

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**RURAL ELECTRIFICATION AND
RENEWABLE ENERGY CORPORATION
STAFF MORTGAGE AND CAR LOAN SCHEME**

**FOR THE NINE (9) MONTHS' PERIOD
ENDED 30 JUNE, 2024**

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 05 DEC 2024

DAY.

Thursday

TABLED
BY:

Hon. Kimani Ichunguach
(Leader of the Majority Party)

CLERK-AT
THE-TABLE:

Anastacia



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30054 00109, NAIROBI
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A green energy-driven nation

RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION

STAFF MORTGAGE AND CAR LOAN SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

JUNE 30, 2024

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

***Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme
Report and Financial Statements For the Nine Months Ended 30th June 2024***

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Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme Report and Financial Statements For the Nine Months Ended 30th June 2024

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1. Acronyms and Definition of Key Terms

A. Acronyms

CEO	Chief Executive Officer
GM	General Manager
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies

B. Definition of Key Terms

Fiduciary management- Members of management entrusted directly with the responsibility and trust for the Scheme's financial resources.

Accrual basis- a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses.

Assets- are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

Expenses- are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners.

Revenue- is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.

2. Key Fund information and management

a) Background information

The Rural Electrification and Renewable Energy Corporation (REREC) was established as a State Corporation under section 43 of the Energy Act of 2019. Upon its establishment, REREC succeeded the Rural Electrification Authority, which was originally constituted under section 66 of the now-repealed Energy Act No. 12 of 2006. As a result, all rights, duties, obligations, assets, and liabilities of the Rural Electrification Authority were automatically and fully transferred to REREC. Furthermore, any reference to the Rural Electrification Authority in any contract or document is now considered a reference to the Corporation established under the 2019 Act.

The Staff Mortgage and Car Loan Scheme is a revolving fund for REREC staff established pursuant to the Salaries and Remuneration Commission circular number SRC/ADM/CIR/1/13 Vol. III (128) dated 17 December, 2014. Further, the Scheme was established and administered as provided under Section 24 (6) (7) of the PFM Act, 2012 and Section 127 (1) (2) of the PFM (National Government) Regulations, 2015.

The Salaries and Remuneration Commission in its circular reference SRC/ADM/CIR/1/13 Vol. III (128) dated 17 December, 2014 provided guidelines for access of Mortgage and Car Loan benefits by state and public officers. Arising therefrom, the Corporation approved and adopted the Guidelines for REREC Staff Mortgage and Car Loan Scheme.

Section 84 of the Public Finance Management (PFM) Act 2012 mandates the administrator of public funds to prepare annual financial statements of the Scheme. For proper management of the Scheme and as advised by the Salaries and Remuneration Commission in the circular under the reference, the Corporation developed Staff Mortgage and Car loan Scheme Guidelines and adopted the PFM Act, 2012 and PFM Regulations, 2015 to guide in the operationalization of the Scheme.

The Scheme is wholly owned by the REREC and is domiciled in Kenya.

b) Principal Activities

The principal activity of the scheme is to administer mortgage and car loan facilities for staff members. This includes providing loans for the purchase and development of residential houses and for acquiring motor vehicles for personal use.

The scheme Administrator oversees the operations of the scheme. The scheme Administration Committee which is charged with the responsibility of processing loans from applicants in accordance with laid down approved regulations, setting up a revolving Fund for the disbursement of loans and supervising the day-to-day operations of the Fund.

The key objectives of the Rural Electrification and Renewable Energy Corporation mortgage and car loan Scheme are to:

- a) Provide loan facility for purchase and development of residential houses.
- b) Provide loan facility for purchase of motor vehicles for personal use.

c) Scheme Administration Committee

The scheme administration committee members who held office during the financial year ended 30th June 2024 were:

SN	Position	Name
1	Chairperson	CS Dr. Rose N Mkalama
2	Secretary to the Committee	CHRP Sophia Githuku
3	Committee Member	CPA Davis Cheruiyot
4	Committee Member	Dr. Eng. James Muriuki
5	Committee Member	CPA Hassan Alhaji Yusuf Suleiman
6	Committee Member	Eng. Tom Fred Ishugah
7	Committee Member	Dr. David Gitonga
8	Committee Member	Mrs. Beatrice Njuguna

ii) Key Management

SN	Position	Name
1	Scheme Chairperson	CS Dr. Rose N. Mkalama
2	Scheme Administrator	CHRP Sophia Githuku

SN	Position	Name
3	Secretary to the Management Team	CHRP Everlyn Koech

d) Fiduciary Oversight Arrangements

The Corporation has implemented key fiduciary oversight arrangements through its Audit Committee, which is responsible for supervising the Secretariat's activities. The committee is chaired by an independent individual who is not an employee of the Corporation, and includes one scheme Committee member. This structure ensures impartiality and high standards of oversight.

During the financial year ending 30th June 2024, the Audit Committee members were carefully chosen to ensure effective oversight of the Mortgage and Car Loan Scheme. Their role includes reviewing financial statements, overseeing internal audits, and ensuring regulatory compliance to maintain transparency and accountability.

The committee's responsibilities extend to assessing the scheme's risk management processes and ensuring that financial practices are in line with best practices and legal requirements. This rigorous oversight helps safeguard the integrity and effectiveness of the scheme.

No.	Position	Name
1	Chairperson	Mr. Philip Kibiwot Cherige
2	Member	Dr. Stephen Ikikii, Ph.D
3	Member	Mr. Milton Lucheri
4	Member	Mr. Hussein Abdinassir Mohammed
5	Secretary to the Committee	CPA Hassan Alhaji Yusuf

e) Registered Offices

Kawi House, Off Red Cross Road, South C
P.O Box 34585 - 00100,
Telephone: (254) 709 193000/3600
E-mail: info@rerec.co.ke
Website: www.rerec.co.ke

f) Scheme Contacts

Telephone: (254) 709 193000/3600
E-mail: info@rerec.co.ke
Website: www.rerec.co.ke

g) Scheme Banker and Fund Managers

Stima DT Sacco Society Limited.
Kawi Branch - Nairobi Kawi Complex,
South C Bellevue, Off Mombasa Road, Off Red Cross Road
Telephone: 0703 024 852/3
Email: kawibranch@stima-sacco.com

Member No: 1041652
Account No: 801104165201-0
Account Product: Prime Account

Stima DT Sacco Society Limited Associated commercial bank:
Bank Name: Co-operative Bank of Kenya Limited.
Account Name: Stima Sacco Ltd - Front Office Service Activity
Branch: Mombasa Road Branch
Account No. 01120069062620
Nairobi - Kenya.

h) Auditor



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

i) Principal Legal Adviser

The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi - Kenya

3. Scheme Administration Committee

Name	Details of qualifications and experience
 <p>CS Dr. Rose N. Mkalama Chairperson, Scheme Administration Committee</p>	<p>CS Dr. Rose Mkalama, serves as both the Chairperson of the Scheme Administration Committee and the Chief Executive Officer of the Corporation. In these roles, she provides strategic leadership, ensures robust governance and compliance, and oversees the scheme's operations to effectively achieve its objectives and serve the best interests of the staff.</p> <p>She holds a doctorate in Business Administration (PhD), a Master of Business Administration (MBA), and a Bachelor's degree in Laws (LLB) all from the University of Nairobi. Additionally, she hold a Master of Laws in oil and gas (LLM, oil and Gas) from Strathmore University.</p> <p>She is also a Certified Utility Management Specialist having qualified from the Institute of Public –Private Partnerships and the Water Engineering and Development Centre of Loughborough University- Washington DC.</p> <p>Dr. Mkalama is an Advocate of the High Court of Kenya and a Certified Secretary of Kenya (ICPSK).</p>
 <p>CHRP Sophia Githuku Secretary to the Scheme Administration Committee</p>	<p>CHRP Sophia Githuku is the Secretary to the Scheme Administration Committee and heads the Human Resource and Administration Directorate.</p> <p>She oversees employee welfare and development, ensures effective human resource management and administrative support, manages administrative tasks, coordinates meetings, and ensures the smooth functioning of the committee's operations.</p> <p>She holds a Bachelor of Arts in Sociology and a Master's degree in Business Administration.</p> <p>Additionally, she is a member of the Institute of Human Resource Management (IHRM)</p>

 <p>CPA Davis Cheruiyot Scheme Administration Committee Member</p>	<p>CPA Davis Cheruiyot is a member of the Scheme Administration Committee and serves as the General Manager of the Finance and ICT Directorate.</p> <p>He has been with the organization since May 2018, starting as the Manager of Finance and Accounts before advancing to his current role. In addition to overseeing the departments, he provides financial advisory services to the scheme committee.</p> <p>He holds a Master of Science in Finance and Investment (MSFI) and a Bachelor of Business Administration in Finance and Accounting, both from Kenya Methodist University (KEMU).</p> <p>He is also a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).</p>
 <p>Dr. Eng. James Muriuki Scheme Administration Committee Member</p>	<p>Dr. Eng. James Muriuki is a member of the Scheme Administration Committee and serves as the General Manager of Power Distribution and Regional Coordination. He ensures that identified projects are designed and implemented on time and adhere to high-quality design standards.</p> <p>Dr. Eng. Muriuki holds a Ph.D. in Electrical Engineering, Master of Science in Electrical Engineering, Master of Science in project management from JKUAT and a Bachelor of Science degree in Electrical & Electronic Engineering from the same institution.</p> <p>He is a certified Professional Engineer and a member of the Engineering Board of Kenya (EBK), a corporate member of the Institution of Engineers of Kenya (IEK), and a licensed Electrician by the Energy and Petroleum Regulatory Authority (EPRA) with Class A1 certification.</p>



CPA Hassan Alhaji Yusuf
Scheme Administration
Committee Member

CPA Hassan Yusuf is a member of the Scheme Administration Committee and is responsible for internal audit strategies, plans, policies, and systems. He supervises periodic reviews of both financial and non-financial operations to ensure compliance and effectiveness.

He is also a Lead Auditor for both Quality Management Systems and Information Security Management Systems ISO/IEC. As a professional accountant, he has extensive experience in auditing, risk management, accounting, and finance.

He has previously worked with public institutions such as the now-defunct Kenya Post and Telecommunications and Lake Victoria North Water Works Agency.

He is a member of the Institute of Internal Auditors (IIA), the Institute of Certified Public Accountants of Kenya (ICPAK), and, most recently, an affiliated member of the Institute of Risk Management (IRM).



Eng. Tom Fred Ishuga
Scheme Administration
Committee Member

Eng. Fred Ishugah is a member of the Scheme Administration Committee. He is responsible for the strategic and operational leadership of the corporations Renewable and Alternative Energy mandates.

He holds a Master of Science in Engineering from Shanghai Jiao Tong University and a Bachelor of Science in Energy Engineering.

He is a Certified Energy Manager with the Association of Energy Engineers, a Registered Environmental Impact Assessment Expert with NEMA, and a member of the Association of Energy Professionals Eastern Africa and IETTK.



Dr. David Gitonga
Scheme Administration
Committee Member

Dr David Gitonga is a member of the Scheme Administration Committee. He is responsible for driving the corporation core business of rural electrification through applied research and strategy development, planning and evaluation of project impacts, development of alternative revenue streams and management of corporate quality management system and risk management.

He holds a Bachelor of Science in Civil Engineering (Hons) from Jomo Kenyatta University of Agriculture and Technology (JKUAT), a Master's Degree in Integrated Water Resources Management from the University of Dar-es-Salaam, and a Doctor of Philosophy (PhD) in Disaster Management and Humanitarian Assistance from Masinde Muliro University of Technology (MMUST).



Mrs Beatrice Njuguna
Scheme Administration
Committee Member



Mrs. Beatrice Njuguna is a member of the Scheme Administration Committee. She is responsible for the management of communication and publicity related to the Corporation's mandate, ensuring effective engagement with all stakeholder groups.

Additionally, she spearheads advocacy programs aimed at securing strategic partnerships to facilitate successful project implementation.

She holds a Bachelor of Business Management (BBM) with a focus on Human Resource Management, a Master's in Public Administration specializing in Public Policy and Administration, and a Diploma in Human Resource Management.

She is a member of the Institute of Human Resource Management (IHRM) and has completed several key trainings in Governance and Leadership.

4. Management Team

Name	Details of qualifications and experience
 <p>CS. Dr. Rose N. Mkalama CEO and Chairperson Management Team</p>	<p>CS Dr. Rose Mkalama, serves as both the Chairperson of the Scheme Management Team and the Chief Executive Officer of the Corporation. In these roles, she provides strategic leadership, ensures robust governance and compliance, and oversees the scheme's operations to effectively achieve its objectives and serve the best interests of the staff.</p> <p>She holds a doctorate in Business Administration (PhD), a Master of Business Administration (MBA), and a Bachelor's degree in Laws (LLB) all from the University of Nairobi. Additionally, she hold a Master of Laws in oil and gas (LLM, oil and Gas) from Strathmore University.</p> <p>She is also a Certified Utility Management Specialist having qualified from the Institute of Public –Private Partnerships and the Water Engineering and Development Centre of Loughborough University- Washington DC.</p> <p>Dr. Mkalama is an Advocate of the High Court of Kenya and a Certified Secretary of Kenya (ICPSK).</p>
 <p>CHRP Sophia Githuku General Manager, HR/Admin and Scheme Administrator</p>	<p>CHRP Sophia Githuku is the Scheme Administrator and heads the Human Resource and Administration Directorate.</p> <p>She is responsible for managing and overseeing the day-to-day operations of the financial scheme, ensuring efficient and compliant administration.</p> <p>She holds a Bachelor of Arts in Sociology and a Master's degree in Business Administration.</p> <p>She is also a member of the Institute of Human Resource Management (IHRM).</p>



CHRP Everlyn Koech
Manager, HR/Admin and
Secretary to the Management
Team

CHRP Everlyn Chepkorir Koech is the Secretary to the Management Team and has served as the Manager of Human Resources since May 2018.

She is responsible for overseeing the Corporation's Human Resource Management, including HR planning, recruitment and selection, employee welfare, training and development programs, and employee retention strategies.

In addition, she ensures effective human resource management and administrative support, manages administrative tasks, coordinates meetings, and facilitates the smooth functioning of the scheme management's team operations.

She holds an MBA in Human Resource Management from Kabarak University, a Bachelor's Degree in Human Resource Management from Kenya Methodist University, and a Diploma in Human Resource Management from the Institute of Human Resource Management.

She is also a member of the Institute of Human Resource Management (IHRM).

5. Chairperson's Report

Introduction

I am delighted to present a comprehensive overview of our achievements, challenges, and strategic outlook for the financial year 2023/24.

The Scheme is a revolving fund for REREC Staff established pursuant to Salaries and Remuneration Commission Circular Number SRC/ADM/CIR/1/13 Vol. III (128) dated December 17, 2014, operates under the provisions of Section 24 (6) (7) of the Public Finance Management (PFM) Act, 2012 and Section 127 (1) (2) of the PFM (National Government) Regulations, 2015.

The Scheme was operationalized following approval by the Corporation Board during its 54th meeting on March 16, 2023. It is designed to enhance employee welfare by providing access to low-interest credit facilities for acquiring residential properties and personal motor vehicles. This support offers employees a sense of stability and security, facilitating their transportation needs and enabling them to focus more effectively on our mission of expanding rural electrification and promoting renewable energy. An initial seed capital of Kshs 300 million was transferred to Stima DT Sacco Society Ltd on October 9, 2023.

The Scheme is administered by the Administration Committee, which evaluates and recommends applications for processing in accordance with the regulations. To support the Administration Committee, the Corporation Board has engaged Stima DT Sacco Society Ltd to provide professional advisory services, including financial, legal, and valuation expertise.

Successes Achieved

Since the inception of the Scheme, we have made significant strides in improving the lives of our employees. Key successes include:

- i) **Increased Employee Satisfaction:** The scheme has led to a marked increase in employee satisfaction and morale. By offering competitive mortgage and car loan options, we have enabled many employees to achieve homeownership and secure reliable transportation.
- ii) **Enhanced Productivity:** With the financial burden of housing and transportation reduced, employees have been able to concentrate better on their work, leading to increased productivity and efficiency in our operations.

- iii) **Attractive Employment Proposition:** The scheme has made REREC a more attractive employer, aiding in the recruitment and retention of top talent. This has been crucial in building a dedicated workforce committed to our vision and goals.
- iv) **Successful Loan Disbursement:** As of the end of the financial year, we have successfully disbursed eleven (11) mortgage loans and ten (10) car loans, amounting to a total of Kshs. 132,850,420 and Kshs.21,450,000, respectively. This demonstrates our commitment to the financial well-being of our employees.

Challenges Faced

Despite the successes, the implementation of the Mortgage and Car Loan Scheme has not been without challenges:

- i) **Financial Constraints:** The allocation of significant funds towards the loan scheme highlights our commitment to supporting key initiatives. While balancing these investments with other operational and project expenditures presents challenges, it also underscores our dedication to managing resources effectively and prioritizing strategic objectives.
- ii) **Eligibility and Accessibility:** Ensuring fair and equitable access to the loan scheme for all employees has been a challenge. Some employees have faced difficulties in meeting eligibility criteria, leading to dissatisfaction among those who could not benefit immediately.
- iii) **Non-compliance with Scheme Requirements by Applicants:** Some applicants have failed to meet the stipulated eligibility criteria and documentation requirements, causing delays and potential rejections of their applications. This highlights the need for better guidance and communication to ensure adherence to the Scheme's standards.
- iv) **Extended Processing Time for Loan Applications:** The current loan application processing time is longer than expected. We are actively working to refine and expedite our procedures to ensure a faster and more efficient experience for our applicants.

Future Outlook

Looking ahead, we are committed to refining and expanding the scheme to better serve our employees. Our future plans include:

Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme Report and Financial Statements For the Nine Months Ended 30th June 2024


- i) **Enhanced Financial Education:** To support our employees in managing their loans effectively, we will introduce financial literacy programs. These will cover budgeting, savings, and investment strategies to help employees make informed financial decisions.
- ii) **Expansion of the Scheme:** Based on feedback and demand, we aim to broaden the scope of the loan scheme, potentially enhancing the financial thresholds and introducing additional benefits such as refinancing options.
- iii) **Sustainable Funding:** To ensure the long-term sustainability of the scheme, we will explore partnerships and alternative funding sources, reducing the financial strain on REREC's core operations.

Conclusion

In conclusion, the Mortgage and Car Loan Scheme has been a pivotal initiative for REREC, significantly contributing to employee welfare and organizational success. While we have faced challenges, our commitment to continuous improvement and innovation will guide us in overcoming these obstacles and achieving greater heights in the future.

I extend my heartfelt gratitude to our dedicated employees, management team, and stakeholders for their unwavering support and contribution to the success of this scheme. Together, we will continue to drive forward our mission of rural electrification and renewable energy adoption.

Signed by:


.....

Date: 20th November, 2024

CS. Dr. Rose N. Mkalama
Chairperson, Scheme Administration Committee

6. Report of the Scheme Administrator

Introduction

I am pleased to present the financial statements for the year ended 30th June 2024, in compliance with Section 84 (2) of the Public Finance Management Act, 2012, and incorporating guidance from the Public Service Commission (PSC) guidelines, Human Resource Policies, Treasury circulars, and other relevant statutes and regulations concerning the administration of mortgage and car loan schemes. The objective of the Rural Electrification and Renewable Energy Corporation (REREC) Mortgage and Car Loan Scheme is to enable staff to acquire residential houses and personal motor vehicles by providing access to low-interest credit facilities, thus facilitating their transport to work.

As the Fund Administrator of the Scheme, I am honored to present a detailed report on the Mortgage and Car Loan Scheme. This report will elaborate on the successes, challenges, and future outlook of the scheme, as well as provide overview of the financial performance of the fund for the financial year 2023/24.

Detailed Analysis of Successes Achieved

The Mortgage and Car Loan Scheme has proven to be a transformative initiative for REREC and its employees. Below are detailed highlights of our successes:

(i) Loan Disbursement and Uptake:

- An initial seed capital of Kshs. 300 million was deposited with Stima DT Sacco Society Ltd, which serves as the fund manager for the Mortgage and Car Loan Scheme. This Scheme operates under a framework established between REREC and Stima DT Sacco Society Ltd.
- As of the end of FY 2023/24, we have disbursed a total of Kshs.132,850,420 mortgage loans and Kshs.21,450,000 car loans, amounting to a total disbursement of Kshs.154,300,420, benefiting a significant portion of our workforce.
- The uptake of the scheme has been overwhelmingly positive, with a high application rate indicating strong employee interest and trust in the program.

(ii) Impact on Employee Welfare:

- The scheme has facilitated homeownership for eleven (11) employees, providing them with stability and a sense of security. Additionally, ten (10) employees have acquired vehicles, improving their mobility and reducing commute-related stress.
- The implementation of the scheme has significantly enhanced job satisfaction and motivation among employees, as evidenced by positive feedback from participants. The benefits and support provided through the scheme have contributed to a more engaged and motivated workforce, reflecting the scheme's effectiveness in addressing employee needs and boosting overall morale

(iii) Organizational Benefits:

- Enhanced employee satisfaction has resulted in a notable boost in productivity, with higher engagement in the loan scheme showing marked improvements in performance metrics.
- The scheme has proven to be an effective tool for talent acquisition and retention, resulting in reduced employee turnover and an improved quality of job applicants.

Challenges Faced and Mitigation Strategies

While the scheme has been successful, several challenges have emerged during its implementation:

(i) Financial Constraints:

- Allocating funds for the loan scheme has necessitated a substantial initial investment, reflecting our strategic commitment to advancing crucial initiatives. While this investment has placed pressure on REREC's overall budget, it underscores our proactive approach to resource management and our dedication to ensuring the scheme's success and long-term viability.
- To mitigate this, we have introduced a phased disbursement plan, allowing us to manage cash flow more effectively while still meeting the needs of our employees.

(ii) Eligibility and Accessibility:

- Ensuring fair access to the scheme posed difficulties, as some employees struggled to meet the stringent eligibility criteria.

- In response, we have revised the eligibility criteria to make them more inclusive, without compromising the financial stability of the scheme. We have also introduced an appeals process for employees who initially did not qualify.

(iii) Economic Environment:

- Changes in the economic environment, including inflation, have influenced the affordability of the loans. Despite offering loans at a fixed interest rate, which shields borrowers from interest rate fluctuations, we remain committed to supporting our employees through these challenges. Our focus is on ensuring that the loan terms remain beneficial and sustainable for our borrowers, adapting to economic conditions as needed.
- In accordance with SRC guidelines, we have introduced flexible repayment options and interest rate caps to help employees manage their loan repayments more effectively.

Financial Performance Overview

The financial performance of the Mortgage and Car Loan Scheme for FY 2023/24 has been robust, reflecting prudent management and strategic planning:

i) Revenue and Expenditure:

- The fund generated a total net revenue of Kshs 4,007,162, primarily from interest income earned on loans and interest accrued on the unutilized revolving fund balance.
- Total non-exchange revenue includes a Kshs 300 million transfer from REREC, funded from the Corporation's budget through the exchequer, which serves as seed capital for the scheme.
- Total operating costs, including administrative expenses, registration fees, and withholding tax remittances, amounted to Kshs.1,000,792.

ii) Fund Balance:

- **Balance Adjustment:** At the close of the financial year, the fund's reported balance was Kshs 151,167,098. Due to a timing difference caused by a system issue, the actual certificate of balance was Kshs 290,455,599. The discrepancy arose due to transactions not posted in the fund balance report by Stima DT Sacco until after the year-end. This timing difference has been corrected, and the figures have been adjusted to accurately reflect the fund's true balance.

iii) Risk Management:

- **Risk Management Framework:** We have implemented a comprehensive risk management framework through Stima DT Sacco to monitor and mitigate potential risks, including credit risk, market risk, and operational risk. This framework ensures proactive identification, assessment, and management of risks to safeguard the fund's stability and performance.
- **Audit and Financial Review Practices:** Regular audits and financial reviews have been conducted to ensure transparency and accountability in the management of the fund.

Future Outlook

Looking forward, we have several strategic initiatives planned to enhance and expand the Scheme:

(i) Financial Literacy Programs:

To support employees in managing their finances effectively, we will launch comprehensive financial literacy programs. These programs will cover budgeting, saving, investing, and debt management, empowering employees to make informed financial decisions.

(ii) Scheme Expansion:

- Based on feedback and demand, we plan to expand the scheme to include additional benefits such as refinancing options, insurance packages, and support for home improvements.

- We will also explore partnerships with financial institutions to enhance the scheme's offerings and ensure long-term sustainability

(iii) Sustainable Funding and Partnerships:

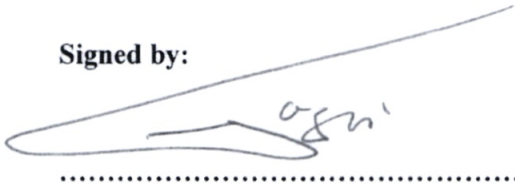
To reduce reliance on internal funds, we will seek partnerships with external investors and financial institutions. These partnerships will provide additional capital and expertise, ensuring the continued growth and success of the scheme.

Conclusion

In conclusion, the Mortgage and Car Loan Scheme has had a profoundly positive impact on REREC and its employees. Despite facing various challenges, our commitment to continuous enhancement and innovation has allowed us to navigate and resolve these issues effectively. I am confident that with our ongoing strategic initiatives and dedicated teamwork, we will further refine the scheme and achieve even greater success.

I would like to extend my sincere appreciation to our employees, management team, and stakeholders for their unwavering support and dedication.

Signed by:



.....

**CHRP Sophia Githuku
Scheme Administrator**

Date:..... 12th November 2024

7. Statement of Performance against Predetermined Objectives

Introduction

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012, requires the Accounting Officer to include in the financial statement, a statement of the national government Fund's performance against predetermined objectives. The key objectives of the Renewable Energy and Rural Electrification Corporation (REREC) Mortgage and Car Loan Fund are to:

- a) Provide loan facilities for the purchase and development of residential houses.
- b) Provide loan facilities for the purchase of motor vehicles for personal use.

Progress on Attainment of the scheme's Objectives:

To implement and cascade the above fund objectives to specific sectors, all the objectives were made Specific, Measurable, Achievable, Realistic, and Time-bound (SMART) and converted into fund outcomes. Attendant indicators were identified for tracking progress and performance measurement.

Below is the progress on attaining the stated objectives:

Scheme Name	Objective	Outcome	Indicator	Performance
REREC Mortgage and Car loan Scheme.	To provide loan facility for purchase and development of residential houses; and purchase of motor vehicles for personal use.	Decent housing for staff and ease of movement to and from work.	The number of staff members who received loan facilities for acquiring residential houses and personal vehicles.	In FY 2023/24, Twenty one (21) staff members obtained loans for the purchase of residential houses and personal vehicles.

8. Corporate Governance Statement

This Corporate Governance Statement outlines the principles and practices guiding our governance framework, focusing on transparency, accountability, and adherence to regulations.

a) Process of Appointment and Removal of Administration Committee Members

The Administration Committee members are appointed through a formal process that includes nomination by existing members, review by a governance committee, and approval by the Board. Removal of members is conducted based on predefined criteria, including performance issues or breaches of conduct, and requires a majority vote by the Board.

b) Roles and Functions of the Administration Committee Members

The Administration Committee is responsible for overseeing the operational management of the scheme, including policy implementation, financial oversight, and strategic planning. Committee members are tasked with reviewing performance metrics, ensuring compliance with regulatory requirements, and providing recommendations for improvement.

c) Number of Fund Administration Committee Meetings Held and Attendance

During the reporting period, the Fund Administration Committee held several meetings to oversee and guide the administration of funds effectively. The attendance of committee members was carefully monitored and regularly reviewed to ensure a high level of engagement and commitment. These reviews serve as a key indicator of member involvement, helping to maintain accountability and ensure that each member fulfills their responsibilities. Regular monitoring of attendance also allows for timely identification of any issues related to member participation, enabling proactive measures to promote full engagement and support the committee's objectives.

d) Succession Plan

A formal succession plan is in place to address potential vacancies within the Administration Committee. This plan includes identifying and developing internal candidates, and, if necessary, engaging external search firms to ensure a smooth transition and continuity of governance.

e) Existence of a Service Charter

A Service Charter has been established, outlining the commitment to providing high-quality service, setting performance standards, and defining the responsibilities of the Administration Committee. This charter is reviewed annually and updated as necessary.

f) Induction and Training, Administration Committee Members and Member's Performance

New Administration Committee members undergo a comprehensive induction program that covers the fund's operations, governance practices, and regulatory requirements. Ongoing training is provided to ensure members stay updated on relevant developments. Performance reviews are conducted regularly to assess and enhance member effectiveness.

g) Conflict of Interest

A robust conflict of interest policy is in place to manage and disclose any potential conflicts. Members are required to declare any personal or financial interests that may influence their decisions, and appropriate measures are taken to mitigate any conflicts

h) Fund Committee Remuneration

Compensation for Fund Committee members is determined based on industry standards and the scope of their responsibilities, in line with guidelines from the Salaries and Remuneration Commission (SRC) and Human Resource policies.

i) Compliance with Existing Laws and Regulations

The fund adheres to all applicable laws and regulations governing its operations. Regular audits and reviews are conducted to ensure compliance, and any non-compliance issues are addressed promptly.

j) Ethics and Conduct as Well as Governance Audit Undertaken

The fund upholds high standards of ethics and conduct, guided by a Code of Conduct that all members are required to follow. A governance audit is conducted annually to assess the effectiveness of governance practices and identify areas for improvement. The results of the audit are reviewed by the Board and actions are taken as necessary to address any findings.

9. Management Discussion and Analysis

This Management Discussion and Analysis (MD&A) provides an overview of the Fund's operational and financial performance, loan activity, compliance status, risk management, and other pertinent information for the period.

a) Operational and Financial Performance

During the period under review, the scheme has demonstrated robust operational and financial performance. Our performance has been strong, with key metrics indicating growth and efficiency.

Financial Highlights:

- **Revenue:** The Scheme achieved a total revenue of Kshs 304,053,043. This total includes Kshs 300 million from non-exchange transactions and the remaining amount from exchange transactions, which comprises interest income generated from loans and interest earned on the unutilized revolving fund.
- **Expenses:** Total expenses amounted to Kshs.1,000,792. Major expense categories include scheme administration expenses, registration fees, and withholding taxes.
- **Total Net Income:** The Fund recorded a net income of Kshs 304,007,162, closing with a surplus of Kshs.4,007,162 for the period.

b) Loan Activity

Number of Loans Issued: Twenty-one (21) loans totaling Kshs.154,300,420 were issued during the period.

Loan Outstanding: At the end of the period, loans outstanding amounted to Kshs.151,795,980

Loan Repayments: A total of Kshs. 2,550,321 in loan repayments were received during the period.

Description	Metric
Number of Loans Issued	21
Total Loan Issuance	Kshs. 154,300,420
Outstanding Loans	Kshs. 151,795,980
Total Repayments	Kshs. 2,550,321

c) Compliance with Statutory Requirements

The Fund is in full compliance with all relevant statutory requirements. This includes adherence to financial reporting standards, regulatory filings, and other legal obligations. Regular reviews and audits are conducted to ensure ongoing compliance.

d) Major Risks and Financial Obligations

Major Risks:

- **Market Risk:** Fluctuations in market conditions could impact investment returns.
- **Credit Risk:** The risk of default on loans or investments remains a concern. Strategies are in place to mitigate this risk through rigorous credit assessments and diversified investments.
- **Operational Risk:** Potential disruptions to operations due to technological failures and staffing issues.

Material Arrears:

- **Statutory Obligations:** There are no material arrears in statutory payments.
- **Financial Obligations:** The Fund is current on all financial obligations with no significant arrears.

e) Additional Information

- **Sustainability Initiatives:** The Fund is committed to sustainability and encourages environmental and social initiatives through its mortgage and car loan schemes.
- **Future Outlook:** Looking ahead, the Fund plans to focus on strategic goals for its mortgage and car loan schemes, with expectations for improved performance and positive changes.

10. Environmental and Sustainability Reporting

This highlights the Scheme's Environmental and Social Responsibility (ESR) activities undertaken during the year, emphasizing our contributions to societal impact and environmental conservation. Our initiatives span various areas, including education, sports, healthcare, labor relations, staff training and development, and water and sanitation. We also focus on the environmental and social aspects related to our mortgage and car loan schemes.

10.1 Sustainability Profile and Reporting

The REREC Mortgage and Car Loan scheme is dedicated to upholding its commitment to stakeholders by fulfilling its primary objectives of providing affordable financing to staff for acquiring homes and motor vehicles. This commitment aligns with Government Policy and reflects our dedication to responsible stewardship.

10.2 Environmental Responsibility

The Fund Administrator recognizes the imperative of environmental sustainability. We are committed to integrating eco-friendly practices into our operations, ensuring that our actions contribute positively to the environment. This includes adopting measures to reduce our carbon footprint and encouraging sustainable practices among our stakeholders.

10.3 Employee Welfare

The success and sustainability of the REREC Mortgage and Car Loan scheme are intrinsically linked to the strength and dedication of our human capital. We are committed to recruiting, retaining, rewarding, and developing top talent to ensure the Fund's continued success and growth. We place a strong emphasis on attracting and retaining highly skilled professionals who are aligned with our organizational values. Our talent management practices are designed to support the professional growth of our employees through continuous training and development opportunities, fostering a culture of excellence and innovation.

We are dedicated to instilling a culture of safety, security, social responsibility, and environmental awareness among our employees. This involves:

- (i) **Safety and Security:** Ensuring a safe and secure working environment for all employees, with robust health and safety protocols in place.
- (ii) **Social Responsibility:** Encouraging employees to engage in and support community initiatives and practices that promote social well-being.
- (iii) **Environmental Awareness:** Raising awareness about environmental issues and encouraging practices that contribute to sustainability.

We uphold the highest standards of integrity and responsibility. Our employees are expected to act with honesty and accountability in their interactions with stakeholders and in their impact on the environment. This commitment to ethical behavior ensures that our operations are conducted responsibly and sustainably.

By fostering a supportive and responsible work environment, we aim to empower our employees to contribute positively to the scheme's objectives and to the broader community and environment.

10.4 Market Place Practices

Market place practices for the REREC Mortgage and Car Loan Scheme generally involve the following key elements:

- a) **Transparency:** The scheme clearly disclose all terms and conditions of the loans, including interest rates, fees, and repayment schedules. This ensures borrowers understand their obligations and can make informed decisions.
- b) **Fair Lending:** The scheme offer loans based on fair and non-discriminatory practices. This includes assessing borrowers' creditworthiness impartially and avoiding practices that could unfairly disadvantage certain groups.
- c) **Responsible Lending:** The scheme assess borrowers' ability to repay the loan before approval. This involves evaluating income, credit history, and other financial factors to prevent borrowers from taking on more debt than they can handle.
- d) **Consumer Protection:** There are regulations in place to protect consumers from predatory lending practices. This includes measures to prevent deceptive advertising, hidden fees, and unfair loan terms.

- e) **Ethical Advertising:** Highlight REREC's commitment to ethical advertising by avoiding misleading claims and ensuring that marketing practices are aligned with responsible lending standards and consumer protection policies.
- f) **Feedback Mechanisms:** Promote and facilitate channels for stakeholders to provide feedback on marketing practices. This shows that REREC values stakeholder input and is committed to continuous improvement based on their feedback.

In conclusion, the Scheme is committed to upholding high standards of transparency, fairness, and responsibility in its operations. By adhering to these market place practices, the scheme ensures that borrowers are well-informed, treated equitably, and protected from harmful lending practices. This commitment not only fosters trust and accountability but also contributes to the overall positive impact of the scheme on the community. Through ethical practices and rigorous assessment procedures, the scheme strives to support borrowers in achieving their financial goals while maintaining the integrity and efficacy of its services.

10.5 Community Engagement:

To ensure a comprehensive approach to community engagement, we prioritize initiatives that extend the benefits of our activities beyond our immediate operations. Our commitment to community well-being is reflected in our active support for local development projects and programs that positively impact society at large. By fostering partnerships and investing in initiatives that uplift the communities where we operate, we aim to contribute meaningfully to their growth and prosperity. Our efforts in community engagement are integral to our overall responsibility and are essential for creating a lasting, positive impact.

11. Report of the Fund Administration Committee

The scheme Administration Committee submit their report together with the audited financial statements for the year ended June 30, 2024, which show the state of the scheme's affairs.

Principal activities

The principal activity of the Fund is to administer a mortgage and car loan scheme that allows staff members to access loan facilities for the purchase and development of residential houses, as well as for the purchase of motor vehicles for personal use.

Performance

The performance of the scheme for the Nine Months ended June 30, 2024, is set out on page 1 to 39


Scheme Administrative Committee

The members of the Administration Committee who served during the year are shown on page vii to xii.

Auditors

The Auditor-General is responsible for the statutory audit of the scheme in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

Signed by:


.....

Date: 20th November, 2024

CS Dr. Rose N. Mkalama
Chairperson, Scheme Administration Committee

12. Statement of Management's Responsibilities

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Fund established pursuant to Circulars SRC/ADM/1C1&/11/13 Vol. III (128) of 17th December 2014, SRC/ADM/1C1R/11/13 Vol. III (130) of 29th January 2015, and SRC/ADM/1C1N/11/13 Vol. III (142) of 25th August 2015 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2024.

This responsibility includes:

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

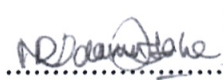
The Administrator of the Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2024, and of the Fund's financial position as at that date.

Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme Report and Financial Statements For the Nine Months Ended 30th June 2024

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going basis of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

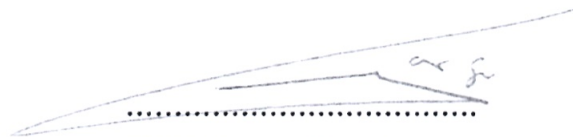
Approval of the financial statements

The Fund's financial statements were approved by the board on 20th November 2024 and signed on its behalf by:



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**CS Dr. Rose N Mkalama
Chairperson of the Scheme**

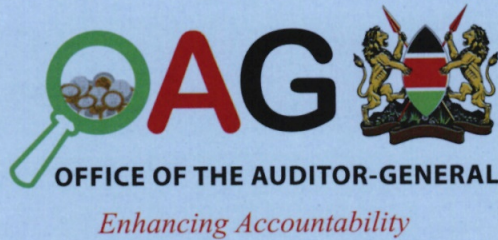


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**CHRP Sophia Githuku
Scheme Administrator**

REPUBLIC OF KENYA

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



HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION STAFF MORTGAGE AND CAR LOAN SCHEME FOR THE NINE (9) MONTHS' PERIOD ENDED 30 JUNE, 2024

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Rural Electrification and Renewable Energy Corporation Staff Mortgage and Car Loan Scheme set out on pages

Report of the Auditor-General on Rural Electrification and Renewable Energy Corporation Staff Mortgage and Car Loan Scheme for the Nine (9) Months' Period Ended 30 June, 2024

1 to 39 which comprise the statement of financial position as at 30 June, 2024 and the statement of financial performance, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the nine (9) months' then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Rural Electrification and Renewable Energy Corporation Staff Mortgage and Car Loan Scheme as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Non-Conformity with Guidelines on Use of Prequalified Valuers

During the year under review, an employee was awarded mortgage loan facility of Kshs.8,000,000. However, review of the application form filed by the employee revealed

that Management relied on a valuation report from a local valuer who was not prequalified and listed in the panel of the Fund Administrator, Stima Deposit Taking (DT) Sacco. This was contrary to Clause 5.1 (c) of the Staff Mortgage Scheme guidelines which provides that one of the preconditions for the purchase of ready residential houses is provision of a valuation report done by a valuer on Stima Sacco DT panel, complete with photograph of the property being purchased.

In the circumstances, Management was in breach of the Regulations.

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

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

Conclusion

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

Basis for Conclusion

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

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain its services, disclosing, as applicable, matters

related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund 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 comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 November 2024

14. Statement of Financial Performance for the Nine Months Ended 30th June 2024.

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from REREC	6	300,000,000	-
Revenue from exchange transactions			
Interest income received on Revolving Fund	7	969,093	-
Accrued Interest Income from Mortgage Loans	7	856,659	-
Accrued Interest Income from Car Loans	7	285,541	-
Accrued Interest income on Revolving Fund	7	2,896,598	-
Other incomes			
Dividend Received	8	62	-
Total revenue		305,007,954	-
Operating Expenses			
Employee costs	9	-	-
Use of Goods and Services (Administration expenses)	10	951,834	-
Use of Goods and Services (Registration Fee)	10	500	-
Depreciation and amortization expense	11	-	-
Finance costs	12	-	-
Withholding Tax Remittances	13	48,458	-
Total Operating expenses		1,000,792	-
Other gains/losses			
Gain/loss on disposal of assets	14	-	-
Gain /Loss on fair value of investments	15	-	-
Total Net Revenue		304,007,162	-
Surplus/(Deficit) before tax		4,007,162	-
Taxation		-	-
Surplus/(Deficit) after tax		4,007,162	-

(The notes set out on pages 8 to 35 form an integral part of these Financial Statements).

The financial statements were approved on ^{20th} ~~20th~~ November, 2024 by:



CS Dr. Rose N Mkalama
Chairperson of the Scheme



CHRP Sophia Githuku
Fund Administrator



CPA Davis K. Cheruiyot
General Manager, Finance
and ICT
ICPAK M/NO: 19351

15. Statement of Financial Position as at 30th June 2024

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	16	149,167,098	-
Receivables from exchange transactions	17	12,141,440	-
Receivables from non-exchange transactions	18	-	-
Prepayments	19	-	-
Inventory	20	-	-
Investments in Financial Assets	21	3,000	-
Total Current Assets		161,311,538	-
Non-current Assets			
Receivables from exchange transactions	17	142,695,624	-
Property, plant, and equipment	22	-	-
Intangible assets	23	-	-
Investment Property	24	-	-
Total Non-Current Assets		142,695,624	-
Total assets (A)		304,007,162	-
Liabilities			
Trade and other payables	25	-	-
Total Current Liabilities		-	-
Non-current liabilities			
Borrowings	26	-	-
Total non-current liabilities		-	-
Total liabilities (B)		-	-
Net Assets (A-B)		304,007,162	-
Represented By:			
Scheme Revolving fund		300,000,000	-
Accumulated Surplus/(Deficit) for the Year		4,007,162	-
Net Assets		304,007,162	-

Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme Report and Financial Statements For the Nine Months Ended 30th June 2024

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

The Fund financial statements were approved on 20th NOV, 2024 and signed by:

		
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CS Dr. Rose N Mkalama	CHRP Sophia Githuku	CPA Davis K. Cheruiyot
Chairperson of the Scheme	Fund Administrator	General Manager, Finance and ICT
		ICPAK M/NO: 19351

*Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme
Report and Financial Statements For the Nine Months Ended 30th June 2024*

16. Statement of Changes in Net Assets for the Nine Months Ended 30th June 2024

Description	Revolving Fund	Accumulated surplus	Total
	Kshs	Kshs	Kshs
As at 1 July 2023			
Surplus/(deficit) for the period	-	4,007,162	4,007,162
Funds received during the year	300,000,000	-	300,000,000
Revaluation Gain	-	-	-
As at 30 June 2024	300,000,000	4,007,162	304,007,162
Balance as at 1 July 2023	-	-	-
Surplus/(deficit) for the period	-	4,007,162	4,007,162
Funds received during the year	300,000,000	-	300,000,000
Revaluation Gain	-	-	-
As at 30 June 2024	300,000,000	4,007,162	304,007,162

Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme Report and Financial Statements For the Nine Months Ended 30th June 2024

17. Statement of Cash Flows for the Nine Months Ended 30th June 2024

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from RREC		300,000,000	-
Interest income received on Revolving Fund		969,093	-
Dividend Income		62	-
Total receipts		300,969,155	-
		-	-
Payments			
Employee costs		-	-
Scheme Registration fee		(500)	-
Finance cost		-	-
Withholding Tax Remittances		(48,458)	-
Total payments		(48,958)	-
		-	-
Net cash flow from operating activities	27	300,920,197	-
			-
Cash flows from investing activities			
Purchase of PPE and intangible assets		-	-
Proceeds from sale of PPE		-	-
Proceeds from loan principal repayments		2,550,321	-
Loan disbursements paid out		(154,300,420)	-
Investments in Financial Assets		(3,000)	-
Net cash flows used in investing activities		(151,753,099)	-
		-	-
Cash flows from financing activities			
Receipts into the mortgage revolving fund		-	-
Receipts into the car loan revolving fund		-	-
Net cash flows used in financing activities		-	-
		-	-
Net increase/(decrease) in cash and cash equivalents		149,167,098	-
Cash and cash equivalents at the beginning of the year	16	-	-
Cash and cash equivalents at the end of the year	16	149,167,098	-

*Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme
Report and Financial Statements For the Nine Months Ended 30th June 2024*

18. Statement of Comparison of Budget and Actual Amounts for the Nine Months Ended 30th June 2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
Revenue						
Transfers from REREC	400,000,000	-	400,000,000	300,000,000	100,000,000	75%
Interest income received on Revolving Fund	969,093	-	969,093	969,093	-	100%
Accrued Interest Income on Mortgage Loans	856,659	-	856,659	-	856,659	0%
Accrued Interest Income on Car Loans	285,541	-	285,541	-	285,541	0%
Accrued Interest income on Revolving Fund	2,896,598	-	2,896,598	-	2,896,598	0%
Dividend Income received	62	-	62	62	-	100%
Total Revenue	405,007,954	-	405,007,954	300,969,155	104,038,799	
Expenses						
Employee costs	-	-	-	-	-	
Scheme Administration expenses	(951,834)	-	(951,834)	(951,834)	-	100%
Scheme Registration Fee	(500)	-	(500)	(500)	-	
Depreciation and amortization expense	-	-	-	-	-	0%
Finance costs	-	-	-	-	-	0%
Withholding Tax Remittances	(48,458)	-	(48,458)	(48,458)	-	100%
Total Expenditure	(1,000,792)	-	(1,000,792)	(1,000,792)	-	100%
Total Net Revenue	404,007,162	-	404,007,162	299,968,363	104,038,799	
Surplus/(Deficit) for the period	4,007,162	-	4,007,162	(31,637)	4,038,799	

Budget notes:

- a) **Interest Income:** Interest income from the unutilized revolving fund balance accrued during the year. This includes Kshs 969,093 received from October to December 2023 and Kshs 2,896,598 accrued from January to June 2024.

*Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme
Report and Financial Statements For the Nine Months Ended 30th June 2024*

- b) **Interest Income on Mortgage and Car Loans:** A 0.5% interest charge recovered from loanees is reinvested into the Scheme, as stipulated in the collaboration framework agreement between REREC and Stima DT Sacco Society Ltd.
- c) **Management Costs:** Management costs comprise a 2.5% interest charge recovered directly from loanees by Stima DT Sacco Society Ltd. This charge covers management expenses in accordance with the collaboration framework agreement between REREC and Stima DT Sacco Society Ltd.
- d) **Other Expenses:** Other expenses include withholding tax remittances, which represent the final tax charged on interest earned from the Scheme Revolving Fund.

19. Notes to the Financial Statements

1. General Information

The REREC Mortgage and Car Loan Fund is established by and derives its authority and accountability from the following circulars: SRC/ADM/CIR/I/13 Vol. III (128) of 17th December 2014; SRC/ADM/CIR/I/13 Vol. III (130) of 29th January 2015 and SRC/ADM/CIR/I/13 Vol. III (142) of 25th August 2015.

The Scheme is wholly owned by REREC and is domiciled in Kenya. The Fund's principal activity is to administer a mortgage and car loan scheme for members of staff to access loan facilities for the purchase and development of residential houses and the purchase of motor vehicles for personal use.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Fund. The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024.

There are no new standards effective in the FY.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

Standard	Effective date and impact:
IPSAS 43: Leases	Applicable 1st January 2025 The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	Applicable 1st January 2025 The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45: Property Plant and Equipment	Applicable 1st January 2025 The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46: Measurement	Applicable 1st January 2025 The objective of this standard was to improve measurement guidance across IPSAS by:

	<ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47: Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48: Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49: Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity’s financial statements.)

4. Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Fund and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income for each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b. Budget information

The original budget was approved on 06th March, 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget. The Fund's budget is prepared on a different basis from the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts as per the statement of financial performance has been presented under section 18 on page 6 of these financial statements.

c. Property, plant, and equipment (PPE)

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Fund recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

e. Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over the useful life or investment property is measured at fair value with gains and losses recognised through surplus or deficit. **(Entity to amend appropriately)** Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

f. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (Amend as appropriate). A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

I. Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. There were no Critical estimates and significant judgments made by management in determining the expected credit loss (ECL).

II. Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

g. Contingent liabilities

The Fund 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.

h. Contingent assets

The Fund 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 Fund 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.

i. Nature and purpose of reserves

The Fund does not maintain predetermined reserves but creates them on a need basis, guided by specific requirements as they arise. This flexible approach ensures that funds are available for future disbursements and obligations, in line with clearly defined policies to maintain financial stability and responsiveness to evolving needs.

j. Changes in accounting policies and estimates

The Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

k. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

l. Related parties

The Fund regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise the Directors/Trustee, the Fund Managers, and Fund Accountant.

m. 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.

n. Comparative figures

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

o. Events after the reporting period

There were no material adjusting and non-adjusting events after the reporting period.

p. Ultimate and Holding Fund

The Fund is established under Section 24 (4) PFM Act under the Department of xxx/ State Corporation. Its ultimate parent is the Government of Kenya.

q. Currency

The financial statements are presented in Kenya Shillings (Kshs.).

5. Significant judgments and sources of estimation uncertainty

The preparation of the Fund's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur. *(see IPSAS 1.140.)*

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- i) The condition of the asset is based on the assessment of experts employed by the Fund
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii) The nature of the processes in which the asset is deployed
- iv) Availability of funding to replace the asset
- v) Changes in the market in relation to the asset

Notes to the Financial Statements

6. Transfers from REREC

Description	2023-2024	2022-2023
	Kshs	Kshs
Transfers from REREC	300,000,000	-
Total	300,000,000	-

6(b) Transfers from the Parent Ministry/SC/SAGA

Name of the Entity Sending the Grant	Amount recognized to Statement of Financial performance.	Amount recognised in revolving fund.	Total	
			2023-2024	2022-2023
			Kshs	Kshs
N/A	-	-	-	-
Total	-	-	-	-

7. Interest income

Description	2023-2024	2022-2023
	Kshs	Kshs
Interest income received on Revolving Fund	969,093	-
Accrued Interest Income from Mortgage Loans	856,659	-
Accrued Interest Income from Car Loans	285,541	-
Accrued Interest income on Revolving Fund	2,896,598	-
Total Interest Income	5,007,892	-

8. Other income

Description	2023-2024	2022-2023
	Kshs	Kshs
Insurance recoveries	-	-
Income from Sale of Tender documents	-	-
Bad debts recovered	-	-
Dividend Income	62	-
Total Other income	62	-

9. Employee Costs

Description	2023-2024	2022-2023
	Kshs.	Kshs.
Salaries and Wages	-	-
Staff Gratuity	-	-
Staff Training expenses	-	-
Social Security Contribution	-	-
Other (<i>Specify</i>)	-	-
Total	-	-

10. Use of Goods and Services

Description	2023-2024	2022-2023
	Kshs	Kshs
Scheme Registration fee	500	
Scheme Administration expenses - Mortgage	713,883	
Scheme Administration expenses - Car Loan	237,951	
Total	952,334	-

11. Depreciation and Amortization Expense

Description	2023-2024	2022-2023
	Kshs.	Kshs.
Property Plant and Equipment	-	-
Intangible assets	-	-
Total	-	-

12. Finance costs

Description	2023-2024	2022-2023
	Kshs.	Kshs.
Interest on Bank Overdrafts	-	-
Interest on Loans from Banks	-	-
Total	-	-

13. Withholding Tax Remittances

Description	2023-2024	2022-2023
	Kshs	Kshs
Withholding Tax on Interest Income on Revolving Fund	48,455	-
Withholding Tax on Dividend income	3	-
Total	48,458	-

14. Gain/(loss) on disposal of assets

Description	2023-2024	2022-2023
	Kshs.	Kshs.
Property, Plant, and Equipment	-	-
Intangible Assets	-	-
Total	-	-

15. Gain/ (loss) on Fair Value Investments

Description	2023-2024	2022-2023
	Kshs	Kshs
Investments at Fair Value- Equity investments	-	-
Fair value – Investment property	-	-
Fair value- other financial assets (specify)	-	-
Total Gain	-	-

16. Cash and cash equivalents

Description	2023-2024	2022-2023
	Kshs.	Kshs.
Opening Cash and Cash Equivalent	-	-
Cash transferred from REREC	300,000,000	
Loan Issued	(154,300,420)	-
Principal Loan Repaid	2,550,321	-
Surplus reinvested into the Scheme	920,197	-
Transfer to Share Account	(3000)	
Total Cash and Cash equivalents	149,167,098	-

16 a) Detailed analysis of the cash and cash equivalents

Financial Institution	Account number	2023-2024	2022-2023
		Kshs.	Kshs.
Scheme Revolving Fund			
Stima Sacco DT Prime Account	801104165201-0	149,166,098	-
Sub-total		149,166,098	
Fixed Deposit Accounts		-	-
Sub- Total			
On- Call Deposits		1,000	-
Sub- Total		1,000	-
Current Account			
Sub- Total		-	-
Others (Specify)			
Cash On Hand		-	-
Mobile Money		-	-
Sub- Total		-	-
Grand Total		149,167,098	-

17. Receivables from exchange transactions

Description	2023-2024		2022-2023	
	Kshs		Kshs	
Current Receivables				
Interest Receivable from Mortgage Loans		142,777		-
Accrued Interest Receivable on Car Loans		47,590		-
Accrued Interest Receivable on Revolving Fund		2,896,598		-
Current Mortgage Loan Repayments due		4,950,681		-
Current Car Loan Repayments due		4,103,793		-
Other Exchange Debtors		-		-
Less: Impairment Allowance		-		-
Total Current Receivables		12,141,440		-
Non-Current Receivables				
Longterm Mortgage Loan Repayments Due		127,043,262		-
Longterm Car Loan Repayments Due		15,652,362		-
Total Non- Current Receivables		142,695,624		-
Total Receivables		154,837,064		-
Ageing analysis (receivable from exchange transactions)	Current FY	% of total	Comparative FY	% of total
Less than 1 year	154,837,064	100%	-	0%
Between 1-2 years	-	0%	-	0%
Between 2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
Total (tie to totals above)	154,837,064	100%	-	0%

18. Receivables from Non-Exchange transactions

Description	2023-2024		2022-2023	
	Kshs		Kshs	
Transfers From Government Entities/SC		-		-
Total Receivables		-		-
Ageing analysis (receivable from non-exchange transactions)	Current FY	% of total	Comparative FY	% of total
Less than 1 year	-	0%	-	0%
Between 1-2 years	-	0%	-	0%
Between 2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
Total (tie to totals above)	-	0%	-	0%

19. Prepayments

Description	2023-2024	2022-2023
	Kshs.	Kshs.
Prepaid Rent	-	-
Prepaid Electricity Costs	-	-
Other Prepayments (Specify)	-	-
Total	-	-

20. Inventory

Description	2023-2024	2022-2023
	Kshs.	Kshs.
Consumables	-	-
Other (specify)	-	-
Total	-	-

21. Investments in financial assets

Description	2023-2024	2022-2023
	Kshs	Kshs
Investment in Treasury bills and bonds	-	-
Financial institution	-	-
CBK	-	-
Sub- total	-	-
Investment with Financial Institutions/ Banks	-	-
N/A	-	-
Sub- total	-	-
Equity Investments	-	-
Stima Sacco Share Capital	3,000	-
Sub- total	3,000	-
Grand total	3,000	-

d. Movement of Equity Investments

Impairment allowance/ provision	2023-2024	2022-2023
	Kshs	Kshs
At the beginning of the year	-	-
Purchase of investments in the year	3,000	-
Sale of investments during the year	-	-
Gain/(loss) in fair value of investments through surplus or deficit	-	-
At the end of the year	3,000	-

e) Shareholding in other entities

For investments in equity share listed under note 21 above, list down the equity investments under the following categories:

Name of Entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding			
	%	%	%	Kshs	Current year	Prior year
Stima Sacco	100	-	100	500	3,000	-

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22. Property, Plant, and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Other Assets (specify)	Capital Work in progress	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.		Kshs.	Kshs.
Cost								
At 1 July 2022	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30th June 2023	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
At 1st July 2023	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30th June 2024	-	-	-	-	-	-	-	-
Depreciation and impairment								
At 1 July 2022	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
At 30th June 2023	-	-	-	-	-	-	-	-
At July 2023								
Depreciation	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Other Assets (specify)	Capital Work in progress	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.		Kshs.	Kshs.
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
At 30th June 2024	-	-	-	-	-	-	-	-
Net book values								
At 30th June 2023	-	-	-	-	-	-	-	-
At 30th June 2024	-	-	-	-	-	-	-	-

23. Intangible assets

Description	2023-2024	2022-2023
	Kshs.	Kshs.
Cost		
At beginning of the year	-	-
Additions	-	-
Disposal	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
Net book value	-	-

24. Investment Property

Description	2023-2024	2022-2023
	Kshs.	Kshs.
At beginning of the year	-	-
Additions	-	-
Disposal during the year	-	-
Depreciation	-	-
Impairment	-	-
Gain/(loss) in fair value (if fair value is elected)	-	-
At end of the year	-	-

25. Trade and other payables

Description	2023-2024		2022-2023	
	Kshs		Kshs	
Trade payables	-		-	
Other payables	-		-	
Total trade and other payables	-		-	
Ageing analysis: (Trade and other payables)	Current FY	% of total	Comparative FY	% of total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

26. Borrowings

Borrowings	2023-2024		2022-2023	
	Kshs		Kshs	
Kenya Shilling Loan From KCB	-		-	
Kenya Shilling Loan from Barclays Bank	-		-	
Kenya Shilling Loan from Consolidated Bank	-		-	
Loans from other government institutions	-		-	
Other loans (specify)	-		-	
Total Balance at End Of The Year	-		-	

Description	2023-2024		2022-2023	
	Kshs		Kshs	
Short Term Borrowings (Current Portion)	-		-	
Long Term Borrowings	-		-	
Total	-		-	

27. Net cash flows from operating activities

Description	2023-2024	2022-2023
	Kshs	Kshs
Surplus/ (deficit) for the year before tax	300,969,155	-
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Scheme Registration Fee	(500)	
Withholding Tax Remittances	(48,458)	
Working capital adjustments		-
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	300,920,197	-

28. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Fund's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2023				
Receivables From Exchange Transactions-Car loans and mortgages	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-
At 30 June 2024				
Receivables From Exchange Transactions- mortgages and Car loans	154,837,064	154,837,064	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Fund Balances	149,167,098	149,167,098	-	-
Total	304,004,162	304,004,162	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Fund has recognised in the financial statements is considered

adequate to cover any potentially irrecoverable amounts. The Fund has significant concentration of credit risk on amounts due from mortgage and Car loans.

The scheme administration committee sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the Fund's short, medium, and long-term funding and liquidity management requirements. The Fund manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2024				
Trade Payables	-	-	-	-
Total	-	-	-	-
At 30 June 2024	-	-	-	-
Trade Payables	-	-	-	-
Total	-	-	-	-

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Fund on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Fund's Finance Department is responsible for the development of detailed risk management policies (*subject to review and approval by the Audit and Risk Management Committee*) and for the day-to-day implementation of those policies.

There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk.

d) Interest rate risk

Interest rate risk is the risk that the Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

e) Capital risk management.

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The Fund capital structure comprises of the following funds:

Description	2023-2024	2022-2023
	Kshs.	Kshs.
Revolving fund	300,000,000	-
Accumulated surplus (Reserves)	4,007,162	-
Total funds	304,007,162	-
	-	-
Less: cash and bank balances	149,167,098	-
Net debt/(excess cash and cash equivalents)	154,840,064	-
Gearing	50.93%	-

29. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Scheme include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The Scheme is related to the following entities:

- a) REREC
- b) Scheme Committee.
- c) Stima DT Sacco

b) Related party transactions

i. Transfers from related parties

Description	2023-2024	2022-2023
	Kshs.	Kshs.
Transfers from related parties (REREC)	300,000,000	-
Transfers to related parties - Loan disbursement to Scheme Administration Committee members	44,800,000	
Total	344,800,000	

ii. Key management remuneration

Description	2023-2024	2022-2023
	Kshs.	Kshs.
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

30. Events after the Reporting Period

There were no material adjusting and non-adjusting events after the reporting period.

31. Ultimate And Holding Entity

The Entity is a Fund under the sponsorship of Rural Electrification and Renewable Energy Corporation

32. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest shilling.

20. Annexes

Annex I: Progress on Follow-Up of Prior Year Auditor’s Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
N/A	N/A	N/A	N/A	N/A

Note: As this is the first preparation of the scheme's financial statements, there are no prior-year audit issues or findings to report. This initial set of financial statements provides a baseline for evaluating the scheme's financial performance and compliance with relevant accounting standards. Since no previous audits have been conducted, there are no historical audit adjustments, recommendations, or unresolved issues to consider for this reporting period. Future financial statements will build upon this foundation and include any audit observations or adjustments from subsequent reviews.

Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme
Report and Financial Statements For the Nine Months Ended 30th June 2024

Annex II: Inter-Fund Confirmation Letter

Name of transferring entity: Rural Electrification and Renewable Energy Corporation (REREC)

Name of beneficiary entity: REREC Staff mortgage and Car loan Scheme

Confirmation of amounts received by Stima DT Sacco as at 30 th June 2024					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
KE00338Q0119708	09.10.2023	44,000,000	-	44,000,000	Deposited into the Fund
KE00338Q0119705	09.10.2023	47,000,000	-	47,000,000	Deposited into the Fund
KE00338Q0119703	09.10.2023	49,000,000	-	49,000,000	Deposited into the Fund
KE00338Q0119707	09.10.2023	45,000,000	-	45,000,000	Deposited into the Fund
KE00338Q0119709	09.10.2023	21,000,000	-	21,000,000	Deposited into the Fund
KE00338Q0119706	09.10.2023	46,000,000	-	46,000,000	Deposited into the Fund
KE00338Q0119704	09.10.2023	48,000,000	-	48,000,000	Deposited into the Fund
Total		300,000,000	-	300,000,000	

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity:

Name DAVIS CHERUMOT, CPA Sign [Signature] Date 20th Nov, 2024

Head of Accounts Department - Beneficiary Entity:

Name Sophie Estway Sign [Signature] Date 20th Nov, 2024

*Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme
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Annex III: Reporting of Climate Relevant Expenditures

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

Note: There were no information of Climate Relevant Expenditures

*Rural Electrification and Renewable Energy Corporation staff mortgage and Car loan Scheme
Report and Financial Statements For the Nine Months Ended 30th June 2024*

Annex IV: Reporting on Disaster Management Expenditure

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

Note: There were no information on Disaster Management Expenditure