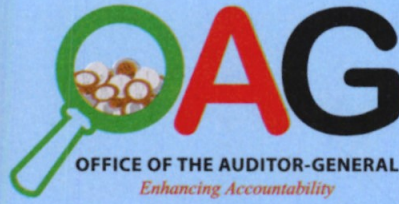


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# REPORT

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## THE AUDITOR-GENERAL

ON

### RURAL ELECTRIFICATION IN FIVE REGIONS PROJECT (BADEA)

FOR THE YEAR ENDED  
30 JUNE, 2025

### RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION

 THE NATIONAL ASSEMBLY PAPERS LAID		
DATE:	08 APR 2026	DAY: wed
TABLED BY:	Hon. Samuel chepkongor	
CLERK-AT-THE-TABLE:	meco	



**RURAL ELECTRIFICATION IN FIVE REGIONS PROJECT**

**RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION**

**PROJECT CREDIT NUMBER:  
11/597KE, 1407PKE**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

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

*Rural Electrification in Five Regions Project*  
*Annual Report and Financial Statements for the financial year ended June 30, 2025*

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*Rural Electrification in Five Regions Project*  
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**1. Acronyms and Definition of Terms**

IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
GOK	Government of Kenya
OFID	Organization of the Petroleum Exporting Countries Fund for International Development
SFD	Saudi Fund for Development
AFD	Abu Dhabi Fund for Development
BADEA	Arab Bank for Economic Development in Africa

## **2. Project Information and Overall Performance**

### **2.1 Name and registered office**

**Name:** Rural Electrification in Five Regions Project.

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

The Provision of Power Supply to Households, Schools, Health and Government Centres and Commercial, Industrial and Agricultural activities which will help on boosting the economic and social development. Access to reliable electricity enhances the quality of life by ensuring that homes have adequate lighting, schools can facilitate modern educational tools, and health centers can operate essential medical equipment. Government centers benefit from improved administrative efficiency, while commercial and industrial activities can expand, leading to job creation and economic growth.

In the agricultural sector, especially in tea and coffee production, electricity enables the use of advanced farming techniques and irrigation systems, boosting productivity and ensuring food security. Overall, the availability of a stable power supply is a critical enabler of progress, fostering an environment where businesses can thrive, education systems can advance, and healthcare services can improve, ultimately contributing to the holistic development of communities.

### **Address**

The project headquarters offices are in Nairobi, Kenya.

The address of its registered office is:

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

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

**2.2 Project Information**

Project Start Date:	23 <sup>rd</sup> September, 2013
Project End Date:	31 <sup>st</sup> December, 2024
Project Coordinator:	Mr. Edward M. Gakunju
Project Development Partner (s) :	The project sponsor is BADEA, OFID, the Saudi Fund, the Abu Dhabi Fund, and the Government of Kenya, through the National Treasury of Kenya.

**2.3 Project Overview**

Line Ministry	The project is under the supervision of the Ministry of Energy and Petroleum.
Project number	Credit Number : 11/597KE, 1407PKE
Strategic goals of the project	The strategic goals of the project are as follows: i) To connect public facilities in selected areas: The project aims to enhance access to electricity by connecting public facilities in designated areas, thereby supporting community infrastructure and public services. ii) To connect household in the selected areas: The project seeks to expand electricity access by connecting households in the selected areas, promoting residential energy use and improving living standards.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve its goals by expanding and improving the electricity supply infrastructure to enhance access, efficiency, and reliability.

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<p>Other important background information of the project</p>	<p>The Project has the following components:</p> <ul style="list-style-type: none"> <li>i) Consultancy service for preparation of design and tender documents: This component involves the preparation of design and tender documents to guide the project's implementation. It ensures that detailed, accurate, and compliant specifications are developed for the subsequent stages.</li> <li>ii) Construction of distribution networks: This component encompasses the physical development of distribution networks required to deliver electricity to the targeted areas. It includes the installation of infrastructure necessary for efficient energy distribution.</li> </ul>
<p>Areas that the project was formed to intervene</p>	<p>To supplement the government's efforts in expanding electricity access by connecting all public facilities and households in rural areas, thereby enhancing infrastructure and improving living conditions in these rural regions.</p>
<p>Project duration</p>	<p>The project started on September 23, 2013 and is expected to run until December 31, 2024.</p> <p>Eleven (11) years, (3) Months, (9) days.</p>

**2.4 Bankers**

The project does not have an operating bank account. Instead, approved payments are made directly to the contractors by project financiers. This approach ensures that funds are efficiently allocated and managed in accordance with contractual agreements.

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

**2.5 Auditors**

The project is audited by the:

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

**2.6 Roles and Responsibilities**

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

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No.	Names and contact details	Title designation	Key Qualifications	Responsibilities
2.	Dr. Eng. James Muriuki +254723820885 James.muriuki@rerec.co.ke	Project Manager	Ph.D. in Electrical Engineering	<ul style="list-style-type: none"> <li>• Overall management of project activities</li> <li>• Coordinate and approve project implementation activities as per the work plan and reports</li> <li>• Coordinate the review of project designs.</li> <li>• Attend project coordination and management meetings</li> </ul>
3.	CPA Walter Nduta +254707879796 Walter.nduta@rerec.co.ke	Project Accountant	BBM(Accounting), C.P.A (K)	<ul style="list-style-type: none"> <li>• Preparation of the project's financial reports.</li> <li>• Process of</li> </ul>

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No.	Names and contact details	Title designation	Key Qualifications	Responsibilities
				project-related payments.
4.	Mr. Festus Kasonzo +254722138880 Festus.kasonzo@rerec.co.ke	Procurement Specialist	Master's Degree in Procurement and Supplies	<ul style="list-style-type: none"> <li>• Preparation of projects procurement plans.</li> <li>• Preparation of bid documents.</li> <li>• Coordinate tendering evaluation and award notifications.</li> <li>• Coordination of procurement activities of the project.</li> </ul>
5.	Eng. Nicholas Muigai +254722269540 Nicholas.muigai@rerec.co.ke	Project Engineer	Bsc in Electrical Engineering	<ul style="list-style-type: none"> <li>• Review of project designs.</li> <li>• Analyse all the Technical aspects of the project.</li> </ul>

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

**2.7 Funding summary**

The project encompasses a total duration of eleven (11) years, three (3) months, and nine (9) days, extending from 23rd September 2013 to 31st December 2024. Although the foundational loan agreements were executed between 2011 and 2013, the ratification process by the Attorney General was not completed for all credits until December 2016. The Abu Dhabi Fund agreement, which was the final agreement to be ratified, significantly impacted the fund release schedule. Consequently, this delay hindered the timely disbursement of funds, given that the project financing was collectively sourced from four distinct financiers.

Project implementation officially began in October 2019. Despite the signing of contract agreements with contractors on 1st July 2016, actual project work experienced delays due to logistical issues related to the establishment of letters of credit. These issues were resolved with the finalization of the letters of credit in 2019. The project's completion has been extended to 31st December 2024, following a recent extension of credit financing by all participating financiers.

The total cost of the project amounts to US\$ 57 million, with financial contributions allocated as follows:

- BADEA (Arab Bank for Economic Development in Africa): US\$ 10 million
- OFID (OPEC Fund for International Development): US\$ 15 million
- SAUDI (Saudi Fund for Development): US\$ 12 million
- ABU DHABI (Abu Dhabi Fund for Development): US\$ 10 million
- GOK (Government of Kenya): US\$ 10 million

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

Below is the funding summary:

**A. Source of Funds**

Source of funds	Development Partners Commitment		Amount received to date (30th June 2025)		Undrawn balance to date (30th June 2025)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Loan</b>						
Arab Development Partners:						
BADEA	10,000,000	1,022,474,000	6,919,434	698,347,140	3,080,566	324,126,860
OFID	15,000,000	1,533,711,000	11,125,811	1,176,495,101	3,874,189	357,215,899
SAUDI	12,000,000	1,226,968,800	9,103,873	921,700,353	2,896,127	305,268,447
ABU DHABI	10,000,000	1,022,474,000	8,371,448	855,958,831	1,628,552	166,515,169
<b>Sub-total (A)</b>	<b>47,000,000</b>	<b>4,805,627,800</b>	<b>35,520,565</b>	<b>3,652,501,424</b>	<b>11,479,435</b>	<b>1,153,126,376</b>
<b>(ii) Counterpart Funds</b>						
Government of Kenya (GOK)	10,000,000	1,022,474,000	4,927,089	538,227,767	5,072,911	484,246,233
<b>Sub-total (B)</b>	<b>10,000,000</b>	<b>1,022,474,000</b>	<b>4,927,089</b>	<b>538,227,767</b>	<b>5,072,911</b>	<b>484,246,233</b>
<b>Total C=(A+B)</b>	<b>57,000,000</b>	<b>5,828,101,800</b>	<b>40,447,654</b>	<b>4,190,729,191</b>	<b>16,552,346</b>	<b>1,637,372,609</b>

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

**B. Application of Funds**

Application of funds	Amount received to date - (30th June 2025)		Cumulative amount paid to date - (30th June 2025)		Unutilised balance to date - (30th June 2025)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Loan</b>						
Arab Development Partners:						
BADEA	6,919,434	698,347,140	6,919,434	698,347,140	-	-
OFID	11,125,811	1,176,495,101	11,125,811	1,176,495,101	-	-
SAUDI	9,103,873	921,700,353	9,103,873	921,700,353	-	-
ABU DHABI	8,371,448	855,958,831	8,371,448	855,958,831	-	-
<b>Sub-total (A)</b>	<b>35,520,565</b>	<b>3,652,501,424</b>	<b>35,520,565</b>	<b>3,652,501,424</b>	-	-
<b>(ii) Counterpart Funds</b>						
Government of Kenya (GOK)	4,927,089	538,227,767	4,927,089	538,227,767	-	-
<b>Sub-total (B)</b>	<b>4,927,089</b>	<b>538,227,767</b>	<b>4,927,089</b>	<b>538,227,767</b>	-	-
<b>Total C=(A+B)</b>	<b>40,447,654</b>	<b>4,190,729,191</b>	<b>40,447,654</b>	<b>4,190,729,191</b>	-	-

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

**2.8 Summary of Overall Project Performance**

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

During the financial year under review, the project was initially allocated a total budget of Kshs. 323,430,497, comprising Kshs. 163,144,167 under BADEA and Kshs. 160,286,330 under SAUDI, as provided in the approved estimates. There were no initial budgetary allocations under OFID and Abu Dhabi.

To facilitate the payment of installation services, the Corporation sought and obtained approval from the National Treasury for an Authority to Incur Expenditure (AIE) amounting to Kshs. 450,866,572 under the OFID funding stream. The installation services were to be fully financed through a joint funding arrangement between the OPEC Fund for International Development (OFID) and the Government of Kenya (GoK), with both parties expected to contribute toward covering the total cost. However, due to the absence of exchequer releases from the GoK, the Corporation formally sought and obtained a No Objection from OFID to cover the GoK's portion of the funding. As a result, OFID fully financed both its own share and the GoK's share, covering all outstanding and new installation invoices.

The actual expenditure incurred amounted to Kshs. 188,528,737. Subsequently, through Supplementary II, the budget was regularized via the AIE mechanism to

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

reflect the actual expenditure. This led to a revised and final approved budget of Kshs. 466,865,609.

Consequently, the project recorded an underutilization of Kshs. 277,505,699, representing 41% of the final approved budget. The underutilization is attributed to delayed implementation timelines and the phased nature of disbursements tied to project milestones.

Cumulatively, the project has total receipts of Kshs. 4,190,729,191 and total payments of Kshs. 4,190,729,191 over its lifespan. This balance underscores the project's adherence to its financial framework, despite the significant underutilization within the reporting period.

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

<b>Activities planned for the reporting period</b>	<b>Activity Implementation Status</b>	<b>Narration</b>
Preparation of projects designs and lotting.	Design and surveying of projects	Completed
Recruitment of Project Consultant.	To supervise the construction of distribution lines	Completed
Recruitment of Construction contractors.	Bid preparation, advertisements, bid opening, bid evaluation and job awards	Completed
Submission of Performance bonds and Guarantees.	For the Lots awarded	Completed

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<b>Activities planned for the reporting period</b>	<b>Activity Implementation Status</b>	<b>Narration</b>
Site and design files handing over.	For the Lots awarded	Completed
Payment of advances.	For materials both local and foreign	Completed
Factory Acceptance Tests (FATs)	For materials already completed was done virtually	98% Completed
Delivery of materials.	For the Lots awarded	96.2% complete
Construction of power distribution lines	For the Lots awarded	53.2% Complete
The overall aggregate physical implementation of the project	For the Lots awarded	74.7% Complete

**iii) Comment on value for money achievements,**

The project's credit facility was extended, with the final closure date set for December 31, 2024. This extension provided the Corporation with the opportunity to enhance oversight of construction activities, thereby ensuring the timely achievement of planned objectives. Through proactive monitoring, the project strengthened compliance with quality standards and technical specifications, leading to more effective utilization of resources and improved operational efficiency.

Despite the extended timeline, significant milestones have been attained, demonstrating the project's unwavering commitment to delivering value for money. Furthermore, the prudent management of financial and material resources has not only

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

optimized project outcomes but also minimized wastage highlighting the project's dedication to achieving its goals within the revised timeframe.

The following are the achievements: -

- a) The design for distribution lines: The distribution lines' design was finalized on schedule, ensuring a solid foundation for the project's next phases.
- b) Recruitment of construction contractors: Recruitment of construction contractors was successfully completed in 2016, enabling timely commencement of the construction phase.
- c) A supervision consultant was hired for the project, however on June 30, 2023, the consultant stated that they were not willing to extend their contract. Efforts are currently underway to recruit a new consultant to continue providing the necessary oversight.
- d) Construction materials delivery to the site: Approximately 96.2% of the required construction materials had been successfully delivered to the site, ensuring adequate readiness for the continuation of construction activities. In line with the contract provisions and established procedures, completed lots had also commenced the return of surplus materials to the Corporation's stores.
- e) Construction of power distribution lines: The construction of power distribution lines is approximately 53.2% complete, reflecting substantial progress toward project completion.
- f) The aggregate completion rate is therefore 74.7%, indicating that nearly three-quarters of the planned project scope has been successfully implemented. This percentage reflects the overall progress across all components, taking into account both physical execution and financial disbursement. The remaining 25.3% corresponds to activities that are

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

either ongoing, pending implementation, or under final verification and certification prior to closure.

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

The project has demonstrated strong financial management performance with an absorption rate of 76% of the total donor commitment. This is reflected in total disbursements amounting to US\$ 35,520,565 (equivalent to Kshs.3,652,501,424) against the total donor commitment of US\$ 47,000,000 (or Kshs. 4,805,627,800).

Including GoK counterpart funding, the total cumulative absorption rate stands at 72%, with disbursements amounting to US\$ 40,447,654 (equivalent to Kshs. 4,190,729,191) against a total commitment of US\$ 57,000,000 (or Kshs. 5,828,101,800). This signifies that a substantial portion of the committed funds has been effectively utilized, underscoring the project's ability to manage and deploy donor resources efficiently in alignment with the overall financial commitment.

**v) Implementation challenges and recommended way forward.**

- a) COVID-19 Pandemic Impact: The pandemic (2020-2022) caused disruptions in material manufacturing, travel, and document sharing due to social distancing measures. Digital infrastructure for remote operations and document sharing has been enhanced to mitigate similar impacts in future crises.
- b) Complexity of Dealing with Multiple Financiers: Managing multiple financiers proved challenging. This issue has been resolved by appointing one financier as the lead to simplify coordination and oversight.
- c) Complexities of Opening Letters of Credit: Different conditions from financiers complicated the process. This has been addressed, and all

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

Conditions have been met, ensuring that payments are processed efficiently.

- d) Delay in Paperwork Processing: The need for hardcopies from all financiers delayed payments. This issue was resolved through the use of DHL services to adhere to strict schedules, ensuring timely delivery and minimizing delays.
- e) Delay by Contractors: Contractors experienced delays in delivering key materials such as transformers. This challenge has been resolved through improved contractor management and stricter delivery timelines.
- f) Delay in Consultant Recruitment: There was a delay in obtaining no objection from financiers for recruiting a new consultant. This has been addressed by expediting the review process and issuance of no objection, facilitating the recruitment of a new consultant to continue providing the necessary oversight.

**2.9 Summary of Project Compliance**

There were no significant instances of non-compliance with applicable laws, regulations, or essential external financing agreements and covenants for REREC. This underscores our robust adherence to legal and regulatory requirements, as well as our commitment to fulfilling all financial and contractual obligations. The absence of non-compliance highlights REREC's diligence in maintaining the highest standards of regulatory and financial governance. It reflects our proactive approach to ensuring that all operations are conducted within the framework of established laws and agreements, thereby upholding our reputation for integrity and accountability in all financial dealings.

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

#### **Introduction**

Section 81(2) (f) /Section 164 (2) (f) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the national/county government entity's performance against predetermined objectives at the end of each financial year.

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

- a) The Government of Kenya is dedicated to achieving universal access to power supply, with a focus on connecting all public facilities and households. This commitment aligns with the government's recognition of energy as a pivotal component of its long-term development strategy and the implementation of the Bottom-Up Economic Transformation Agenda (BETA), contributing to the realization of "Kenya Vision 2030." As part of this initiative, numerous public facilities, including Health Centres, Trading Centres, and Secondary Schools, are being connected to the power supply. This project specifically targets the enhancement of connectivity for these public facilities and households, further advancing the government's vision for comprehensive energy access and development.
- b) Energy access is a crucial factor in reducing poverty and a fundamental driver of sustainable development. Developing robust infrastructure that ensures consistent and affordable energy access allows local communities to significantly elevate their standard of living and improve their economic status. This progress is achieved through enhanced home environments, the creation of new productive opportunities, and improved educational outcomes, all of which contribute to a healthier and more prosperous community.
- c) Recognizing electricity access as essential for national development, the government has designated energy as a critical enabler in its long-term development strategy. This is central to the Bottom-Up Economic Transformation Agenda (BETA) and the achievement of "Kenya Vision 2030." The vision aspires to establish Kenya as a globally competitive and prosperous nation, providing a high quality of life for all its

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citizens by 2030.

- d) This will only be achieved if all public facilities and households are connected. The project's aim is to address the connection of some of the non-electrified public facilities. This includes schools, healthcare centers, administrative offices, and other essential community services that currently lack access to electricity. By ensuring these key public facilities are connected, the project will not only enhance the quality of public services but also promote social and economic development in selected rural areas. Reliable electricity supply will enable these facilities to operate efficiently, support better educational and healthcare outcomes, and improve overall community well-being. This comprehensive approach to electrification is crucial for achieving the broader objective of universal access to electricity, thereby fostering inclusive growth and development.

**Progress on attainment of Strategic development objectives.**

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement.

Below is the progress made toward attaining the stated objectives;

<b>Project</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Rural Electrification in Five Regions	Provision of electricity in selected five regions.	Connection of public facilities and households	Availability of electricity	By June 30, 2025, 9,968 customers were connected to electricity through 193 completed projects, marking

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<b>Project</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
				significant progress in expanding energy access and infrastructure.

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

The project exists to transform lives, serving as our core purpose and the driving force behind all our initiatives. It guides our strategic efforts and underpins our commitment to sustainability. Below is a brief highlight of our activities aimed at advancing sustainability.

##### **i. Sustainability strategy and profile**

The Corporation is dedicated to ensuring a reliable power supply, supported by specialized departments that focus on maintaining high-quality powerline systems. Our commitment to reliability is reflected in the rigorous evaluation and monitoring processes embedded throughout the project implementation phase. These processes are designed to ensure adherence to our sustainability strategy, including compliance with environmental standards and efficient resource management. By continuously assessing project progress and performance, we ensure that all aspects of our power infrastructure meet the highest standards of quality and sustainability. This approach not only supports the reliable delivery of electricity but also aligns with our broader goals of environmental stewardship and long-term sustainability.

##### **ii. Environmental performance**

The Corporation actively involves environmental specialists in the project identification phase to ensure that environmental considerations are thoroughly addressed. These specialists assess potential projects for their environmental impacts, guiding the selection process to prioritize initiatives that align with sustainable practices. Our commitment to environmental responsibility is further demonstrated through strict adherence to guidelines set by the National Environment Management Authority (NEMA). By complying with NEMA's regulations, we ensure that all projects are evaluated for their environmental impact and that necessary mitigation measures are implemented. This proactive approach helps minimize negative environmental effects and supports the Corporation's goal of promoting sustainability and protecting natural resources throughout the project lifecycle.

**iii. Employee welfare**

The Corporation's recruitment policies are guided by the following frameworks: the PSC Recruitment and Selection Policy, the Delegation of PSC HRM Functions to the Cabinet Secretary (July 2018), the Framework for Short Term Employment in the Public Service (May 2019), and the Human Resources Policies and Procedure Manual for the Public Service (May 2016). These policies enable the Corporation to promote common cadres under delegated authority, ensuring adherence to gender and regional balance considerations.

For skill development and career advancement, the Corporation follows the Human Resource Development Policy for the Public Service (June 2015) and the Guidelines on Managing Training in the Public Service. These guidelines facilitate individual training programs essential for career progression and promotions, as well as group training sessions tailored to various cadres.

Additionally, the Corporation ensures that all staff are integrated into the Performance Appraisal System (PAS), in accordance with the guidelines for the Implementation of Performance Rewards and Sanctions in the Public Service and the Performance Rewards and Sanctions Framework. This system supports effective performance management and rewards, aligning with public service standards.

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

**iv. Market place practices**

**a) Responsible Supply chain and supplier relations**

Procurement activities have been conducted in accordance with World Bank Procurement Regulations, as specified in Section 3.7. This adherence ensures transparency, fairness, and competition by following rigorous procedures, such as open bidding and detailed bid evaluations. Continuous monitoring and regular audits further

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uphold these standards, enhancing the credibility and accountability of the procurement process and fostering stakeholder trust.

The specific regulations include:

- (i) **Provide Timely and Sufficient Information:** Ensure that applicants receive comprehensive and timely information about the procurement process. This includes issuing a Notification of Intention to Award and conducting debriefings. These measures enable applicants to understand the basis for the Borrower's decision thoroughly and assess whether to file a complaint challenging the decision. Effective communication helps maintain transparency and allows all parties to make informed decisions regarding their next steps.
- (ii) **Acknowledge Complaints Promptly:** When a complaint is received, it must be acknowledged without delay. Prompt acknowledgment confirms that the complaint has been received and is being processed. This practice helps build trust with Bidders/Proposers/Consultants by demonstrating that their concerns are being taken seriously and will be addressed in due course.
- (iii) **Resolve Complaints promptly and fairly:** Complaints should be addressed and resolved in a timely and equitable manner. The resolution process must be conducted fairly, ensuring that all parties involved are treated justly and that their concerns are resolved appropriately. Prompt and fair resolution helps maintain the integrity of the procurement process and upholds the principles of fairness and transparency.
- (iv) **Preserve Confidentiality and Proprietary Information:** Safeguard the confidentiality of sensitive and proprietary information provided by Applicants, including commercial and financial data and trade secrets. Ensure that such information is handled securely and is only disclosed as necessary and with appropriate authorization. Respecting confidentiality is crucial for maintaining trust and protecting the competitive interests of all participants.

***Rural Electrification in Five Regions Project  
Annual Report and Financial Statements for the financial year ended June 30, 2025***

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- (v) **Maintain Complete Records:** Keep detailed and accurate records of all debriefings, complaints, and their resolutions. Comprehensive documentation is essential for accountability and transparency. It provides a clear audit trail of how complaints were handled and resolved, which can be reviewed if necessary to ensure compliance with procurement policies and procedures.
  
- (vi) **Inform the financiers of Complaints:** For contracts subject to prior review, promptly notify the financier of any complaints received. Provide the financier with all relevant documents and information related to the complaint. This ensures that the financier is kept informed of potential issues and can provide guidance or intervention if required.
  
- (vii) **Consult with the financiers throughout the Complaint Process:** For contracts subject to prior review, engage with the financiers promptly and openly throughout the complaint review and resolution process. This involves consulting with the financiers at key stages to seek advice, discuss potential resolutions, and ensure that the process aligns with the Bank's requirements and expectations. Effective communication with the Bank helps facilitate a smooth resolution process and ensures compliance with review procedures.

**b) Responsible ethical Practices**

Strict adherence to financiers' regulations on bank anti-corruption guidelines involves several critical practices to ensure compliance and promote integrity in all financial dealings. These guidelines are designed to prevent, detect, and address corruption and other unethical behaviors in banking and financial operations. Key aspects include implementing robust internal controls, conducting due diligence, training and awareness programs, monitoring and reporting mechanisms, enforcing disciplinary actions, collaborating with regulatory authorities, and maintaining transparency.

**c) Regulatory impact assessment**

To ensure strict adherence to NEMA regulations during project implementation, we consistently comply with all environmental guidelines and standards, minimizing

negative impacts on the environment. This involves conducting thorough environmental impact assessments, securing necessary permits, and implementing effective mitigation measures for identified risks. Furthermore, we actively pursue "green procurement" practices, prioritizing suppliers who demonstrate a strong commitment to environmental stewardship. These suppliers use eco-friendly materials, reduce waste, and adopt sustainable production processes. By integrating these practices, we not only meet regulatory requirements but also promote environmentally responsible practices across our supply chain.

**v. Community Engagements**

The Corporation has implemented several measures to ensure the acceptance of projects by the communities in the project areas. Mechanisms for community engagement during project implementation have been established, including the operationalization of Stakeholders Coordination Committees, which serve as platforms for continuous dialogue and collaboration with the community. Additionally, a comprehensive Community Engagement Strategy and Policy has been rolled out to guide interactions and foster positive relationships with local stakeholders.

Furthermore, the Corporation has made it a priority to consider local communities for employment opportunities during the implementation of energy projects. This effort not only supports the local economy but also enhances community buy-in and support for the projects. Involvement of the local communities extends to the process of wayleaves acquisition, ensuring that their input and concerns are addressed, thereby minimizing conflicts and fostering a sense of ownership and partnership in the development initiatives. Through these concerted efforts, the Corporation aims to build trust, ensure transparency, and promote the long-term success of its projects.

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

The Chief Executive Officer of Rural Electrification and Renewable Energy Corporation and the Project Coordinator are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for financial year ended on June 30, 2025.

This responsibility includes:

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

The Chief Executive Officer and the Project Coordinator for Rural Electrification in five regions Project accept responsibility for the Project's financial statements, which have been prepared on the accrual basis method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS).

The Chief Executive Officer and the Project Coordinator for Rural Electrification in five regions Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2025, and of the Project's financial position as at that date. The Chief Executive Officer and the Project Coordinator further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

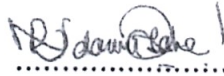
***Rural Electrification in Five Regions Project  
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The Chief Executive Officer and the Project Coordinator for Rural Electrification in five regions Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project Financial Statements**

The Project financial statements were approved by the Chief Executive Officer and the Project Coordinator for Rural Electrification in Five Regions Project on 30<sup>th</sup> October, 2025 and signed by them.

  
.....  
**Dr. Rose N. Mkalama**  
Chief Executive  
Officer

  
.....  
for **Mr. Edward Gakunju**  
Project Coordinator

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON RURAL ELECTRIFICATION IN FIVE REGIONS PROJECT (BADEA) FOR THE YEAR ENDED 30 JUNE, 2025 - RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION**

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### **PREAMBLE**

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, 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 transitional IPSAS financial statements of Rural Electrification in Five Regions Project (BADEA) - REREC set out on pages 1 to 52, which comprise of the statement of financial position as at 30 June, 2025 and the statement of

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*Report of the Auditor-General on Rural Electrification In Five Regions Project (BADEA) for the year ended 30 June, 2025 - Rural Electrification and Renewable Energy Corporation*

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

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of the Rural Electrification in Five Regions Project (BADEA) – REREC as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) including the transitional provisions permitted under IPSAS 33 and comply with the financing agreements between Arab Bank for Economic Development in Africa (BADEA) dated 23 September, 2011, CR. No 11/597 dated 6 September, 2013, with the Saudi Fund for Development and CR. No. 1407P dated 25 September, 2011, with the OPEC Fund for International Development and the Government of the Republic of Kenya and the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Rural Electrification in Five Regions Project (BADEA) – REREC 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 qualified opinion.

### **Emphasis of Matter**

#### **1. Low Absorption of Project Funds**

Review of the project information and overall performance as detailed in Note B to the financial statements, revealed that the project started on September 23, 2013 and was expected to run until 31 December, 2024 with a commitment of Kshs.5,828,101,800 by both the donor and government. However, out of the total project amount of Kshs.5,828,101,800, only Kshs.4,190,727,191 or 72% of the total commitment was drawn as at 30 June, 2025, resulting in an under-adoption of Kshs.1,637,374,609 or 28% of the total commitment.

In the event of the lapse of the Project before utilization of the funding, key project deliverables and objectives may not be achieved and eventually Kenyan tax payers may end up servicing a loan not used.

## 2. Failure to Meet the Pre-Determined Target on Customer Connections

Physical verification exercise conducted in October, 2025 in some parts of the Country revealed that there was a shortfall in the expected customer connections under Lot 4 by a local contractor. The contractor was expected to undertake three hundred ninety-two connections (392) which, as at the time of the physical inspection, a total of three hundred thirty-three (333) connections had been constructed, resulting in fifty-nine (59) connections not undertaken. The project was set to lapse by 31 December, 2024 and almost 15% of the customer connections have not been constructed. There is a risk of the project not attaining the planned customer connections.

My opinion is not modified in respect of these matters.

### 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. Except for the matter described in the Basis for Qualified Opinion, I have determined that there are no other key audit matters to communicate in my report.

### Other Matter

#### Unresolved Prior Year Matters

In the prior years' audit report, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Project in 2024/2025 revealed that the following matters remained unresolved.

	<b>Financial Year</b>	<b>Audit Issue</b>
1	2023/2024	Inaccuracies in the acquisition of non-financial assets
2	2023/2024	Unsupported cash and cash equivalents
3	2023/2024	Unsupported prior year adjustments
4	2023/2024	Budgetary control and performance
5	2023/2024	Non-Compliance with loan guidelines on disbursement
6	2023/2024	Delayed project implementation
7	2023/2024	Payment to a Consultant

### Other Information

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

In connection with my audit on the Project's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this Other Information and I am required to report that fact. Based on the audit procedures performed and the matters described in my Basis for Qualified Opinion and except for the matter described below, I confirm that Other Information is not materially inconsistent with the financial statements.

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

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

### Conclusion

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

### Basis for Conclusion

#### 1. Failure to Disburse Counterpart Funding

Analysis of the project's information and overall performance as detailed in Note 2.7 to the financial statements revealed that the GOK Counter fund commitment was USD10,000,000 equivalent to Kshs.1,022,474,000. However, it was noted that only Kshs.538,227,767 (or 52.6% of the counterpart funds) had been disbursed to the project cumulatively as at 30 June, 2025 resulting to unreleased balance of Kshs.484,246,233 (or 48.4% of the counterpart funds). Further, documents provided for audit revealed that the project ended on 31 December, 2024.

In the circumstances, key project deliverables and objectives were not achieved.

#### 2. Delay in Project Implementation

Review of documents provided for audit revealed the total donor commitment for BADEA projects was USD 57,000,000 (Equivalent to Kshs.5,828,101,800). Examination of documents provided for audit revealed that this amount ought to have been allocated to four hundred and two (402) projects. It was noted that these contracts were signed on 1 July, 2016 and the expected duration to completion was eighteen (18) months. Audit verification exercise conducted in October, 2025 revealed that only one hundred and ninety-three (193) or 48% of the projects had been completed and commissioned, nine

(9) were awaiting commissioning, twenty (20) were still in progress while one hundred and seventy-four (174) or 43% had not been started. This is contrary to Section of the financing agreement which stated that projects should be implemented and completed within the stipulated timelines to achieve the intended objective of expanding electricity connectivity.

In the circumstance, Management was in breach of the financing agreement.

## **2. Long Outstanding Payables and Retentions**

The statement of financial position reflects a balance of Kshs.249,719,141 in respect of trade and other payables as disclosed in Note 23 to the financial statements. This amount comprises of Kshs.15,644,782 pending financier disbursements and Kshs.234,074,359 in respect of outstanding invoices. The payables had not been settled at the time of the audit despite the project period lapsing on 31 December, 2024. Management explained that the delay in settling these pending payables was as a result of the lapse of the credit financing agreement completion period, the project experienced inadequate budget allocations in the year under review, and delays in releasing the exchequer funds by the Government and the under-receipt of the GOK counterpart disbursement. This is contrary to Regulation 42 (1) (a) of the Public Finance Management (National Government) Regulations, 2015 which provides that debt service payments shall be a first charge on the Consolidated Fund and the Accounting Officer shall ensure this is done to the extent possible that the Government does not default on debt obligations.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

## **Basis for Conclusion**

### **Failure to Meet the Contractual Targeted Connections**

Review of the financing agreement revealed that a total of 40,008 customers were to have been connected to electricity at the project's completion. However, it was noted that only 10,063 or 25% of the connections were achieved, thus resulting in a total of 29,945 or 75% customers unconnected by the time the project lapsed on 31 December, 2024.

In the circumstances, value for money was not realised in the implementation of the project and citizens did not benefit from the intended outcomes.

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.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by the Financing Agreement No 11/5971407PKE Dated 25 September, 2025 between the Republic of Kenya and International Development Association, I report, based on my audit, that:

- i. 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.
- ii. Adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

## **Basis for Conclusion**

The Financing Agreement requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. 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 governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

**05 December, 2025**

*Rural Electrification In Five Regions Project  
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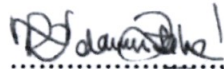
7. Statement of Financial Performance for the Year Ended 30th June 2025

Description	Notes	2024/2025
		Kshs
<b>Revenue</b>		
Revenue Transfers	6	188,992,310
Miscellaneous Revenue	7	-
<b>Total revenue</b>		<b>188,992,310</b>
<b>Expenses</b>		
Employee costs	8	-
Use of goods and services	9	-
Depreciation and amortization expense	10	(45,644,034)
Transfer to other Government Entities	11	(814,958)
Other Transfers/Subsidies/Grants	12	-
Certified Works	13	(188,528,737)
<b>Total expenses</b>		<b>(234,987,728)</b>
<b>Other gains/(losses)</b>		
Gain/Loss on sale of assets	14	-
Gain/Loss on foreign exchange transactions	15	(16,216)
Impairment loss	16	-
<b>Surplus/(Deficit) for the Year</b>		<b>(46,011,634)</b>

***Rural Electrification in Five Regions Project  
Annual Report and Financial Statements for the financial year ended June 30, 2025***

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The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The financial statements were approved on 30<sup>th</sup> October, 2025 and signed by:



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



for.....  
**Mr. Edward Gakunju  
Project Coordinator**



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

*Rural Electrification In Five Regions Project*  
*Annual Report and Financial Statements for the financial year ended June 30, 2025*

**8. Statement of Financial Position as at 30th June 2025**

Description	Note	2024/2025	1 <sup>st</sup> July 2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	17	-	831,173
<b>Receivables:</b>			
Vendor Advances	18	219,794,707	221,423,625
Other receivables		-	-
Inventories	19	-	-
Prepayment	20	-	-
<b>Total Current Assets</b>		<b>219,794,707</b>	<b>222,254,799</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment at NBV	21	4,439,603,776	4,243,241,060
Intangible Assets	22	-	-
<b>Total Non- Current Assets</b>		<b>4,439,603,776</b>	<b>4,243,241,060</b>
<b>Total Assets (a)</b>		<b>4,659,398,483</b>	<b>4,465,495,859</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
<b>Trade and Other Payables:</b>			
Retentions - Final Settlement	23	-	-
Pending Financier Disbursement		15,644,782	199,494,090
Current Outstanding Invoices		234,074,359	-
Third Party Deposits	24	-	-
Deferred Income	25	-	463,573
<b>Total Current Liabilities</b>		<b>249,719,141</b>	<b>199,957,664</b>
<b>Non-Current Liabilities</b>			
Retentions - Final Settlement	23	303,497,084	301,873,040
<b>Total Non-Current Liabilities</b>		<b>303,497,084</b>	<b>301,873,040</b>
<b>Total Liabilities (b)</b>		<b>553,216,225</b>	<b>501,830,704</b>
<b>Net Assets (a-b)</b>		<b>4,106,182,258</b>	<b>3,963,665,155</b>
<b>Represented By:</b>			
Accumulated Surplus		(84,180,993)	(38,169,359)
Capital Fund		4,190,363,251	4,001,834,514
<b>Total Net Assets</b>		<b>4,106,182,258</b>	<b>3,963,665,155</b>

***Rural Electrification in Five Regions Project  
Annual Report and Financial Statements for the financial year ended June 30, 2025***

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The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30<sup>th</sup> October, 2025 and signed by:



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



.....  
**for Mr. Edward Gakunju**  
Project Coordinator



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

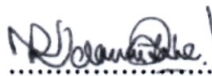
*Rural Electrification in Five Regions Project  
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**10. Statement of Cashflow for the Year Ended 30th June 2025**

<b>Description</b>	<b>Note</b>	<b>2024/2025</b>
		<b>Kshs</b>
<b>Cashflow from operating activities</b>		
<b>Receipts</b>		
Revenue Transfers		188,528,737
Miscellaneous Revenue		-
<b>Total receipts</b>		<b>188,528,737</b>
<b>Payments</b>		
Employee costs		-
Use of goods and services		-
Transfer to other Government Entities		(814,958)
Other Transfers/Subsidies/Grants		-
Certified Works		(188,528,737)
<b>Total payments</b>		<b>(189,343,695)</b>
<b>Net cash flow from operating activities</b>	<b>26</b>	<b>(814,958)</b>
<b>Cashflow from investing activities</b>		
Acquisition of non-financial assets		(188,528,737)
Proceeds from sale of Assets		-
Acquisition of Intangible assets		-
<b>Net cash flows from investing activities</b>		<b>(188,528,737)</b>
<b>Cash flow from financing activities</b>		
Proceeds From Foreign Borrowings		188,528,737
<b>Net cash flow from financing activities</b>		<b>188,528,737</b>
Net increase/Decrease in cash and cash equivalents		(814,958)
Effect of Exchange Rate Changes (Forex Loss)	<b>15</b>	(16,216)
<b>Cash and cash equivalent at 1<sup>st</sup> July 2024</b>	<b>17</b>	<b>831,173</b>
<b>Cash and cash equivalent at end June 2025</b>	<b>17</b>	<b>0.00</b>

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

30<sup>th</sup> October, 2025 and signed by:

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

  
.....  
for Mr. Edward Gakunju  
Project Coordinator

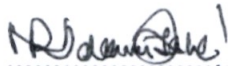
  
.....  
CPA Walter Nduta  
Project Accountant  
ICPAK Member No:23665

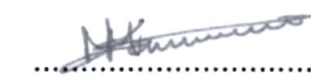
**Rural Electrification in Five Regions Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**9. Statement of Changes in Net Assets for the Year Ended 30th June 2025**

Description	Accumulated Surplus	Capital Fund	Total
	Kshs		
As at 30th June 2024 (Cash Basis)	367,600	4,001,834,514	4,002,202,114
<b>Adjustments:</b>			
To recognize Assets			
To recognize Liabilities			-
To recognize Accumulated depreciation	(38,536,959)		(38,536,959)
<b>Total Adjustments</b>	<b>(38,536,959)</b>	-	<b>(38,536,959)</b>
<b>As at 1st July 2024</b>	<b>(38,169,359)</b>	<b>4,001,834,514</b>	<b>3,963,665,155</b>
Surplus/(Deficit) for the year	(46,011,634)	-	(46,011,634)
Receipts during the year	-	188,528,737	188,528,737
<b>As at 30th June 2025</b>	<b>(84,180,993)</b>	<b>4,190,363,250.73</b>	<b>4,106,182,258</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30<sup>th</sup> October, 2025 and signed by:

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

  
 .....  
 Mr. Edward Gakunju  
 Project Coordinator

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

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**11. Statement of Comparison of Budget and Actual Amounts for Year Ended 30th June 2025**

Receipts/Payments Item	Original Budget	Adjustments	Final Budget (Supplementary II Regularization)	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Revenue Transfers (Initial budget estimates)	323,430,497	(40,632,601)	282,797,896	4,461,023	278,336,873	2%
Revenue Transfers (under AIE)	-	405,866,572	184,067,713	184,067,713	-	100%
Deferred Income realized	-	-	-	463,573	(463,573)	0%
Miscellaneous Revenue	-	-	-	367,600	(367,600)	0%
<b>Total Revenue</b>	<b>323,430,497</b>	<b>365,233,971</b>	<b>466,865,609</b>	<b>189,359,910</b>	<b>277,505,699</b>	<b>41%</b>
<b>Payments</b>						
Employee costs	-	-	-	-	-	0%
Use of goods and services	-	-	-	-	-	0%
Transfer to other Government Entities	-	-	-	(814,958)	814,958	0%
Other Transfers/Subsidies/Grants	-	-	-	-	-	0%
Certified Works	(323,430,497)	(365,233,971)	(466,865,609)	(188,528,737)	(278,336,873)	40%
<b>Total Payments</b>	<b>(323,430,497)</b>	<b>(365,233,971)</b>	<b>(466,865,609)</b>	<b>(189,343,695)</b>	<b>(277,521,915)</b>	<b>41%</b>
<b>Other gains/(losses)</b>						
Gain/Loss on sale of assets	-	-	-	-	-	0%
Gain/Loss on foreign exchange transactions	-	-	-	(16,216)	16,216	0%
Impairment loss	-	-	-	-	-	0%
<b>Surplus/(Deficit) for the Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0)</b>	<b>0</b>	<b>0%</b>

**Budget Performance and Utilization Note:**

During the financial year under review, the project was initially allocated a total budget of Kshs. 323,430,497 under the foreign borrowing framework. This comprised Kshs. 163,144,167 from the BADEA and Kshs. 160,286,330 from the Saudi Fund, as outlined in the approved estimates. Notably, no initial budgetary provisions were made under the OFID, Abu Dhabi, or Government of Kenya (GoK) funding streams.

To address financing needs for project works co-financed by GoK (72.89%) and OFID (27.11%), the Corporation sought and obtained approval from the National Treasury for an Authority to Incur Expenditure (AIE) amounting to Kshs. 450,866,572 under the OFID stream. In accordance with the terms of the financing agreement, OFID disbursed its committed portion and, upon issuing a No Objection, took over the GoK funding obligations due to the absence of a corresponding Government of Kenya (GoK) budget allocation through exchequer.

Actual expenditure for the year amounted to Kshs. 189,359,910. To align the budget with the actual level of execution, the allocation was regularized through Supplementary II using the AIE mechanism, resulting in a revised final approved budget of Kshs. 466,865,609.

This led to an underutilization of Kshs. 277,505,699, equivalent to 41% of the final approved budget. The variance is primarily attributed to delayed implementation timelines and the milestone-based disbursement framework, which links the release of funds to the achievement and verification of specific project deliverables.

**12. Notes to the Financial Statements**

**1. General Information**

The Rural Electrification and Renewable Energy Corporation entity is established by and derives its authority and accountability from section 43 of the Energy Act of 2019. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity’s principal activity is to provide sustainable energy solutions for all through renewable energy and rural electrification for social economic transformation.

The Rural Electrification and Renewable Energy Corporation (REREC) was established as a State Corporation under section 43 of the Energy Act of 2019.

**2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

**Guiding note during the transition period:**

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS), or the entity has taken advantage of the transitional provisions under IPSAS 33, and therefore these 1<sup>st</sup>/ 2<sup>nd</sup>/ 3<sup>rd</sup>/year financial statements are transitional financial statements and the following elements of the financial statements have not been recognized as the entity has taken advantage of the transition provisions outlined in IPSAS 33. (entity to state the transitional provisions it has applied and the steps being towards full compliance with IPSAS Accrual).

These financial statements were authorized for issue by the accounting officer on 30<sup>th</sup> October, 2025

**3. Adoption of New and Revised Standards**

- i) **New and amended standards and interpretations in issue effective in the year ended 30 June 2025.**

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43	<i>Applicable 1<sup>st</sup> January 2025</i> 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

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Standard	Effective date and impact:
	<p>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 cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>The standard has no expected impact on the Entity.</i></p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>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:</p> <p>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.</p> <p><i>The standard has no expected impact on the Entity.</i></p>
<p>IPSAS 45- Property Plant and Equipment</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>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.</p> <p><i>The standard has no expected impact on the Entity.</i></p>
<p>IPSAS 46 Measurement</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> </ul>

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Standard	Effective date and impact:
	<p>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</p> <p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>No material impact expected, as the Entity already applies IPSAS-compliant measurement bases; IPSAS 46 mainly provides enhanced guidance.</i></p>

**ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025**

Standard	Effective date and impact:
<p>IPSAS 47- Revenue</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></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> <p><i>Minimal impact expected; however, a review of revenue streams and updates to policies and disclosures will be required for compliance.</i></p>
<p>IPSAS 48- Transfer Expenses</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></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> <p><i>Minimal Impact expected, but the Entity will need to review transfer transactions and update related policies and disclosures for compliance.</i></p>

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<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 49- Retirement Benefit Plans	<b><i>Applicable 1<sup>st</sup> January 2026</i></b> 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.  <i>The standard has no expected impact on the Entity.</i>

**iii) Early adoption of standards**

The Entity did not early adopt any new or amended accounting standards during the financial year.

**Notes to the financial statements (Continued)**

**4. Summary of 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 entity 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 have 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 each period.

**b) Budget information**

The original budget for FY 2024/25 Kshs.323.430 million was approved by the Board during the financial year within the prescribed budget timelines and in accordance with the budget preparation procedures from the Ministry to the National Treasury. 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 entity upon receiving the respective approvals to conclude the final budget. Accordingly, the entity recorded additional appropriations of Kshs.143.435 million for the FY 2024/2025 budget following the Board's approval. The entity's budget is prepared on a different basis to 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 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

**Notes to the financial statements (Continued)**

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 and the actuals as per the statement of financial performance has been presented on page 7 of these financial statements.

**c) Property, plant and equipment**

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 or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity 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.

Depreciation is calculated to write off the asset cost to its residual value on a straight-line basis over the asset's expected useful life. For assets acquired during the year, depreciation is charged on a prorated basis for the period from the date of acquisition to the end of the financial year. Distribution lines are depreciated at a rate of 2.5% per annum.

All distribution lines are capitalized under Property, Plant and Equipment upon commissioning and are depreciated over their estimated useful lives. The useful life is currently estimated at forty (40) years from the date of commissioning.

**d) Leases**

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of

**Notes to the financial statements (Continued)**

the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

**e) 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. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

**f) Research and development costs**

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**Notes to the financial statements (Continued)**

**g) 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.

**Financial assets**

**Classification**

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 cashflows 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 an 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.

**Notes to the financial statements (Continued)**

**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 or significant judgments made by management in determining the expected credit loss (ECL) during the financial year.

**Notes to the financial statements (Continued)**

**Financial liabilities**

**Classification**

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

**h) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**i) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**Notes to the financial statements (Continued)**

**Contingent liabilities**

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

**Contingent assets**

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

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset

**Notes to the financial statements (Continued)**

and the related revenue are recognized in the financial statements of the period in which the change occurs.

**j) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. (Entity to state the reserves maintained and appropriate policies adopted).

**k) Changes in accounting policies and estimates**

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

**l) Employee benefits**

**Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or

**Notes to the financial statements (Continued)**

increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**m) 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.

**n) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**o) Related parties**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

**p) Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**Notes to the financial statements (Continued)**

**q) Cash and cash equivalents**

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

**r) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Entity'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

**Notes to the financial statements (Continued)**

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.

**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. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**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:

- The condition of the asset based on the assessment of experts employed by the Entity.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.

**Notes to the financial statements (Continued)**

- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. The entity has not raised any provisions during the financial year, including provisions for bad debts or obsolete stocks. Consequently, there are no related estimates or disclosures applicable for this period.

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

**6. Revenue Transfers**

Description	2024/2025
	KShs
<b>Unconditional Transfers</b>	
GoK Counter Part funding	-
Transfers from Development partners	-
<i>Other unconditional transfers (Specify)</i>	-
<b>Total Unconditional Transfers (a)</b>	-
<b>Conditional Transfers</b>	
Transfers from BADEA	-
Transfers from OFID	184,067,713
Transfers from SFD	4,461,023
Transfers from ABDF	-
Deferred Income realized	463,573
Other conditional transfers (specify)	-
<b>Total Conditional Transfers (b)</b>	<b>188,992,310</b>
<b>Total Transfers for the Year (a + b)</b>	<b>188,992,310</b>

**a) Details to Revenue Transfers**

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount moved to Capital fund	Total transfers (2024/2025)
	Kshs	Kshs	Kshs	Kshs
GOK Funding	-	-	-	-
BADEA	-	-	-	-
OFID	184,067,713	-	184,067,713	184,067,713
SFD	4,461,023	-	4,461,023	4,461,023
ABDF	-	-	-	-
<b>Subtotal</b>	<b>188,528,737</b>	-	<b>188,528,737</b>	<b>188,528,737</b>
Deferred Income realized	463,573	-	463,573	463,573
Transfers in Kind	-	-	-	-
<b>Total</b>	<b>188,992,310</b>	-	<b>188,992,310</b>	<b>188,992,310</b>

**Purpose of Funding:**

The funding was intended to support the implementation of electrification infrastructure under a multi-donor framework involving the BADEA, Saudi Fund, and OFID, with an initially anticipated counterpart contribution from the Government of Kenya (GoK). The primary objective was to finance the installation and related project works aimed at expanding access to electricity in targeted regions. Due to the absence of GoK budgetary provision during the year, OFID following a No Objection assumed responsibility for both its share and the outstanding

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**Notes to the financial statements (Continued)**

GoK portion. This strategic reallocation ensured continuity of project implementation within the available financing streams, while aligning disbursements with verified progress milestones.

**7. Miscellaneous revenue**

Description	2024/25
	Kshs
Interest Income	-
Others (specify)	-
<b>Total</b>	<b>-</b>

**8. Employees Costs**

Description	2024/25
	Kshs
Basic salaries of permanent employees	-
Basic wages of temporary employees	-
Personal allowances paid as part of salary	-
Personal allowances paid as reimbursements	-
Personal allowances provided in kind	-
Pension and other social security contributions	-
Compulsory national social security schemes	-
Compulsory national health insurance schemes	-
Other specify	-
<b>Total</b>	<b>-</b>

**9. Use of Goods and Services**

Description	FY 2024/25
	Kshs
Utilities, supplies and services	-
Bank charges	-
Communication, supplies and services	-
Domestic travel and subsistence	-
Foreign travel and subsistence	-
Fuel and lubricants	-
General office supplies	-
Stationery, Printing, advertising, and information supplies	-
Office rent	-
Training payments	-
Hospitality supplies and services	-
Insurance costs	-
Specialized materials and services	-
Other operating payments(specify)	-
Routine maintenance – vehicles and other transport equipment	-
Routine maintenance- other assets	-
<b>Total</b>	<b>-</b>

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Notes to the financial statements (Continued)

**10. Depreciation and Amortization expense**

Description	2024/2025
	Kshs
Property, Plant and Equipment	45,644,034
Intangible Assets	-
<b>Total</b>	<b>45,644,034</b>

**11. Transfer to Other Government Entities**

Description	2024/2025
	Kshs
Transfer to REREC Main Entity - KCB Kshs. A/C	814,958
Project	-
Department	-
County	-
<b>Total</b>	<b>814,958</b>

**12. Other Transfers/Subsidies/Grants**

Description	2024/2025
	Kshs
Transfers to Non-Government Organizations	-
Subsidies	-
<b>Total</b>	<b>-</b>

**13. Certified Works**

Description	2024/2025
	Kshs
<b>Certified Works:</b>	
Acquisition of Project Materials	21,596,006
Local Transportation and Insurance Services	56,573,730
Installation and other Services	110,359,001
Consultancy Services	-
Others Specify	-
<b>Total</b>	<b>188,528,737</b>

**14. Gain/Loss on Sale of Assets**

Description	2024/2025
	Kshs
Property, plant and equipment	-
Intangible assets	-
Other assets not capitalised	-
<b>Total gain/loss on sale of assets</b>	<b>-</b>

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Notes to the financial statements (Continued)

15. Gain/Loss on foreign exchange transactions

Description	2024/2025
	Kshs
Gain on foreign exchange transactions	-
Loss on foreign exchange transactions	16,216
<b>Total Gain/Loss</b>	<b>16,216</b>

16. Impairment Loss

Description	2024/2025
	Kshs
Property, Plant and Equipment	-
Intangible Assets	-
Others specify	-
<b>Total Impairment Loss</b>	<b>-</b>

17. Cash and Cash Equivalents

Description	2024/2025	1 <sup>st</sup> July
	Kshs	Kshs
Cash in Bank	-	-
Cash on hand	-	-
On - Call Deposit	-	831,173
Others (Specify)	-	-
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>831,173</b>

Project Bank Accounts

Details	2024/2025	1 <sup>st</sup> July 2024
	Kshs	Kshs
<b>Foreign Currency Accounts</b>		
Central Bank of Kenya [A/c No.....]	-	-
Total Foreign Currency balances	-	-
<b>Local Currency Accounts</b>		
Central Bank of Kenya [A/c No.....]	-	-
KCB Bank On - Call deposit	-	831,173
Total local currency balances	-	-
<b>Total bank account balances</b>	<b>-</b>	<b>831,173</b>

**Notes to the financial statements (Continued)**

**18. Receivables**

Description	2024/2025	1 <sup>st</sup> July 2024
	Kshs	Kshs
Counter Part Funding	-	-
<b>Contractor's Advance payments:</b>		
Lomas and Lomas Ltd	117,990,727	118,755,846
Sinotec Co.,Ltd	48,954,758	48,954,758
Fountain Tech Ltd	18,044,126	18,905,489
Magnate Ventures Ltd	-	2,437
Eswari Electrical Pvt Co.,Ltd	-	-
Wayne Homes (k) Ltd	34,805,095	34,805,095
Other Receivables (specify)	-	-
<b>Total Receivables</b>	<b>219,794,707</b>	<b>221,423,625</b>

**Ageing analysis for Receivables**

Description	2024/2025		1 <sup>st</sup> July 2024	
	Kshs		Kshs	
	2024/2025	% of the total	Comparative FY	% of the total
Less than 1 year	219,794,707	99%	1,628,919	1%
Between 1- 2 years	-	0%	219,794,707	99%
Between 2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
<b>Total (a+b)</b>	<b>219,794,707</b>	<b>99%</b>	<b>221,423,625</b>	<b>100%</b>

**Brief explanation on current receivable:**

The reported balances reflects advance payments issued to vendors, whose recovery was originally structured around milestone-based invoicing. However, following the stalling of project activities and the subsequent closure of the credit facility, the anticipated invoices were not submitted, resulting in outstanding advance balances.

To safeguard against potential financial loss, the Corporation has initiated a structured recovery plan, subject to final reconciliation and appropriate approvals. Recovery of the outstanding balances will be effected through offsets against retention monies currently held, as well as through any invoices subsequently received. This approach underscores the Corporation's commitment to sound financial stewardship and the prudent management of public resources.

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**Notes to the financial statements (Continued)**

**19. Inventories**

<b>Description</b>	<b>2024/2025</b>	<b>1<sup>st</sup> July 2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Consumable stores	-	-
Construction stores	-	-
Others consumables (specify)	-	-
Less: allowance for impairment	-	-
<b>Total inventories</b>	-	-

**20. Prepayments**

<b>Description</b>	<b>2024/2025</b>	<b>1<sup>st</sup> July 2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Insurance	-	-
Rent	-	-
Others specify	-	-
<b>Total inventories</b>	-	-

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Notes to the financial statements (Continued)

21. Property, Plant and Equipment

Cost	Motor vehicles	Overheads Distribution Lines	ICT Equipment	Other Assets (Specify)	Capital Work in Progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Depreciation rate	25%	2.5%	33.3%	2.5%	0.0%	
As At 1 July 2024 (opening balances)	-	1,666,964,258	-	-	2,614,813,762	4,281,778,019
Additions	-	250,237,182	-	-	242,006,750	492,243,932
Disposals	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	(250,237,182)	(250,237,182)
As at 30 <sup>th</sup> June 2025 (a)	-	1,917,201,440	-	-	2,606,583,329	4,523,784,769
<b>Depreciation And Impairment</b>						
As at 1 July 2025	-	38,536,959	-	-	-	38,536,959
Depreciation charge for the year	-	45,644,034	-	-	-	45,644,034
Impairment loss	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-
As At 30 <sup>th</sup> June 2025 (b)	-	84,180,993	-	-	-	84,180,993
<b>Net Book Values:</b>						
As at 1 <sup>st</sup> July 2024	-	1,628,427,298	-	-	2,614,813,762	4,243,241,060
As at 30 <sup>th</sup> June 2025 (c=a-b)	-	1,833,020,447	-	-	2,606,583,329	4,439,603,776

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Notes to the financial statements (Continued)

22. Intangible Assets

Description	1 <sup>st</sup> July 2024
	Kshs
<b>Cost</b>	
As at 1 <sup>st</sup> July 2024	-
Additions	-
<b>As At 30<sup>th</sup> June 2025</b>	-
<b>Amortization and impairment</b>	
As at 1 <sup>st</sup> July 2024	-
Amortization	-
Impairment loss	-
<b>As At 30<sup>th</sup> June 2025</b>	-
<b>NBV as at 1<sup>st</sup> July 2024</b>	-
<b>NBV as at 30<sup>th</sup> June 2025</b>	-

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**23. Trade and Other Payables**

Description	2024/2025		1 <sup>st</sup> July 2024	
	Kshs		Kshs	
<b>Trade and Other Payables:</b>				
<b>Retention Payable at Project Completion:</b>				
Lomas and Lomas Ltd		40,121,527		39,356,409
Sinotec Co.,Ltd		93,239,353		93,239,353
Fountain Tech Ltd		72,085,287		71,223,924
Magnate Ventures Ltd		78,482,116		78,484,553
Eswari Electrical Pvt Co.,Ltd		14,347,250		14,347,250
Wayne Homes (k) Ltd		5,221,551		5,221,551
<b>Total (a)</b>		<b>303,497,084</b>		<b>301,873,040</b>
<b>Financier Pending Payable:</b>				
Lomas and Lomas Ltd		5,559,471		23,804,627
Sinotec Co.,Ltd		-		2,015,127
Fountain Tech Ltd		435,084		45,064,067
Magnate Ventures Ltd		9,275,849		123,126,036
Eswari Electrical Pvt Co.,Ltd		-		5,484,233
Wayne Homes (k) Ltd		374,378		-
<b>Total (b)</b>		<b>15,644,782</b>		<b>199,494,090</b>
<b>Current Outstanding Invoices</b>				
Lomas and Lomas Ltd		168,147,676		-
Sinotec Co.,Ltd		63,125,464		-
Fountain Tech Ltd		-		-
Magnate Ventures Ltd		-		-
Eswari Electrical Pvt Co.,Ltd		-		-
Wayne Homes (k) Ltd		2,801,219		-
<b>Total (c)</b>		<b>234,074,359</b>		<b>-</b>
<b>Total trade and other payables(d)=(a+b+c)</b>		<b>553,216,225</b>		<b>501,367,131</b>
<b>Ageing analysis: (Trade and other payables)</b>	<b>2024/2025</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	249,719,141	45%	199,494,090	40%
1-2 years	303,497,084	55%	301,873,040	60%
2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
<b>Total (tie to above total)</b>	<b>553,216,225</b>	<b>100%</b>	<b>501,367,131</b>	<b>100%</b>

**Notes to the financial statements (Continued)**

**Summary and Analysis of Trade and Other Payables:**

a) **Retention Payable at Project Completion.**

These are amounts withheld from project contractors pending the completion and commissioning of all projects, as well as the issuance of final completion and acceptance certificates. The total retention payable as at the end of FY 2024/2025 stands at Kshs 303.497 million, reflecting a marginal increase from Kshs 301.873 million reported as at 30th June 2024.

b) **Financier Pending Payable**

These are obligations pending disbursement by financiers through direct payments. The balance has declined significantly from Kshs 199.494 million as at 30th June 2024 to Kshs 15.645 million at the end of FY 2024/2025, indicating notable progress in resolving outstanding financier-related payables.

c) **Current Outstanding Invoices**

This category comprises unpaid contractor invoices (Pending bills) not falling under retention or financier payables. As at the end of FY 2024/2025, these total Kshs 234.074 million.

Overall, total trade and other payables have decreased from Kshs 501.367 million to Kshs 553.216 million, reflecting a substantial effort to settle liabilities and enhance the project's financial position.

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Notes to the financial statements (Continued)

**24. Third-Party Deposits**

Description	2024/2025		1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Contractor's Retention		-		-
Gratuity		-		-
<i>Other deposits (specify)</i>		-		-
<b>Total deposits</b>		-		-
<b>Ageing analysis: (Refundable deposits)</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	-		-	

**Brief description:**

During the reporting period, the project's accounts did not hold any third-party deposits classified as cash or cash equivalents. This indicates that no funds belonging to external parties were received or held in trust within the project's financial accounts.

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Notes to the financial statements (Continued)

**25. Deferred Income**

Description	2024/2025	1 <sup>st</sup> July 2024
	Kshs	Kshs
Abu Dhabi Fund for Development	-	463,573.25
Development partner 2	-	-
Others specify	-	-
<b>Total Deferred Income</b>	<b>-</b>	<b>463,573</b>

**Deferred Income Movement Schedule**

Description	Abu Dhabi Fund	Others specify	Total
	Kshs	Kshs	Kshs
Balance as at 1 <sup>st</sup> July 2024	463,573	-	463,573
Additions	-	-	-
Transfers To Performance Statement as Revenue	(463,573)	-	(463,573)
<b>Balance as at 30<sup>th</sup> June 2025</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Brief Description:**

An amount of US\$ 3,578.97, equivalent to Kshs 463,573, was transferred from the call deposit account to the REREC main entity account at KCB Bank upon maturity. This amount, originally held under the Abu Dhabi Fund, was subsequently recognized as revenue in the performance statement during the financial year ended 30th June 2025, and the entire balance was transferred, resulting in a zero closing balance as at 30th June 2025.

Notes to the financial statements (Continued)

26. Cash Generated from Operations

Description	2024/2025
	Kshs
<b>Surplus/Deficit for the year</b>	<b>(46,011,634)</b>
<b>Adjusted for:</b>	
Depreciation	45,644,034
Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
Effect of exchange rate changes (Forex Loss)	16,216
Adjustment for advance payment recovery (Non-Cash)	2,437
Adjustment for retention payable (Unpaid Retentions)	2,437
<b>Working capital adjustments:</b>	
Increase in inventory	
Decrease in receivables - vendor advances	(1,628,919)
Decrease in deferred income	(463,573)
Increase in retention payable - final settlement	1,624,044
Increase in payments received in advance	-
<b>Net cash flow from operating activities</b>	<b>(814,958)</b>

27. Special Deposit Accounts

The Project did not operate a Special Deposit Account (SDA) during the financial year ended 30th June 2025. All payments related to the project were made directly to contractors from the funding source.

As such, there were no balances in any Special Deposit Account as of 30th June 2025, and accordingly, no SDA balances are reflected in the Statement of Financial position.

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**Notes to the financial statements (Continued)**

**28. Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the Entity 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.

**Government of Kenya**

The Government of Kenya is the principal shareholder of the Entity, holding 100% of the Entity's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

**Other related parties include:**

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of Directors.

Description	2024/2025
	Kshs
<b>Transactions with related parties</b>	
<b>a) Sales to related parties</b>	
Sales of electricity to govt agencies	-
Rent income from govt. Agencies	-
Others (specify) e.g. interest and bank charges	-
<b>Sub- total (a)</b>	-
<b>b) Purchases from related parties</b>	
Purchases of electricity from KPLC	-
Purchase of water from govt service providers	-
Rent expenses paid to govt agencies	-

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Description	2024/2025
	Kshs
Others (specify)	-
<b>Sub- total (b)</b>	
<b>c) Grants /transfers from/to the government</b>	
Grants from national govt	-
Grants from county government	-
Donations in kind	-
Transfer of Funds to REREC's Primary Account at KCB Bank	814,958
<b>Sub- total (c)</b>	<b>814,958</b>
<b>d) Expenses incurred on behalf of related party</b>	
Payments of salaries and wages for employees	-
Payments for goods and services	-
<b>Sub- total (d)</b>	
<b>e) Key management compensation</b>	
Directors' emoluments	-
Compensation to key management	-
<b>Sub- total (e)</b>	-
<b>Grand Total (f) = (a+b+c+d)</b>	<b>814,958</b>

**29. Events after the Reporting Period**

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

**30. Ultimate And Holding Entity**

The Entity is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Energy and Petroleum. Its ultimate parent is the Government of Kenya.

**31. Currency**

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

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13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Audit report Ref.	Issue / Observations from Auditor	Management comments	Status	Timeframe
No. 1	<p><b>Inaccuracies in acquisition of non-financial assets:</b> The statement of receipts and payments reflects acquisition of non-financial assets cumulative amount of Kshs.4,001,827,868 and as disclosed in Note 8 to the financial statements. Included in the amount is Kshs.3,707,219,534 for acquisition of project materials. However, review of project materials costs revealed that some of the materials which had been returned by one of the contractors to the Corporation for the West region office in Kisumu had been reissued to another project without re-valuation to confirm the current value and efficiency.</p> <p>In the circumstances, the accuracy and valuation of acquisition of project materials amounting to Kshs.3,707,219,534 could not be confirmed.</p>	<p>Management recently conducted a materials reconciliation with the five BADEA contractors, identifying both excess materials and shortfalls required for project completion. As a result, contractors were instructed to return surplus materials to the Corporation's stores.</p> <p>To date, the majority of materials have been received from the contractors. These materials have been duly incorporated into the Corporation's inventory and promptly recorded in the SAP ERP system.</p> <p>The returned materials align with those utilized by the Corporation's Labor and Transport contractors. All items have been properly accounted for and issued in compliance with the Corporation's established material issuance procedures, which include stringent controls to prevent misappropriation.</p>	Resolved	N/A

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Audit report Ref.	Issue / Observations from Auditor	Management comments	Status	Timeframe
No. 2	<p><b>Unsupported Cash and Cash Equivalents:</b> The statement of financial assets and liabilities reflects cash and cash equivalents balance of Kshs.831,173 (USD 6,416.99) being call deposit placement as disclosed in Note 11 to the financial statements. The amount includes a principal amount of Kshs.463,573 and interests of Kshs.367,600. Review of records revealed that a Donor erroneously released funds to the accounts of two (2) contractors amounting to USD 926,377.55 and USD 734,192.58. The funds were released without certificate of works done instead of the financier issuing special commitment letters as instructed in the application. To safeguard the project funds one of the contractors remitted the funds to the Corporation's account until a certificate of works was issued as suggested by The National Treasury. The funds were placed in a call deposit on 1 September, 2020 which matured on 2 February, 2022 with a balance of Kshs.728,819. However, the call deposit statement from 1 September, 2020 to 30 June, 2024 in support of the cash and cash</p>	<p>The statement of financial assets and liabilities (Note 11) reflects a balance of Kshs. 831,173 (USD 6,416). A balance of an erroneous disbursement by the Abu Dhabi Fund for Development to Fountain Technologies Ltd prompted Management to seek guidance from the Ministry of Energy, which engaged the National Treasury.</p> <p>The National Treasury, in a letter dated July 6, 2020, provided two options to safeguard public funds: the contractor could either remit the funds to REREC's account until a certificate of works was issued or provide a bank guarantee of an equivalent amount.</p> <p><b>Response to the Auditor's Observation:</b></p> <ol style="list-style-type: none"> <li>1. A certificate of call deposit supports the balance in Notes 11 and 15.</li> <li>2. Renewal of the call deposit after its maturity on February 2, 2022, was unnecessary as the related letters of credit had expired. The Corporation has since instructed KCB Bank to recall the funds.</li> <li>3. The Board approved interest income</li> </ol>	Resolved	N/A

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Audit report Ref.	Issue / Observations from Auditor	Management comments	Status	Timeframe
	<p>equivalents balance of Kshs.831,173, Board approval for opening the call deposit, documents submitted to request for the special commitment from the Donor and the approval on how manage the funds after the erroneous transaction were not provided for audit.</p> <p>In the circumstances, the occurrence and accuracy of cash and cash equivalents balance of Kshs.831,173 could not be confirmed.</p>	<p>investments in FY 2021/22, but no reinvestment occurred as all materials were supplied and payments completed.</p> <p>4. The funds remain under KCB Trade Finance lien, but recall instructions were issued and transferred to main Entity's KCB account.</p> <p>5. Fund management following the erroneous transaction was handled through the National Treasury, ensuring compliance with financial protocols.</p>		

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Audit report Ref.	Issue / Observations from Auditor	Management comments	Status	Timeframe
No. 3	<p><b>Unsupported Prior Year Adjustments:</b> Note 15 to the financial statements reflects adjustments amounting to Kshs.81,152,961. The explanation given under the Note indicates that the variances were as a result of foreign exchange differences and discrepancies from reconciliation and misstatement errors. However, audit of prior year adjustments revealed that the consultant and contractors had fixed exchange rates hence no adjustments were expected to arise from foreign exchange differences. Further, the adjustment reflected in Note 15 to the financial statements was not reflected in the statement of financial assets and liabilities as at 30 June, 2024.</p> <p>In the circumstances, the accuracy of the prior year adjustments amounting to Kshs.81,152,961 could not be confirmed.</p> <p>The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Rural electrification in</p>	<p>The audit observed that contracts had a fixed exchange rate of US\$ 1 to Kshs. 102.2474 for all contractors across all lots. As per Appendix 1 – Terms and Procedures of Payment and GC Clause 12, payments are made in the currencies quoted by bidders unless otherwise agreed. Contractors may submit payment applications for part deliveries, with funding sourced from four Financiers and supplemented by GoK Counterpart funding.</p> <p>While payments by the Financiers adhered to the fixed exchange rate, GoK Counterpart funding was processed at the prevailing exchange rate due to the Corporation’s lack of a US dollar account. This resulted in foreign exchange differences.</p> <p><b>Response to Audit Issues:</b></p> <ol style="list-style-type: none"> <li>1. Journal Entries Supporting Adjustments – Adjusting journal entries and a reconciled payment schedule outlining all payments made and reconciled with financiers’ statements are provided.</li> <li>2. Exchange Rate Differences and Additional Costs - No adjustments arise for contractors and consultants due to fixed</li> </ol>	Resolved	N/A

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	<p>Five Regions Project Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.</p>	<p>exchange rates. However, GoK Counterpart payments in USD were subject to foreign exchange variations, leading to an unreported additional cost of Kshs. 29,310,598. This cost, previously omitted, must be disclosed as part of the total project cost. Consultant payments were fully covered by BADEA and the Saudi Fund, except for withholding tax to KRA under GoK payments.</p> <p>3. Adjustment in Note 15 and Its Absence in Financial Statements - Prior year adjustments in Note 15 are not reflected in the Statement of Financial Assets and Liabilities or Cash Flow Statement due to cash basis accounting, which only records current-period cash transactions. Instead, these adjustments are reinstated in the comparative figures of the Statement of Receipts and Payments, per IPSAS 3, ensuring transparency and accurate financial reporting across periods.</p>		

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Audit report Ref.	Issue / Observations from Auditor	Management comments	Status	Timeframe
No. 4	<p><b>Budgetary Control and Performance:</b> The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.417,430,497 and Kshs.280,211,399 respectively resulting to an under-funding of Kshs.137,219,098 or 33 % of the budget. The under-funding affected the planned activities and may have impacted negatively on service delivery to the public.</p>	<p>The Rural Electrification in Five Regions project is financed by a consortium of Arab development partners - BADEA, OFID, SFD, Abu Dhabi Fund, and Government of Kenya (GoK). The total financing amounts to USD 57 million, with USD 47 million from the four financiers and USD 10 million from GoK. The Kshs. 137,219,098 variance is due to under-absorption, not under-funding. The low budget absorption in FY 2023/24 was caused by delays in guidance from project financiers regarding the appointment of a new consultant after M/s Aberdare Engineering Co. Ltd. declined to extend their contract beyond June 30, 2023. Financiers required consultant certification for invoice payments, leading to disruptions.</p> <p>To resolve this, the Corporation engaged the OPEC Fund, securing a No Objection (Ref No. 02-MIB-306/2024) on March 29, 2024, allowing REREC's internal engineers to oversee project implementation temporarily. This enabled the absorption of Kshs. 280,211,399, but left Kshs. 137,219,098 (33% of the budget) unspent due to:</p> <ul style="list-style-type: none"> <li>• A short three-month timeframe before FY</li> </ul>	Resolved	N/A

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Audit report Ref.	Issue / Observations from Auditor	Management comments	Status	Timeframe
		<p>closure on June 30, 2024</p> <ul style="list-style-type: none"> <li>Delays from other financiers in granting No Objection for internal oversight.</li> </ul> <p><b>Project Progress &amp; Financial Disbursements:</b> Despite challenges, financial disbursements have progressed:</p> <ul style="list-style-type: none"> <li>Kshs. 40.8 million settled (Kshs. 40,355,304 from OPEC Fund, Kshs. 537,292 from Saudi Fund)</li> <li>Pending bills as of June 30, 2024: Kshs. 215,756,891</li> <li>Cumulative payments to date: Kshs. 4.043 billion (71% of the total contract value of Kshs. 5.704 billion)</li> </ul> <p><b>Outstanding Invoices &amp; Payment Processing:</b> Total invoices under processing: Kshs. 260,701,820, broken down as follows:</p> <ul style="list-style-type: none"> <li>Kshs. 123,901,344: Awaiting GoK counterpart funding allocation</li> <li>Kshs. 15,644,782: Pending financier releases:</li> </ul>		

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Audit report Ref.	Issue / Observations from Auditor	Management comments	Status	Timeframe
		<ul style="list-style-type: none"> <li>○ BADEA: Kshs. 9,710,932</li> <li>○ Saudi Fund: Kshs. 5,559,471</li> <li>○ Abu Dhabi Fund: Kshs. 374,378</li> <li>• Kshs. 19,055,369: Forwarded to the Ministry of Energy for processing</li> <li>• Kshs. 102,100,325: Awaiting Construction Department certification.</li> </ul> <p><b>Projected Financial Position:</b> Once all pending invoices are settled, total payments will reach Kshs. 4.303 billion (75% of the total contract value). Additional invoices are expected as installation continues, requiring further disbursements before the credit closure on December 31, 2024.</p>		
No. 5	<p><b>Non-Compliance with Loan Guidelines on Disbursement:</b> Review of schedule three (3) of the loan agreement for one of the donor's amortization schedule revealed that the borrower (GOK) should have repaid the loan advanced up-to an amount of USD 8,000,000. However, the loan repayment statement was not provided for audit hence the amount of loan repaid could not be</p>	<p>The Corporation acknowledges the observations made regarding the loan repayment statement and wishes to clarify the roles of the various parties involved in the financing agreement.</p> <p>The agreement is established between the Republic of Kenya, represented by the National Treasury, and the Arab Development Partners, including the OPEC Fund for International Development</p>	Resolved	N/A

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	<p>confirmed.</p> <p>In the circumstances, the Corporation was in breach of the conditions of loan agreement as provided for in the schedule.</p>	<p>(OFID), Arab Bank for Economic Development (BADEA), Saudi Fund for Development (SFD), and Abu Dhabi Fund for Development (ABDF). The Corporation, formerly known as the Rural Electrification Authority (REA), serves as the project implementing agency and operates under the direct supervision of the Ministry of Energy and the National Treasury. Consequently, the responsibility for the successful implementation of the project and the optimal absorption of the loan rests with the Corporation.</p> <p>Conversely, the National Treasury is mandated to effectively manage public debt through its Debt Recording and Settlement Department. This responsibility is underscored by the Public Finance Management Act, 2012, which requires the National Treasury to maintain a reliable debt database, prepare comprehensive financial statements, and oversee loan and grant disbursement.</p> <p>In conclusion, while the Corporation recognizes the importance of the loan repayment statement and the accurate reporting and reconciliation of debt repayment transactions, it is crucial to underscore that the responsibility for addressing</p>		

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		<p>the noted loan repayment and maintaining accurate debt records primarily lies with the National Treasury. With its mandate to oversee the management of public debt and ensure proper loan disbursement, the National Treasury is well-positioned to review payment records and furnish the loan repayment statement, which is its jurisdiction and not that of the Corporation.</p>		
No.6	<p><b>Non-Compliance with Contract Management:</b></p> <p><b>6.1 Delayed Project Implementation:</b></p> <p>Review of the contract agreements signed on 1 July, 2016 with contract period of eighteen (18) months, revealed that a total commitment of Kshs.5,828,101,800 was meant to undertake four hundred and two (402) schemes while the tender documents indicated that there were three hundred and fifty-nine (359) schemes. The Progress Report for September 2024 indicated that one hundred and seventy (170) schemes or 42% had been completed and commissioned. Further, an interview with the contractors during physical visits to the</p>	<p><b>6.1 Delayed Project Implementation:</b></p> <p>The Rural Electrification Project across five regions is financed by a consortium of Arab Development Partners alongside the Government of Kenya (GoK). The total project cost is USD 57 million, with contributions as follows:</p> <ul style="list-style-type: none"> <li>• BADEA: USD 10 million</li> <li>• OFID: USD 15 million</li> <li>• SFD: USD 12 million</li> <li>• ABDF: USD 10 million</li> <li>• GoK: USD 10 million</li> </ul> <p>The financing agreement was finalized on September 23, 2013, but contracts were signed in</p>	Ongoing	30 <sup>th</sup> June, 2026

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	<p>co-owned warehouses in the five (5) regions revealed that four hundred and thirty-nine (439) schemes were handed over to five (5) contractors and one hundred and ninety (190) schemes had been completed. Thus, the tender documents, contract agreement and information from the contractors indicated discrepancies. Therefore, the project Status and scheme to be executed could not be confirmed.</p> <p>Further, the factory acceptance tests and delivery of materials had been performed at 100% for lot 1, lot 3 and lot 4 while lot 2 and lot 5 were at 92% and 91% respectively as per progress report dated 30 June, 2024. However, the installation Component of the project was at 42%.</p> <p>In addition, an interview with the five contractors revealed the following challenges:</p> <p>i) A contractor built a total of 103 Km in Tana River County which</p>	<p>2016, and implementation only began in 2019, three years later.</p> <p><b>Key Challenges and Delays:</b></p> <ol style="list-style-type: none"> <li>1. Financiers' Approval Processes – The multi-financier structure required individual approvals for key project activities, significantly delaying procurement and the start of implementation.</li> <li>2. Price Variation Disputes – Contractors sought price adjustments due to delays in issuing Letters of Credit, but financiers declined, citing contract terms, further slowing progress.</li> <li>3. COVID-19 Disruptions – The pandemic affected supply chains, inspections, and testing, causing delays. Virtual Factory Acceptance Tests (FATs) were adopted to mitigate impacts.</li> <li>4. Security Concerns – Banditry in the North Rift region hindered construction. The Kenya Defence Forces (KDF) intervened, restoring stability and allowing work to</li> </ol>		

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	<p>was outside the initial designs/scope. The payment for the work had not been done and forms part of the pending bills.</p> <p>ii) Another contractor had eighteen (18) schemes dropped at initial stages after handing over and another twelve (12) new schemes which were not part of the original design were added.</p> <p>iii) The Corporation handed over sixty eight (68) schemes to a contractor, but six (6) of them had already been done by Kenya Power reducing the scope to sixty two (62) schemes. Wayleave and designs issues reduced the scope further to forty nine (49) schemes that were implementable. Out of the forty nine (49) schemes implementable only twenty (23) schemes were done due to mismatch of the materials and the design rendering them unimplementable.</p>	<p>resume.</p> <p>5. Design Gaps and Adjustments – The project lacked dedicated funding for design work, leading to:</p> <ul style="list-style-type: none"> <li>○ Overlapping projects requiring replacement.</li> <li>○ Unanticipated new customer connections.</li> <li>○ Unexpected underground cable needs due to KETRACO transmission lines.</li> <li>○ Voltage changes by KPLC, causing material mismatches, necessitating adjustments in Lot-3 (Fountain Technologies) and Lot-4 (Magnate Ventures).</li> </ul> <p>6. Consultant Exit and Supervision Bottlenecks – The departure of Aberdare Engineering Ltd led to the Corporation taking over project oversight. Some financiers, however, withheld payments due to the absence of consultant certification, creating a payment bottleneck. The Corporation is advocating</p>		

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	<p>In the circumstances, the Project may not be completed in time, hence the Corporation may not realise value for money. Further the scope of work to be carried out could not be confirmed.</p> <p><b>6.2 Payments for Consultancy Services:</b></p> <p>The Corporation contracted a consultant to provide consultancy services as per the contract agreement dated 13 August, 2014 at a contract sum of Kshs.137,928,528. As at the time of audit in October, 2024, an amount of Kshs.113,822,110 (83%) had been paid to the consultant while the Project implementation Status was at 42%. Further, as per a letter dated 19 June, 2023, the consultant communicated its intention to terminate consulting obligation with the Corporation due to death of its Project Manager. However, the consultant terminated services after being paid a total sum of Kshs.113,822,110.42 or 83% of the contract sum against implementation</p>	<p>for internal supervision to avoid further delays.</p> <p>7. GoK Counterpart Funding Shortfall – GoK’s failure to release funds in the last two financial years has delayed installations, with Kshs. 183 million in unpaid bills. The Corporation is negotiating with OFID to temporarily cover GoK’s portion to clear certified payments.</p> <p>8. Material Reconciliation Initiative – To enhance efficiency, the Corporation is overseeing the return of unused materials to inventory. Lomas &amp; Lomas/Power Group Technologies (Lot-1) and Fountain Technologies Ltd (Lot-3) have completed returns, while reconciliation is ongoing for Magnate Ventures (Lot-4) and Sinotec Co. Ltd (Lot-2).</p> <p>The Corporation is addressing these challenges through proactive stakeholder engagement, resource optimization, and financing negotiations to accelerate project completion and ensure efficient loan utilization.</p>		

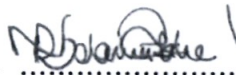
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Audit report Ref.	Issue / Observations from Auditor	Management comments	Status	Timeframe
	<p>status at 42%.In addition, there was a lot of mismatch between the designs and materials acquired by the contractors for the five regions' project.</p> <p>In the circumstance, the Corporation may not have realized value for money from the consultancy services.</p>	<p><b>6.2 Payment to a Consultant:</b></p> <p>Following the untimely passing of Eng. John Njaaga (Aberdare Engineering Ltd.) on December 17, 2021, the Corporation was informed of the appointment of Eng. Harun Mwangi as the new Project Manager through a letter dated January 26, 2022. Additionally, Sammy N. Kamau was appointed to oversee design issues and site supervision.</p> <p>Despite facing challenges such as payment delays and insecurity, Aberdare Engineering continued project supervision and provided monthly progress reports until June 2023. However, in a letter dated June 19, 2023, the firm declined to extend its consultancy services, citing contractual limitations. The consultancy contract was time-based and aligned with the contractor's schedule, which anticipated completion by June 30, 2023. Due to project delays, the Corporation pursued an extension of the project timeline.</p> <p>A critical constraint was the lack of funding for design works, preventing outsourcing of these services. As a result, the Corporation's internal designers developed the designs. At the time of</p>		

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		<p>bidding, only estimated designs generated using the REREC design formula were available. These estimates were used to develop the contract bill of quantities (BOQs) for material procurement. However, as final designs were completed on-site, mismatches emerged, highlighting the challenge of using estimations instead of finalized designs.</p> <p>The Corporation acknowledges the impact of consultant transitions, design gaps, and funding limitations on project execution and is actively addressing these challenges to streamline implementation and enhance project efficiency.</p>		

Signed by:

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

  
 .....  
 for **Mr. Edward Gakunju**  
**Project Coordinator**

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**Annex 2: Reconciliation of Inter-Entity Transfers**

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

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

**Project Coordinator  
(REREC)**

Sign:  .....

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

Sign:  .....

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**Annex 3: Fixed Asset Register**

Asset class	Historical Cost b/f Previous Year	Additions during the year	Disposals during the year	Transfers in/(out) during the year	Historical Cost c/f
	Kshs	Kshs	Kshs	Kshs	Kshs
Overheads Distribution Lines (ODL)	1,666,964,258	250,237,182	-	-	1,917,201,440
Work in Progress (WIP)	2,614,813,762	242,006,750	-	(250,237,182)	2,606,583,329
<b>Total</b>	<b>4,281,778,019</b>	<b>492,243,932</b>	<b>-</b>	<b>(250,237,182)</b>	<b>4,523,784,769</b>

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**Annex 4: Other Support Documents**

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30<sup>th</sup> June 2025
- iii. Board of Survey Report/ Certificate of Bank Balance as at 30<sup>th</sup> June 2025