshs.13,679,667	Sockets, switches and bulbs were yet to be installed, civil works had not been done and the paint on ceiling board was peeling off.
2	Takawiri	7/10/2023	\$ 411,638 and Kshs. 3,757,854	There were no workers on; civil works were yet to be done; some solar panels were yet to be fixed;

S/No.	Project	Verification Date	Amount	Observations
				there were broken windows and cracks on the floor; sockets, switches and bulbs had not been installed; and perimeter wall had not been constructed.
3	Ngodhe	7/10/2023	\$ 339,355 and Kshs. 2,753,560	There were no workers on site; civil works were yet to be done; one solar panel was damaged and one was missing, an indication of vandalism; there were broken windows and cracks on the floor; sockets, switches and bulbs were yet to be installed; and perimeter fence had not been constructed.

In the circumstances, value for money may not be realized from expenditure on the three projects.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash

Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustaining 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 to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements 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 the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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 that 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 that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability 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 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 that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

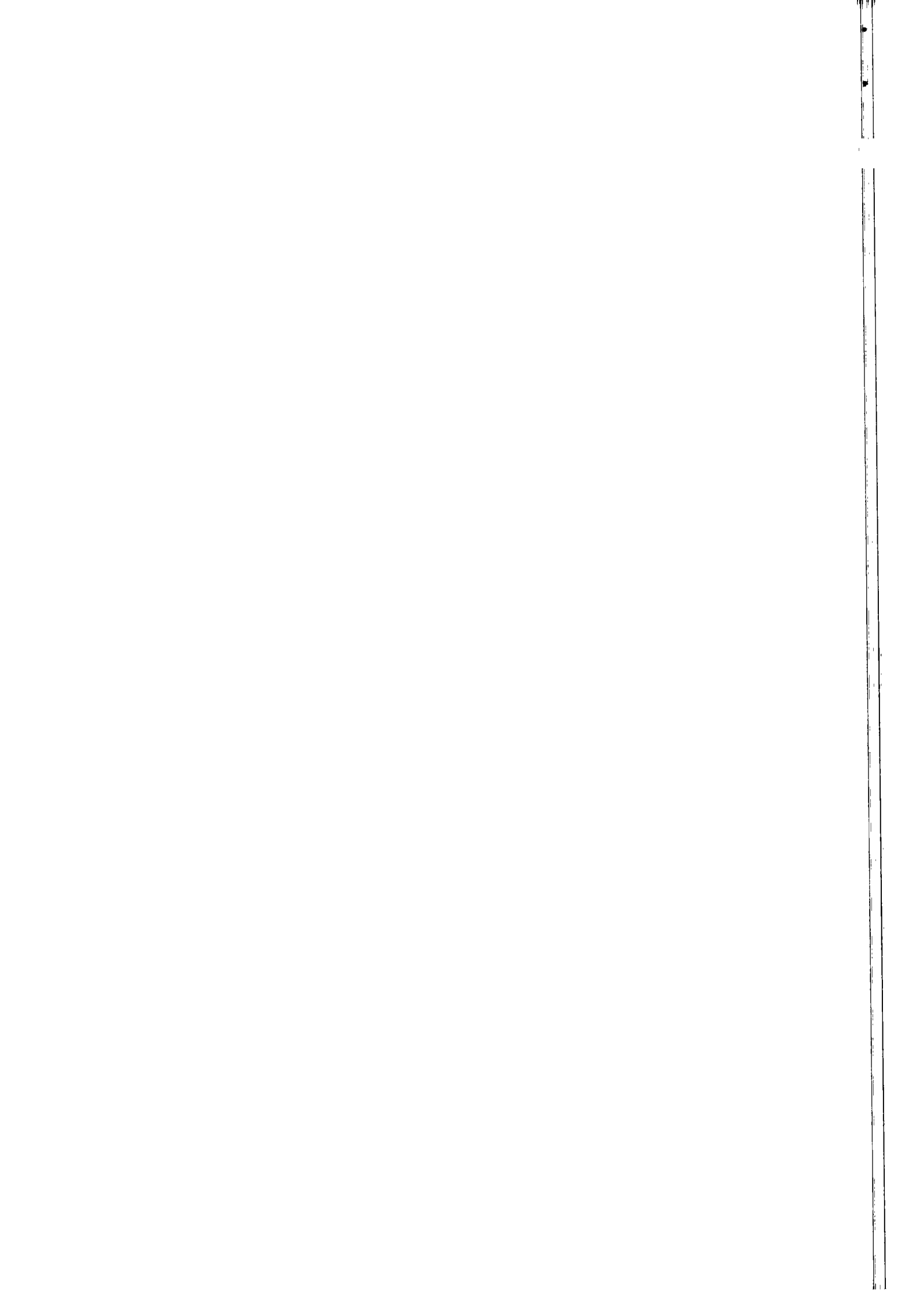
I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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 that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

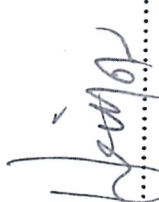
03 November, 2023




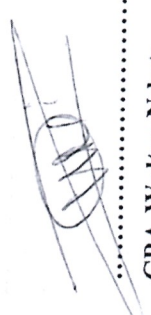


***Kenya Electricity Modernization Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

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

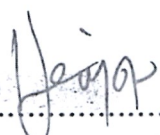

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Edward Gakunju
Project Manager


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CPA Walter Nduta
Project Accountant
ICPAK Member No:23665

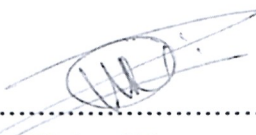
9. Statement of Financial Assets as at 30th June 2023

Description	Note	2022-2023	2021-2022
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	11.A	6,049,299	47,917,618
Cash Balances	11.B	-	-
Cash Equivalents (short term deposits)	11.C	-	-
Total Cash and cash equivalents		6,049,299	47,917,618
Accounts receivables – Imprest and Advances	12	-	-
TOTAL FINANCIAL ASSETS		6,049,299	47,917,618
FINANCIAL LIABILITIES			
Third party Deposits and Retentions	13		
NET ASSETS		6,049,299	47,917,618
REPRESENTED BY			
Fund balance B/fwd.	14	47,917,618	47,922,544
Prior year adjustments	15	-	-
Surplus/(Deficit) for the year		(41,868,319)	(4,926)
NET FINANCIAL POSITION		6,049,299	47,917,618

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

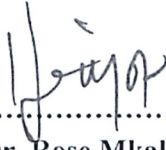

.....
CPA Walter Nduta
Project Accountant
ICPAK Member No:23665

10. Statement of Cashflow for the Year Ended 30th June 2023

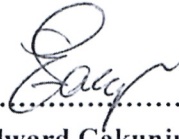
Description	Notes	2022-2023	2021-2022
		KShs	KShs
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts			
Transfer from Government entities	1	-	-
Proceeds from domestic and foreign grants	2	-	-
Miscellaneous receipts	4	-	-
Total Receipts			
Payments			
Compensation of employees	5	-	-
Purchase of goods and services	6	-	-
Social security benefits	7	-	-
Transfers to other government entities	9	-	-
Other grants and transfers	10	(1,602)	(4,926)
Total Payments		(1,602)	(4,926)
Net receipts/(payments)		(1,602)	(4,926)
Adjustments during the year			
Prior year adjustments	15		
Decrease/ (increase) in accounts receivables	16	-	-
Increase/(decrease) in accounts payable	17		
Net cash flow from operating activities		(1,602)	(4,926)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of non-financial assets	8	(395,688,753)	(19,976,926)
Net cash flows from Investing Activities		(395,688,753)	(19,976,926)
CASHFLOW FROM FINANCING ACTIVITIES			
Proceeds from foreign borrowings	3	353,822,036	19,976,926
Net cash flow from financing activities		353,822,036	19,976,926
NET INCREASE IN CASH AND CASH EQUIVALENT		(41,868,319)	(4,926)
Cash and cash equivalent at beginning of the Year	11	47,917,618	47,922,544
Cash and cash equivalent at end of the Year	11	6,049,299	47,917,618

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

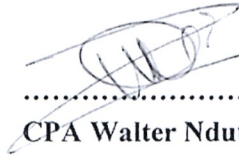
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 24th 2023 and signed by:



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



.....
Edward Gakunju
Project Manager



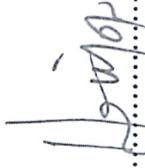
.....
CPA Walter Nduta
Project Accountant
ICPAK Member No:23665


11. Statement of Comparison of Budget and Actual Amounts for year ended 30th June 2023


Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget e=a+b	Actual on comparable basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c%
RECEIPTS						
Transfer from Government entities			-	-	-	0.0%
Proceeds from domestic and foreign grants	301,131,681	107,000,000	408,131,681	353,822,036	54,309,645	86.7%
Proceeds from borrowings	41,868,319	-	41,868,319	41,868,319	-	100.0%
Miscellaneous receipts			-	-	-	0.0%
Total Receipts	343,000,000	107,000,000	450,000,000	395,690,355	54,309,645	87.93%
PAYMENTS						
Compensation to employees			-	-	-	0.0%
Purchase of goods and services			-	-	-	0.0%
Social security benefits			-	-	-	0.0%
Acquisition of non-financial assets	342,998,398	107,000,000	449,998,398	395,688,753	54,309,645	87.9%
Transfers to other government entities			-	-	-	0.0%
Other grants and transfers	1,602	-	1,602	1,602	-	100.0%
Total Payments	343,000,000	107,000,000	450,000,000	395,690,355	54,309,645	87.9%
Surplus or Deficit	-	0	-	-	0.00	

*Kenya Electricity Modernization 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


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

12. Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

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

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

b) Reporting entity

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

c) Reporting currency

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

d) Recognition of receipts

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

i) Transfers from the Exchequer

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

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)

ii) 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 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

13. 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	-	-	-
Total (See Annex 3)	-	-	-
Other transfers from government entities	-	-	-
Ministry of Finance	-	-	5,000
Appropriations-in-Aid	-	-	-
Total	-	-	5,000

(“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.)

Notes to the Financial Statements (Continued)

2. 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 Total amount	Cumulative to date
			Grants Received in Cash	Grants received as direct payments	Grants Received in Kind	Total amount		
		USD	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)		2,904,501	-	353,822,036	-	19,976,926	442,798,965	
Total		-	-	353,822,036	-	19,976,926	442,798,965	

(* 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 Modernization 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:

Description	Date received	Amount in loan currency	2022 - 2023		Total amount In Kshs	2021 -2022 Total amounts in Kshs	Cumulative to date
			Loans received in actual amount	Loan Received as Direct Payment			
Name of Donor		USD	KShs	KShs	KShs	KShs	KShs
Loans Received from Bilateral Donors (Foreign Governments)	-	-	-	-	-	-	-
Loans Received from Multilateral Donors (International Organisations)	-	-	-	-	-	-	-
World Bank	-	-	-	-	-	-	129,083,976
Total	-	-	-	-	-	-	129,083,976

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

Notes to the Financial Statements (Continued)

4. Miscellaneous receipts

Description	2022-2023		2021-2022	Cumulative to date (from inception)
	Receipts controlled by the entity	Receipts controlled by third parties		
	KShs	KShs	KShs	KShs
Property income	-	-	-	-
Sales of goods and services	-	-	-	-
Administrative fees and charges	-	-	-	-
Fines, penalties and forfeitures	-	-	-	-
Voluntary transfers other than grants	-	-	-	-
Other receipts not classified elsewhere	-	-	-	-
Total	-	-	-	-

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

Notes to the Financial Statements (Continued)

6. Purchase of Goods and Services

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

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Notes To The Financial Statements (Continued)

7. Social Security Benefits

Description	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	-	-	-	-	-
Total	-	-	-	-	-

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		
	KShs	KShs	KShs	KShs
Consultancy/Training	-	-	-	81,094,331
Purchase of Goods	41,866,717	353,822,036	395,688,753	484,665,680
Total	41,866,717	353,822,036	395,688,753	565,760,011

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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					
Total	-	-	-	-	-

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

Notes to the Financial Statements (Continued)

10. Other Grants, Transfers and Payments

Description	2022-2023		2021-2022 Total Payments	Cumulative to date
	Payments made by the Entity in cash	Payments made by third parties		
	KShs	KShs	KShs	KShs
Bank Charges	1,602.02	-	4,926.00	78,629.02
Total	1,602.02	-	4,926.00	78,629.02

Notes to the Financial Statements (Continued)

11. Cash And Cash equivalents

Description	2022-2023	2021-2022
	KShs	KShs
Bank accounts (Note 11.A)	6,049,299	47,917,618
Cash in hand (Note 11.B)	-	-
Cash equivalents (short-term deposits) (Note 11.C)	-	-
Total	6,049,299	47,917,618

11. A Bank Accounts

Project Bank Accounts

Description	2022-2023	2021-2022
	KShs	KShs
<u>Foreign Currency Accounts</u>		
Total foreign currency Balances	-	-
<u>Local Currency Accounts</u>		
Co-operative Bank of Kenya (A/c No.01136125016302)	6,049,299	47,917,618
Total local currency balances	6,049,299	47,917,618
Total bank account balances	6,049,299	47,917,618

Notes to the Financial Statements (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th 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	2022/23	2022/23	2021/22	2021/22
KEMP A/C 0128945650	USD	Kshs	USD	Kshs
Opening balance	79.80	8103.00	79.80	8103.00
Closing Balance	79.80	8103.00	79.80	8103.00

(The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as Annex 9 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>)	-	-
Total cash in hand balances	≡	≡

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>)	-	-
Total	≡	≡

12. Imprests and Advances

Description	2022-2023	2021-2022
	Kshs	Kshs
Government Imprests	-	-
Salary advances	-	-
Total	-	-

Notes to the Financial Statements (Continued)

12A: Breakdown of Imprests and Advances

Name of Officer or Institution	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance Current FY	Balance Comparative 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	-		-	
Total	-		-	
Ageing analysis		% of the		% of the
	Current FY	Total	Comparative FY	Total
Under one year	-	-	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	-	-	-	-

Notes to the Financial Statements (Continued)

14. Fund Balance Brought Forward

Description	2022-2023	2021-2022
	KShs	KShs
Bank Accounts	47,917,618	47,922,544
Cash in hand	-	-
Cash equivalents (short term deposits)	-	-
Outstanding Imprests and advances	-	-
Total	47,917,618	47,922,544

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 st July 2022	-	-
Closing account receivables as at 30 th June 2023	-	-
Change in Imprests and advances	-	-

17. Changes in Accounts Deposits and Retention

Description	2022-2023	2021-2022
	Kshs	Kshs
Deposits and Retentions as at 1 st July 2022	-	-
Closing accounts payables as at 30 th June 2023	-	-
Change in deposit and retention	-	-

14. Other Important Disclosures

1. Pending Accounts Payable (See Annex 4a)

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

2. Pending Staff Payables (See Annex 4b)

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

Other Important Disclosures (Continued)

3. Other Pending Payables (See Annex 4c)

	Balance b/f from Comparative FY	Additions for the period	Paid during the year	Balance c/f For Current FY
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	-	-	-	-
Amounts due to County Government entities	-	-	-	-
Amounts due to third parties	-	-	-	-
Total	-	-	-	-

4. External Assistance

	2022-2023	2021-2022
Description	Kshs	Kshs
External assistance received as grants	353,822,036	19,976,926
External assistance received as loans	-	-
External assistance received in kind- as payment by third parties	-	-
Total	353,822,036	19,976,926

a). External assistance relating loans and grants

	2022/2023	2021/2022
Description	Kshs	Kshs
External assistance received as loans	-	-
External assistance received as grants	353,822,036	19,976,926
Total	353,822,036	19,976,926

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b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2022/2023	FY 2021/2022
Description		Kshs	Kshs
Undrawn external assistance - loans		124,166,024	124,166,024
Undrawn external assistance - grants		378,648,864	690,773,073
Total		502,814,888	814,939,097

c) Classes of providers of external assistance

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Multilateral donors	-	-
Bilateral donors	-	-
International Assistance Organization - World Bank	353,822,036	19,976,926
NGOs	-	-
National Assistance Organization	-	-
Total	353,822,036	19,976,926

Other Important Disclosures (Continued)

d. Non-monetary external assistance

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Goods	-	-
Services	-	-
Total	-	-

e 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	353,822,036	19,976,926
Finance Costs including loan interest	-	-
Repayment of principal on domestic and foreign borrowing	-	-
Other payments	-	-
Total	353,822,036	19,976,926

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.

	2022/2023	2021/2022
Description	Kshs	Kshs
International assistance organization - World Bank	353,822,036	19,976,926
Total	353,822,036	19,976,926

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

	2022/2023	2021/2022
Description	Kshs	Kshs
National government	-	-
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
Total	-	-

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

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	-	-

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Other grants and transfers	-	-
Social security benefits	-	-
Acquisition of assets	-	-
Finance costs, including loan interest	-	-
Other payments	-	-
Total	-	-

N/B The above sub classification 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

Related party transactions:

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

Other Important Disclosures (Continued)

7. Contingent Liabilities

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

(Give details - Update Annex 6 Contingent liabilities register)

8. Land Ownership

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

S/No's	Site	Status	Next Phase
1	Wasini	Title Received Under REREC	Complete
	Mkwiro	Title Received Under REREC	Complete
2	Ngodhe	Title Received Under REREC	Complete
3	Takawiri	Land Reservation Registered by NLC	Title processing through MoLPHUD.
4	Mageta	Land Adjudication process; Land surveyed, no objection granted, parcel area digitized, awaiting release to land registrar.	Title processing through MoLPHUD.
5	Kaeris	Compulsory Acquisition Process; Early entry granted for all three sites. Processing of Letters of Allotment through NLC in progress.	NLC to finalize the grounds report to facilitate
6	Kerio		
7	Dabel		

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			the issuance of letters of Allotment. Title processing through MoLPHUD.
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It is highlighted that NLC granted REREC early entry for the three sites (Kaeris, Kerio and Dabel) to enable the construction of mini-grids and development of the in-kind compensation. This was done to secure the land marked for the development.

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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><i>Delay in Project Implementation</i></p> <p>As disclosed in paragraph 1.2 of the Project information and overall performance, the Project was earmarked to close on 30 December, 2021 following a one year extension of the initial end date of 30 December 2021. However, Note 1.7 on funding summary indicates that the Donor had made commitment amounting to Kshs.1, 013,000,000 equivalent of USD 10,000,000 as at 30 June 2022. However, actual drawdowns during the project life amounted to Kshs.218, 065,903 equivalent to USD 2,131,523 leaving Kshs.894, 934,097 or 80% of Donor commitment undrawn. 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>In the circumstances, the Project's objectives are unlikely to be achieved and hence affect the benefits that should have accrued to the citizens.</p>	<p>The project implementation commenced in October 2019 and the Corporation handed over the projects to the Contractor to commence the installation works. However, COVID-19 pandemic affected the project activities in year 2020 and 2021 as the manufacturing and delivery of materials could not be done as most of the Companies in China closed down or scaled down their operations. This resulted to delay in the implementation of the project. The contract was further extended to 31st December 2022</p> <p>Management initiated measures to extend the application withdrawal rights period to 31st December</p>	Resolved	Completion date:30 th June, 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
		<p>2022. The World Bank through a letter dated 14th September 2021 extended the withdrawal rights to December 2022.</p> <p>According to the work plan all materials were supposed to have been received by 30th June 2022. However, this was hindered by the COVID-19 challenges as stated earlier and by 30th June 2022 materials for only one site Kerio had been delivered. At the moment the contractor has delivered the materials in bulk for all the sites. In order to ensure the committed funds are drawn, on 17th October 2022, the Corporation processed invoices for payment of materials totalling Ksh 171,598,658. In addition, on 19th September, the Corporation received additional invoices for payment of materials totalling to Kshs 344,460,111.50 which are under review. Currently, implementation has</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
<p>No. 2</p> <p>Irregular payment of Supply of Solar Power Generation Plants</p> <p>The statement of receipts and payments for the year ended 30 June, 2022 reflects expenditure of Kshs.19, 976,926 in respect of acquisition of non-financial assets. The expenditure comprises two payments of Kshs.5, 163,523 and Kshs.14, 813,673 to an international company as advance payments and invoice settlement for supply of materials for a solar photovoltaic power generation plant respectively.</p> <p>Review of the payments and other contract documents revealed the following anomalies;</p> <p>i. The contract between the Rural Electrification and Renewable Corporation</p>	<p>progressed where solar power plant generation materials (SPGP), power line distribution materials (PDN) have been delivered. Further civil works for Kerio is completed, whereas Kaeri, Dabel and Mageta is at 80%; Takawiri is at 15%, Wasini at 25% and Ngodhe at 10%.</p> <p>An addendum to the Contract was signed on 15 July, 2021, which was over 20 months from the date of the contract, extending the contract period to 31 July, 2022 due to COVID-19 challenges. Further, the contract was extended to 31st December 2022. The World Bank through a letter dated 14th September 2021 extended the withdrawal rights to 31st December 2022</p> <p>The advance payment of Kshs.5,163,253.00 paid on 30th</p>			

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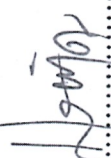
Reference No.on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>(REREC) and the Supplier provided that the effective date will be after conditions which included execution of contract by both parties, submission of performance security by the contractor, advance payment to the contractor and submission of documentary credit to the contractor have been met. Further, the contract provided that if the conditions are not fulfilled within two months from the date of the contract, notification because of reasons not attributable to the Contractor, parties shall discuss and agree on equitable adjustment to the contract. Subsequently, an addendum to the Contract was signed on 15 July, 2021, which was over 20 months from the date of the contract, extending the contract period to 31 July, 2022. However, reasons for non-execution of the contract within two months from the contract date and a notice of extension were not provided for audit review.</p> <p>ii. The Management paid an advance amount of Kshs.5, 163,253 on 30 June, 2022, which was 10% of the total contract sum. However, the contract provided for 10% advance</p>	<p>June,2022 and covered by Advance Payment guarantee dated 08th November,2021 was based on 10% of the Contract price instead of total carriage and insurance paid (CIP). This was an error although it was secured by an advance Payment.</p> <p>The Advance Payment Guarantee was further extended on 14th July, 2022 to expire on 15th January,2023.Subsequently, the Corporation received an invoice of USD 127,968.84 translating to Kshs.14, 799,596 for supply of foreign materials which is payable in US dollars in the month of April 2022 and not June 2022. From this an advance payment of USD 12,796.88 equivalent to Kshs.1,472,472.99 and not Kshs.2,959,914 should have been recovered but was erroneously/inadvertently omitted. This invoice was for payment of supply of SPGP materials which</p>	Resolved	


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Reference No.on the external audit Report	Issue/ Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>payment on total Carriage and Insurance Paid (CIP) GIP amount. According to subsequent invoices from the contractor, only equipment valued at Kshs.14, 799,596 had been invoiced as at 30 June, 2022, therefore an advance payment of Kshs.1, 479,960 was due to the Contractor. The resultant variance of Kshs.3, 683,293 was not supported by invoices and shipping documents</p> <p>iii. The contractor was paid a full invoice amount of Kshs.14, 799,596 in respect of equipment delivered, despite an earlier payment of 10% advance on the total contract sum, and the contract requirement to withhold 10% of the invoice amount until issuance of a completion certificate. Further, no withholding tax was deducted and remitted to the Kenya Revenue Authority (KRA). Consequently, the Contractor was overpaid a total of Kshs.2, 959,914 in respect of the deliveries invoiced in June, 2022.</p> <p>In the circumstances, Management was in breach of the contract and the law in respect of Withholding tax retention.</p>	<p>did not attract any withholding taxes.</p> <p>However, in June 2022 the Corporation received an invoice no. JUNE2022BATCH dated 29th June 2022 of USD 1,922,067.88 where the advance payment of USD 205,003.67 (being USD 12,796.88 and USD 192,206.79) was recovered. At this point the advance payment recovery previously omitted was now recovered. Further, the Corporation is in receipt of invoice no. INV/KSNR/2022/09/26/8 dated 26th September 2022 from Kingshore New Resources Electric Jiangsu Company where the advance payment of Kshs.5, 163,252.90 will be recovered in full.</p> <p>The contract was extended to 31st December 2022. Management initiated measures to extend the</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved Not Resolved)</i>	Timeframe:
		<p>application withdrawal rights period to 31st December 2022. The World Bank through a letter dated 14th September 2021 extended the withdrawal rights to December 2022. The Manufacturing of the generation materials commenced in July 2021 and Factory Acceptance tests (FAT) were carried out in October 2021. The Contractor has now delivered all the generation plant materials and has also procured the Power Distribution Network (PDN) materials for connection of customers . The project is expected to be completed by 31st December 2022.</p>		

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 CSDr. Rose Mkalama
 Ag. Chief Executive Officer

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 Edward Gakunju
 Project Manager

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

Receipts/Payments Item	Final Budget a	Actual on comparable basis b	Budget Utilisation Difference c=a-b	% of Utilisation d=b/a %	Comments on Variance (Below 90% and over 100%)
RECEIPTS					
Transfer from Government entities	-	-	-	0.0%	
Proceeds from domestic and foreign grants	408,131,681	353,822,036	54,309,645	86.7%	The Contractor's late submission of PDN line fittings bills No. INV/KNSR/2023/04/01 and INV/KNSR/2023/04/02 totaling Kes. 36.5Mn remained unpaid as of June 30, 2023, meaning that the budget utilization rate would have been 96%.
Proceeds from borrowings	41,868,319	41,868,319	-	100.0%	The bill has now been settled by the World Bank on August 14, 2023.
Miscellaneous receipts	-	-	-	0.0%	

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Total Receipts	450,000,000	395,690,355	54,309,645	87.93%	
PAYMENTS					
Compensation to employees	-	-	-	0.0%	
Purchase of goods and services	-	-	-	0.0%	
Social security benefits	-	-	-	0.0%	
Acquisition of non-financial assets	449,998,398	395,688,753	54,309,645	87.9%	The Contractor's late submission of PDN line fittings bills No. INV/KNSR/2023/04/01 and INV/KNSR/2023/04/02 totaling Kes. 36.5Mn remained unpaid as of June 30, 2023, meaning that the budget utilization rate would have been 96%.
Transfers to other government entities	-	-	-	0.0%	The bill has now been settled by the World Bank on August 14, 2023.
Other grants and transfers	1,602	1,602	-	100.0%	
Total Payments	450,000,000	395,690,355	54,309,645	87.9%	
Surplus or (Deficit)					

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Annex 3: Reconciliation of Inter-Entity Transfers

Project Name: Kenya Electricity Modernization Project			
Break down of transfers from the State Department of Energy			
a.	Government Counterpart funding	Bank Statement Date	Amount (Kshs)
			0.00
			0.00
			0.00
	Total		0.00
B.	Direct payments	Bank Statement Date	Amount (Kshs)
			0.00
	Total		0.00
C.	Others	Bank Statement Date	Amount (Kshs)
			0.00
			0.00
	Total		0.00
	Total (A+B+C)		0.00

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

Project Manager
REREC



Sign -----

Head of Accounting Unit
Ministry Of Energy



Sign -----

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Annex 4a - Analysis of Pending Bills

Supplier of Goods or Services	Date Contracted /Invoiced	Original Amount	Amount Paid To-Date	Outstanding Balance Current FY	Outstanding Balance previous FY	Comments
a	b	c	d=a-c			
Supply of goods						
Supply of PDN Line Fittings Materials ; INV NO. INV/KNSR/2023/06/04/01 & INV NO. INV/KNSR/2023/06/04/02	04.06.2023	36,536,299	0.00	36,536,299	0.00	Payment documents were processed and submitted to the MoE on June 30, 2023 for review and subsequent submission to the National Treasury for settlement. The bill has now been settled by the World Bank on

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						August 14, 2023.
Sub-Total		36,536,299	0.00	36,536,299	0.00	
Supply of services						
N/A		-	-	-	-	
Sub-Total		-	-	-	-	
Grand Total		36,536,299	0.00	36,536,299	0.00	

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Annex 4b - Analysis of Pending: Staff Bills

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

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Annex 4c - Analysis of Other Pending Payables

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2023	Outstanding Balance 2022	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. Kingshore New Resources Jiangsu Co.,Ltd	Retention Monies		FY 2020/21 & 2021/22	0.00	137,337,893	2,714,142	Payable upon issue of the final Project Completion Certificate.
6.							
Sub-Total				0.00	137,337,893	2,714,142	
Others (<i>specify</i>)							
7.							
8.							

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Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2023	Outstanding Balance 2022	Comments
Sub-Total							
Grand Total				0.00	137,337,893	2,714,142	

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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	170,071,258	-	395,688,753	-	-	565,760,011
Total	170,071,258	-	395,688,753	-	-	565,760,011

Notes

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

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

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Annex 6: Contingent Liabilities Register

No.	Nature of contingent liability	Payable to	Estimated Amount Kshs	Expected date of payment	Remarks
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

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Annex 7: Reporting Of Climate Relevant Expenditures

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

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Annex 8: Reporting Disaster Management Expenditure

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

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Annex 9: Other Support Documents

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

