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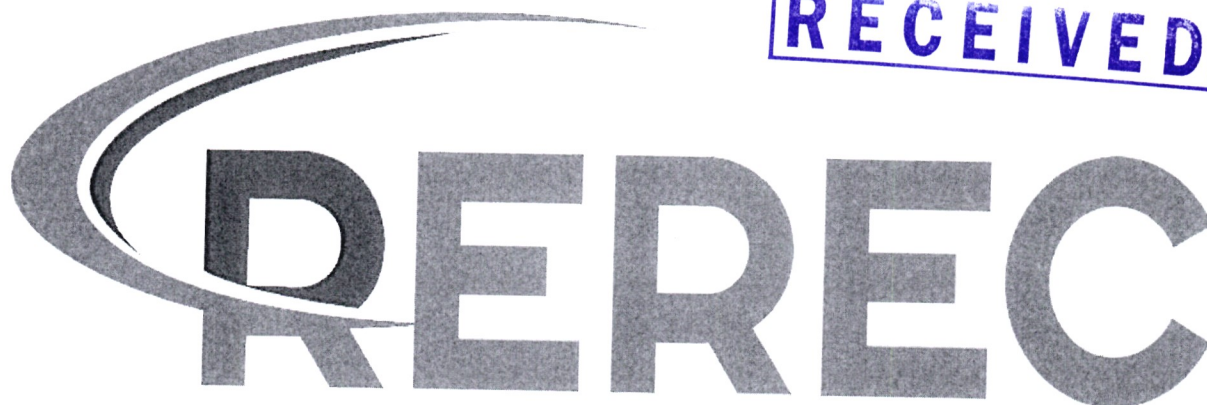
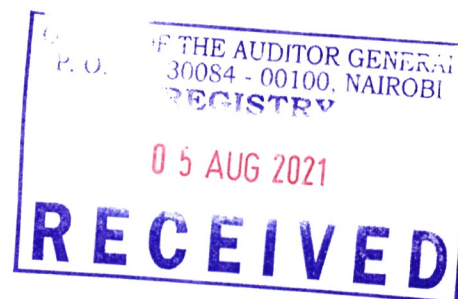
THE AUDITOR-GENERAL

ON

**RURAL ELECTRIFICATION AND RENEWABLE
ENERGY CORPORATION**

**FOR THE YEAR ENDED
30 JUNE, 2020**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 22 MAR 2022	DAY: TUESDAY
TABLED	MAJORITY LEADER



Rural Electrification and Renewable Energy Corporation

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020**

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Rural Electrification and Renewable Energy Corporation (REREC) is a State Corporation established under section 43 of the Energy Act, of 2019. The Corporation as established shall be the successor to the Rural Electrification Authority established under section 66 of the Energy Act No. 12 of 2006 (now repealed) and subject to this Act, all rights, duties, obligations, assets and liabilities of the Rural Electrification Authority existing at the commencement of this Act shall be automatically and fully transferred to the Corporation and any reference to the Rural Electrification Authority in any contract or document shall, for all purposes, be deemed to be a reference to the Corporation established under the Act.

(b) Principal Activities

Vision & Mission

Vision: “A green energy driven nation”.

Mission: “To provide sustainable energy solutions for all through rural electrification and renewable energy for social economic transformation.”

Mandate of Rural Electrification & Renewable Energy Corporation

- (a) Oversee the implementation of the Rural Electrification Programme;
- (b) Manage the Rural Electrification Programme Fund established under section 143;
- (c) Source additional funds for the Rural Electrification Programme and renewable energy;
- (d) Develop and update the rural electrification master plans in consultation with County Governments;
- (e) Develop and update the renewable energy master plan taking into account county specific needs and the principle of equity in the development of renewable energy resources;
- (f) Support the establishment of energy centres in the counties;
- (g) Establish framework for collaboration with County Governments in the discharge of its mandate;
- (h) Undertake on-farm and on station demonstration of wood-fuel species, seedling production and management;
- (i) Undertake feasibility studies and maintain data with a view to availing the same to developers of renewable energy resources;
- (j) Develop, promote and manage in collaboration with other agencies, the use of renewable energy and technologies, including but not limited to biomass (biodiesel, bio-ethanol, charcoal, fuel-wood, biogas) municipal waste, solar, wind, tidal waves, small hydropower and co-generation but excluding geothermal;
- (k) Formulate, in conjunction with the Agency, a national strategy for coordinating research in renewable energy;

- (l) Undertake, in conjunction with the Agency, research, development and dissemination of appropriate renewable energy technologies;
- (m) Provide an enabling framework for the efficient and sustainable production, conversion, distribution, marketing and utilization of biomass, solar, wind, small hydro's, municipal waste;
- (n) Promote, in conjunction with the agency responsible for forests, the use of fast maturing trees for energy production including bio-fuels and the establishment of commercial woodlots including peri-urban plantations;
- (o) Promote, in collaboration with other agencies, the development of appropriate local capacity for the manufacture, installation, maintenance and operation of renewable technologies such as bio-digesters, solar systems, turbines and other renewable energy technologies;
- (p) Promote international co-operation programmes focusing on renewable energy sources;
- (q) Harness opportunities offered under clean development mechanism and other mechanisms including, but not limited to, carbon credit trading to promote the development and exploitation of renewable energy sources;
- (r) Promote the development of electricity generation through co-generation by sugar millers;
- (s) Provide technical and other capacity building support to County Governments in the discharge of the function of electricity reticulation and energy regulation; and
- (t) Undertake any other duty or perform such other function as may be necessary for the execution of its mandate under this Act.

(c) Key Management

The day to day management of the Corporation is under the following;

- i. Board of Directors
- ii. Chief Executive Officer
- iii. General Managers
- iv. Managers.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were;

No.	Designation	Name
1	Chief Executive Officer	CPA Peter K Mbugua
2	G.M. Corporate Services	CS Dr. Rose Mkalama
3	G.M. Power Distribution and Regional Coordination.	Eng. Esther Ruto
4	G.M. Strategy and Business Development	David Gitonga

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5	Manager Finance & Accounts	CPA Davis Cheruiyot
6	Manager Administration	Elizabeth Onoka
7	Manager Legal Department	Sharon Tugee
8	Manager ICT	Alex Kangethe
9	Manager Human Resource	Evelyne Koech
10	Manager, Advocacy, Public Education & Awareness.	Wangari Githii
11	Manager, Research, Monitoring and Evaluation	Wilfred Oduor
12	Manager Procurement	Joel Omusebe
13	Manager Process Audit	CPA Emmanuel Odera
14	Manager Renewable Energy	Eng James Muriithi
15	Principal Officer, Constructions	Eng Joni Anyango
16	Member, S4/Hanna Implementation Team	Eric Jaoko
17	In charge of Audit issues, both internal and external	CPA. Joan Ritho
18	Manager, Strategy Planning	CPA. Francis Mutua
19	Manager Renewable Energy, Research & Innovation	Eng. Ephantus Kamweru
20	Manager Business Development	Edward Gakunju
21	Lucky Limo Rono	Ag. Corporation Secretary

(e) Fiduciary Oversight Arrangements

The oversight for financial management is vested in the three Board Committees as discussed below;

Audit Committee

The Audit Committee is basically the watchdog for the Corporation. It ensures that all the systems in the Corporation are functioning properly. The main terms of reference as provided for in the Board manual are as follows;

- (i) Support the Board of Directors in reviewing the effectiveness of the Corporation's processes of Corporate Governance;
- (ii) Review the annual financial statements and consider whether they are complete, consistent and reflect appropriate accounting principles and make appropriate recommendations for necessary action;

- (iii) Recommending financial statements to the Board for approval before submission to the Controller and Auditor General for audit;
- (iv) Review the result of the audit on the financial statements by the External Auditor or any other inspector or investigator engaged by REREC;
- (v) Consider the effectiveness of the REREC internal control systems established by management to ensure compliance with policies, laws and regulations;
- (vi) Review the risk management framework and assess policies and controls developed by Management for risk assessment and risk management;
- (vii) Review and approve the internal audit plan, charter and manual.
- (viii) Review the activities, organizational structure and qualifications of the internal auditors;
- (ix) Assess managements' action on significant findings and audit recommendations and ensure that action taken is adequate to maintain the integrity of the financial systems.

In addition to the Terms of Reference, the committee also has an Audit Committee Charter that defines how they are supposed to execute their responsibilities.

Finance Committee

The committee is responsible for Financial Management and proper resource allocation in the Corporation.

The Terms of reference of the committee are as follows;

- (i) Develop and recommend to the Board the Corporation's Annual Budget;
- (ii) Develop, review and approve major changes in the Corporation's accounting policies;
- (iii) Oversee the preparation of year-end financial statements of the Corporation;
- (iv) Develop strategies aimed at achieving financial sustainability for the Corporation;
- (v) Consider and recommend to the Board Banking facilities and Corporation levels;
- (vi) Ensure proper financial management systems are in place;
- (vii) Develop a financial monitoring system for the Organization

Procurement Oversight Committee

The overall responsibility of the committee is to ensure that the annual procurements undertaken by Management are able to support the annual business plans for the Corporation. The Terms of Reference are provided for in the Board manual and are summarized as follows;

- (i) Discuss and propose to the Board the Corporation's annual procurement plan for approval
- (ii) Review of the annual procurement plan when need arises.
- (iii) Ensure adherence to the procurement plan
- (iv) Ensure that the Corporation's procurement plan is capable of enabling the Corporation achieve its mandate.

- (v) Monitor the implementation of the procurement plan to ensure that it conforms to the approved budget.
- (vi) Ensure that procurement reports are submitted to the Board.

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

Kawi House
Red Cross road
P.O Box 34585-00100
NAIROBI

(g) Entity Contacts

Telephone: (254) 709 193 000
E-mail: info@rerec.co.ke
Website: www.rerec.co.ke

(h) Entity Bankers

1. The Co-operative Bank of Kenya Ltd
P.O. Box 48231 – 00100
Nairobi Business Centre
NAIROBI

Kenya Commercial Bank of Kenya Ltd
P.O Box 69695-00400
Milimani Branch
NAIROBI

Standard Chartered Bank Kenya Ltd
P.O Box 98683-80100
Kenyatta Avenue Branch
NAIROBI

CFC Stanbic Bank Kenya Ltd.
P.O Box, 72833-00200
Upper Hill Branch
NAIROBI

Equity Bank Kenya Ltd
P.O Box 75104-00200
Equity Centre Branch
NAIROBI

National Bank of Kenya Ltd
P.O Box 38645-00100
South C-Red Cross Branch
NAIROBI

Citi Bank N.A Kenya
P.O Box 30711-00100
Citibank House
NAIROBI

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(i) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(j) Principal Legal Adviser

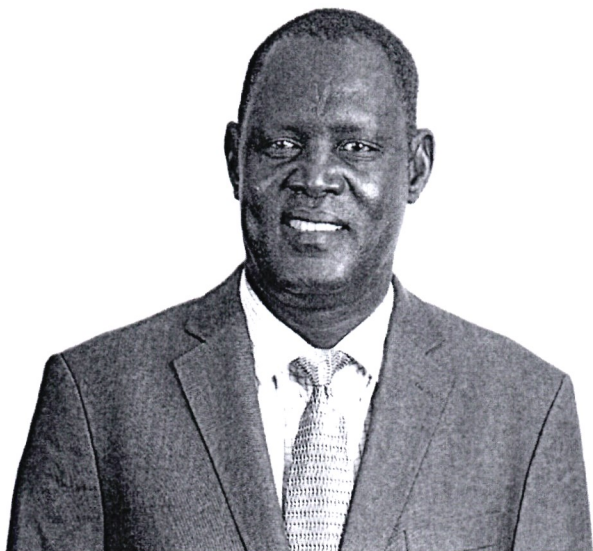
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

2. THE BOARD OF DIRECTORS

1.	 Dr. Simon Gicharu (CBS) – Chairman of the Board Of Directors	Dr. Simon N. Gicharu was born in the year 1962. He was re-appointed as a non-executive chairman of the Corporation on 08/02/2019 for a period of three (3) years up to 07/02/2022. He holds a Bachelor of Education Science degree from Kenyatta University, and a postgraduate certificate in Managing Enterprise Development from Cranfield University, Britain. He is also a published author in Mathematics. He has previously served in the Government in a similar capacity at the Geothermal Development Company. He is a career educationist and entrepreneur, and is the founder and chairman of Mount Kenya University, which is Eastern and Central Africa's largest private institution of higher learning. Dr. Gicharu is also a board member of Thika Water and Sewerage Company and the patron of the Inter-Universities Root Moot Court by the Kenya National Scouts Association.
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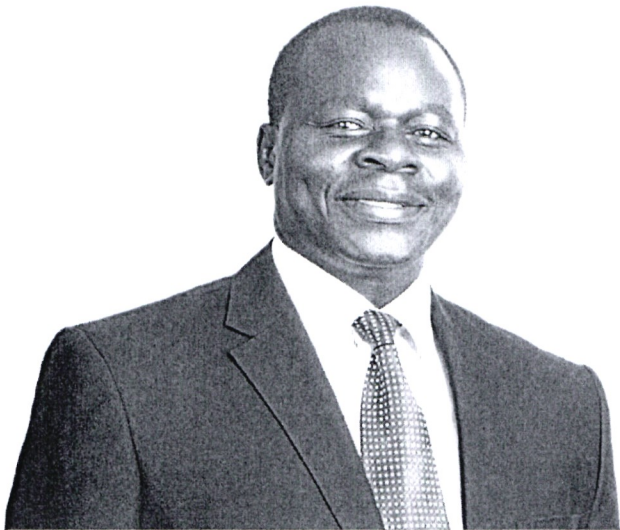
2.	 Dr. Julius Muia - Principal Secretary, The National Treasury	Dr. Julius Muia is the Principal Secretary at The National Treasury. Prior to this, he was the Principal Secretary at the State Department for Planning - The National Treasury and Planning. Before his appointment as PS Planning, he was the Director General, Vision 2030 Delivery Secretariat which operated under the Office of the President, Republic of Kenya to facilitate the implementation of Vision 2030. An alumnus of the University of Nairobi's School of Business, Dr Julius Muia graduated with a First Class Honours Degree in Accounting; Masters Degree and PhD in Finance from the same university. His professional qualifications include: Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach.
3.	 Dr. Eng. Joseph K. Njoroge (CBS) - Principal Secretary, Ministry of Energy	Dr. Eng. Joseph K. Njoroge was born in the year 1958. He is the Principal Secretary, Ministry of Energy & Petroleum. Before joining the Ministry, he worked in Kenya Power as the Managing Director. He has wide range of experience in power engineering and management of the power sector, having joined Kenya Power in 1980 and serving in various senior positions prior to his appointment as the Principal Secretary, Ministry of Energy.

		Dr. Eng is a holder of a PhD in Business Administration and a BSC in electric Engineering
4.	 Eng. Benson Kamau Kariuki PEng, MIEK, MNQI, MAEE, CEM	Eng. Benson Kamau Kariuki was born in the year 1959 He was appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years up to 07/02/2022. He holds a MSc. Degree (Environmental Engineering) (Built Space Environment) (CNAA-UK - 1990) He is the Chairman of the Procurement Oversight Committee and a member of both Strategy and Project implementation Committee and Audit Committee of the Board.
5.	 Mr. Alex Kiptekwei Chesosi	Mr. Alex Kiptekwei Chesosi was born in the year 1976. He was appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years up to 07/02/2022. He is currently pursuing MBA Degree (Public Policy and Management) at Stratmore Business School; He holds a Bachelor of Commerce Degree (Management Option) Catholic University of Eastern Africa in Nov. 2017; Diploma in Travel Operations from Kenya Utalii College in Sept. 1997. He is the Chairman of the Strategy and Project Implementation Committee and a member of both the Procurement Oversight Committee and Human Resource Committee of the Board.

6	 Mrs. Beatrice C. Kemei	Mr. Beatrice C. Kemei was born in the year 1969. She was appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years up to 07/02/2022. She holds an MBA Degree (Environmental Planning and Management) - Kenyatta University - 2014-2015 Bachelor of Education Degree (Arts) - Kenyatta University - 1990-94 She is the Chairperson of the Human Resource Committee and a member of both the Finance Committee and Audit Committee of the Board.
7.	 Hon. Nicholas Ngikor Nixon	Hon. Nicholas Ngikor Nixon was born in the year 1976. He was appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years up to 07/02/2022. Degree of Bachelor of Arts in Leadership Management - St. Pauls University - 2-14-2017; Diploma in Community Based Project Planning and Management C.B.P.P.M. He is a member of both the Audit Committee and Procurement Oversight Committee of the Board.

8.	 Mrs. Josephine Waceke Muritu	Mrs. Josephine Waceke Muritu was born in the year 1974. She was re-appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years. She chairs the Finance committee of the board and is also a member of the Human Resource Committee. She is the Senior Legal Counsel, in charge of legislative drafting, Conveyancing and Contract negotiations in the County Government of Kiambu. She holds Bachelor of laws degree (LLB) from University of Nairobi, Diploma in Laws from Kenya School of Law and she is currently pursuing a Master Degree in Organizational Leadership from Africa International University, Kenya. Mrs. Muritu is a member of the Law society of Kenya and an Advocate of the High Court of Kenya
	 Hon. Bernard Bett	Hon. Bernard Bett was born in the year 1981. He was appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years up to 07/02/2022. He is currently Pursuing Master of Philosophy in Economics from Moi University, Eldoret and Bachelors of Education Degree from Moi University, Eldoret (2002-2006)

		He is the Chairman of the Audit Committee, a member of Finance Committee and Human Resource Committee of the Board.
10.	 Mr. Ezekiel Weya	Mr. Ezekiel Weya was born in the year 1968. He was appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years up to 07/02/2022. He holds BSc. (Hons) Mechanical Engineering (UON) – 1984, and Bachelor of Commerce (Accounting) from University of Poona India in 1991. He also holds MBA (Finance Option) from University of Poona India in 1994; He is a member of both the Procurement Committee and the Strategy and Project Implementation Committee of the Board.
1.	 Hon. George Oner Ogalo	Hon. George Oner Ogalo was born in the year 1976. He was appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years up to 07/02/2022. He holds a BSc (Eng) Surveying - University of Nairobi - 1996-2001. Currently pursuing a MSc, Degree (Information Systems) University of Nairobi - June 2004 to Present; He is a member of both the Audit Committee and Strategy and Project Implementation Committee of the Board.

12.	 Mr. Elly Ongei {Alt. PS Treasury	Mr. Elly Ongei was born in the year 1965. He was appointed to the Corporation Board as alternate director to CS National Treasury, on 08/02/2019 up to 06/12/2019. He holds Bachelor of Arts in Economics (Second Class Upper Division) from Lucknow University (1989-1992), and Masters In Economics (Second Division Upper) from Lucknow University (1992-1994). He is a member of both the Strategy and Project Implementation Committee and the Finance Committee of the Board.
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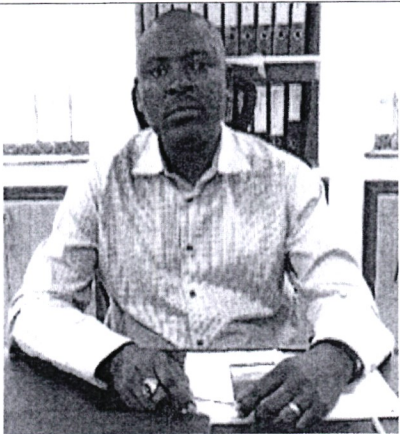
3. MANAGEMENT TEAM

1  CPA Peter Mbugua Chief Executive Officer	CPA Peter Mbugua assumed the position of CEO on 20th December 2017. Prior to that, he was the Manager Finance. He holds an MBA (Finance) and a Bachelor of Commerce (B.COM) Hons from University of Nairobi. He has worked with Telkom Kenya as head of treasury and assistant manager. Peter is a Certified Public Accountant and has been an active member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is also a finalist of Certified Public Secretaries of Kenya (ICPSK).
2  Rose N. Mkalama General Manager Corporate Services	CS Dr. Rose Ndanu Mkalama assumed the General Manager in May 2018. Dr. Mkalama is charged with the responsibility coordinating, managing all support departments; namely Finance & Administration, ICT, Human Resources, Corporate Communication, Legal. Her responsibilities are ensuring that implementation of REA projects are well supported enabling achievement of REA objectives efficiently. She holds a PhD in Business Administration (Strategic Management), a Masters of Business Administration and a Bachelor's degree in Laws all from the University of Nairobi. Kenya She is also a Certified Utility Management Specialist from Water Engineering and Development Centre of the University of Loughborough in the United States of America, an advocate of the High court of Kenya and a Certified Public Secretary of Kenya form the Institute of Certified Secretaries of Kenya (ICPSK).

Eng. Esther C. Ruto General Manager, Power Distribution and Regional Coordination.	Eng. Esther Chelangat Ruto assumed the position of General Manager, Technical Services in the Corporation in May 2018. She is in charge of Design Department, Construction Departments and Renewable Energy Departments, which handles, design, implementation and monitoring of all grid connected projects requiring electricity, and managing the resources within the Directorate. Other activities include Policy guidelines. She holds a Master of Science in Energy Management and a Bachelor of Science degree in Electrical Engineering, from The University of Nairobi, Kenya.
David Gitonga (MCiarb) G.M. Strategy and Business Development	Mr. David Gitonga is a Member of Chartered Institute of Arbitrators both nationally and globally and SSAFE certified by the United Nation department of security and safety. His experience cuts across public sector management, business development and international development specifically in sub-Saharan Africa on diverse socio-economic sectors. He holds a Bachelor of Science in Civil Engineering degree (Hons) from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Master's Degree in Integrated Water Resources Management from University of Dar es salaam and currently Pursuing Doctor of Philosophy (PhD) in Disaster Management and Humanitarian Assistance at Masinde Muliro University of Technology (MMUST). He assumed the position of General Manager, Research, strategy and planning in May, 2018. He is responsible for driving the Corporation core business of rural electrification through applied research and strategy development, Planning and evaluation of project impacts, development of alternative revenue streams and management of corporate quality management system and risk management.

5  CPA Davis Cheruiyot Manager Finance & Accounts	CPA Davis Cheruiyot assumed the position of Finance and Administration manager in May 2018 He is in charge of Finance, Administration and Security departments. He holds a Master of Science in Finance and Investment (MSFI), Bachelor of Business Administration -Finance & Accounting both from Kenya Methodist University (KEMU). Certified Public Accountant and member of ICPAK
6  Elizabeth Onoka Manager Administration	Elizabeth Onoka assumed the positions of Manager, Human Resource and Administration in 15th April 2008. She currently holds the position of Manager Administration w.e.f July, 2017. She is in charge of Administrative duties; office & Motor Vehicles maintenance. She has over 15 years' experience in human resource and administrative duties. She holds a Master's degree in Education (Planning and Administration) and Bachelor of education both from the University of Nairobi. Elizabeth is a member of Institute of Human Resource Management, in addition she holds a diploma in human resource development.
7  Sharon Tugee Manager Legal Services	Sharon Tugee assumed the position of Manager, Legal Services in May 2018. She is the Head of Legal department. She holds a Master of Laws (LL.M.) from the University of Nairobi, an LL.B. from Makerere University, Kampala and a postgraduate diploma in law (PGD) from the Kenya School of Law. Sharon is a member of the Law Society of Kenya.

8  Alex Kang'ethe Manager Information Communication Technology	Alex Kang'ethe assumed the position Manager ICT on 1 May 2018. He holds Master's Degree in Computer Science from the University of Nairobi and Bachelor of Science in Information Technology (Hons) from the Jomo Kenyatta University of Agriculture and Technology. He is currently pursuing PhD in Information from Kibabii University. He is a Cisco Certified Network Associate. He is a registered member of Computer Society of Kenya.
9  Evelyn Chepkorir Koech Manager Human Resource	Everlyn Chepkorir Koech assumed the position of Manager, Human Resource in May 2018. She is a full member of the Institute of Human Resource Management (IHRM). She is in charge of the Corporation's Human Resource Management through HR planning recruitment and selection, employee welfare, training and development programs and employee retention strategies. She holds an MBA (HRM) from Kabarak University and a Bachelor's Degree in Human Resource Management from Kenya Methodist University. She also holds a Diploma in Human Resource Management from the Institute of Human Resource Management.
1  Wangari Githii Manager, Advocacy, Public Education & Awareness.	Wangari Githii assumed the position of Manager Communications in 2008. She holds a BA (Hons) and a diploma in journalism. She is also a member of the Public Relations Society of Kenya.

 Wilfred Oduor Manager, Research, Monitoring and Evaluation	Wilfred Oduor assumed office in 15th April 2008. He is head of Supplies Management. He holds a Bachelor of Commerce (B.COM-) Hons. From Kenyatta University and a member of chartered institute of purchasing and supply (CIPS)
 Dr. Joel Omusebe Manager, Supply Chain Management	Joel Omusebe assumed office in April,2018 He is the head of Procurement Department. He holds a Bachelor of Arts and an MBA from the University Of Nairobi, and a member of chartered institute of purchasing and supply (CIPS), He is currently Pursuing Doctor of Philosophy (PhD) in Business Administration at JKUAT
 CPA Emmanuel Odera Manager, Process Audit	CPA Emmanuel J. Odera assumed the position of Manager, Internal Audit on 7th May 2018. He is in charge of internal audit strategies, plans, policies and systems, and supervises periodic reviews of both financial and non-financial operations. He holds an MBA (Finance) from University of Nairobi, Bachelor of Commerce (B.COM) Hons- Accounting Option, Certified Process Professional- CPP (UK). A CPA (K), Emmanuel has been an active member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is also a member of The Institute of Internal Auditors (IIA) and ISACA. He is currently pursuing Doctor of Philosophy (PhD) in Business Administration at University of Nairobi

 Eng. James Muriithi Manager Renewable energy	Eng. James Muriithi assumed the position of Manager Renewable Energy in July 2015. His responsibility is to formulate, develop and align Renewable Energy policies with the laws of Kenya and Corporate strategies & policies, plan, coordinate and program the implementing of the renewable projects as approved by Board. He is a holder of Master of Science (Renewable Energy Technology), Kenyatta University, Bachelor of Science in Mechanical Engineering, University of Nairobi, Registered Engineer and Member of Institute of Engineers of Kenya
 Eng. Joni Anyango K'Ondiek Principal Officer, Constructions	Eng. Anyango K'Ondiek assumed the position of Ag. Manager Construction in the Corporation in July 2014. He is in charge of implementation and monitoring of all grid connected projects requiring electricity, and managing the resources within the construction department. He holds a Master of Business Administration (Strategic Management) from Maseno University and a Bachelor of Science degree in Electrical Engineering, from University of Nairobi, Kenya.
 Eric E. Jaoko Member, S4/Hanna Implementation Team	Eric Jaoko assumed office in 15th April 2008. He is in charge of developing and implementing ICT plans on data, policies and procedures that support operations in the Corporation. He holds a bachelor of science in Computer Engineering

 CPA Joan Riitho In charge of Audit issues, both internal and external	CPA Joan Riitho assumed the position of Manager Internal Audit in August 2008, thereafter moved to Monitoring & Evaluation in August 2017 She is in charge of monitoring and evaluation of implemented projects. She holds an MBA and a Bachelor of commerce (B.COM) Hons. From the University of Nairobi. A CPA (K), Joan has been an active member of the Institute of Certified Public Accountants of Kenya (ICPAK) for the last 12 years. He is a member of The Institute of Certified Public Secretaries of Kenya (ICPSK).
 CPA Francis Mutua Manager, Strategy Planning	CPA, CS Francis Mutua assumed the position of Head of Corporate Planning & Strategy in September 2016. He is in charge of updating the Rural Electrification Masterplan, implementation of the Corporation 5 Year Strategic Plan, Award of Construction contracts, data management and monitoring and evaluation of projects. He holds an MBA (Finance) and a Bachelor of Commerce (B.COM) Hons. From the University of Nairobi. Certified Public Accountant CPA (K), Certified Secretary of Kenya (ICPSK), a Graduate of the World class Advanced Management Program (AMP) Strathmore Business School. He is currently pursuing PhD Degree in Business Administration at JKUAT
 Eng. Ephantus Kamweru Manager Renewable Energy, Research & Innovation	Eng Ephantus Kamweru assumed the position of Head of Research & Development in August 2015. He is in charge of Research & Development. He has a wealth of experience in consultancy & contracting in various sectors including Energy, GSM and Security among others. He holds a Master of Science Degree in Entrepreneurship from Jomo Kenyatta University of Agriculture & Technology and Bachelor of Science degree in Electrical Engineering, from University of Nairobi, Kenya. He is a registered Engineer, member of Institute of Engineers of Kenya (IEK), Member of Kenya Renewable Energy Association (KEREa) and licensed Technician (A1) with ERC.

2	 Edward Gakunju Manager Business Development	Edward Gakunju, assumed the office of Manager Business Development in May 2018. His responsibility is to mobilize additional resources for project implementation, build strategic partnership with development partners, and execute signed financing agreement with development partners. He is a holder of a Masters of Degree in Economic Policy Management (EPM), Makerere University and a Bachelor of Degree in Economics, University of Nairobi.
2	 CS. Lucky Rono Limo Ag. Corporation Secretary	Cs. Lucky Rono Limo is currently the Ag. Corporation Secretary. Before joining the Corporation, he worked at Kenya Power as the Principal Legal Officer. He has wide range of experience in the Energy Sector. He is widely trained in various areas of public sector management, development and implementation of public policy, general management, good corporate governance, project planning and management, contract preparation and management, negotiation skills, Public Private Partnerships (PPP's). He is a holder of a Bachelor of Commerce (B.com) Degree, Bachelor of Laws (LLB) degree and a Master's degree in Management and Leadership. Currently undertaking his PHD in Management and Leadership from Management University of Africa. He is a Certified Secretary (CS) by the Institute of Certified Secretaries of Kenya and also possess a post graduate Diploma from the Kenya School of Law. A Member of the Law Society of Kenya and the institute of Certified Secretaries of Kenya.

4. CHAIRMAN'S STATEMENT

Introduction

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements for Rural Electrification and Renewable Energy Corporation (REREC) for the year ended 30th June 2020.

Establishment of the Rural Electrification and Renewable Energy Corporation

During the year under review, the Rural Electrification Authority (REA) transited to Rural Electrification and Renewable Energy Corporation (REREC) through the Energy Act of 2019. The act has given REREC an expanded mandate on renewable energy development while giving a renewed focus on research, development, promotion and use of Renewable Energy. In effect the Corporation's mandates have increased from six to twenty.

Electrification of Public Facilities and the Last Mile Programme

During the year under review, the Corporation's focus continued to be on electrification of public facilities and installation of extension transformers under the last mile / maximization programme. As at 30th June 2019, a total of 223 public facilities including markets, health centers, primary and secondary schools were electrified. These had 4,217 new customers/households connected to electricity during the year. By June 2019, about 268 schools had been identified for electrification (179 to be done on grid and 89 on solar), these are expected to be completed during the FY2019/20 alongside other public facilities identified for electrification.

Under the Last Mile Constituency Transformers programme, REREC installed 451 new transformers and maximized them by connecting 4,217 customers within their vicinity. The Corporation also completed construction of 18 of the 25 no. Mini grids in off-grid areas started in previous financial year.

Garissa 54.6 MW Solar Power Plant

REREC completed and commissioned the 54.6 mw Solar Power Plant in Garissa County, in November 2018. The clean green energy power plant is in production and connected to the national grid increasing the country's power supply.

Financial Performance

The Corporation received a total of Kshs. 8.5 Billion during the year under review out of which Ksh.7.3 Billion was funded by the GOK and the balance of Ksh.1.2 Billion was raised through donor funds,

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partnerships with counties, constituencies as well as generated internally. These receipts were used to fund the recurrent (9%) and development expenditure (91%).

Future Prospects

The Corporation remains committed to the continued electrification of the rural population. Going forward, particular attention will be given to the use of renewable energy from solar, wind and other sources.

Appreciation

I wish to thank my colleagues in the Board for their support and the staff of the Corporation for their efforts during the year that has ensured that the Corporation meets its objectives. In addition, I wish to thank the Government for its continued support to REREC during the year.

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Prof. SIMON GICHARU, CBS
CHAIRMAN

5. REPORT OF THE CHIEF EXECUTIVE OFFICER

Introduction

Electrification of Public Facilities and Development of Renewable Energy Sources

During the Financial period, GoK allocated KShs 1.47B for electrification of Public facilities in the Country including Markets, Villages, and Health Centers, public Primary and Secondary Schools and Administration offices among others. A total of 223 such facilities were completed during the year.

Last Mile project (Constituency Transformer project)

REREC's Last Mile project involves extending short High Voltage (HT) lines and mounting a transformer or mounting a transformer online and maximizing it (connecting customers within its vicinity) under the Constituency Transformers programme.

In 2018/19 REREC was allocated KShs 800 Million to maximize transformers in Constituency's with projects being identified by MPs. A total of 413 projects were picked for consideration from 920 forwarded by MPs. Out those picked, 68 were designed for implementation while others were either in design or could not be implemented either due to scope or found to be on supply.

In electrification of Off-grid areas, 18 Solar Power mini grid projects were completed for Public facilities and household connections.

Garissa 54.6 MW Solar Power Plant

REREC completed the 54.6 mw Solar Power Plant in Garissa County. This is a grid interconnected Solar Power Plant Project whose construction commenced in June 2017 and is the largest Solar Power Plant in East and South of the Sahara Africa.

Financial Performance

The Corporation continues to pursue prudent financial management policies as attested to by the financial results herein. As highlighted by the Chairman, out of the total receipts of KShs 13.8 Billion during the year, 96% was channeled to capital expenditure while 4 % was utilized on recurrent expenditures.

Customer Focus

During the year, the Corporation continued its efforts towards ensuring the customer needs were continuously identified and met. The results of the internal ISO quality audits reflect positively on the Corporation's intent to ensure that its customers and other stakeholders are aware of the Corporation's procedures and systems and have access to the pre-defined mechanism of channelling their concerns.

Our Employees

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Our staffs remain the greatest asset of the Corporation. The Corporation will continue to build on the commitment of the staff through facilitating continuous professional development as well as structured remuneration to ensure that they remain motivated in line with the Corporation's staff retention policy.

Future Outlook

REREC's target is to electrify all the remaining un-electrified public facilities and households within their vicinity by the end of 2020/21 financial year. This will be done alongside the last mile project launched by His Excellency the President in May 2015

Appreciation

I wish to salute the selfless, committed, passionate and dedicated staff who worked round the clock to ensure that they at all times achieve and even surpass set targets. Any form of achievement can only be made through commitment, hard work and self-sacrifice. My sincere gratitude also goes out to the Rural Electrification and Renewable Energy Corporation Board of Directors for the continued support accorded to us throughout this process. We are also indebted to the Government and the Ministry of Energy for their support that has ensured successful implementation of the Authority's mandate



CPA. PETER MBUGUA

CHIEF EXECUTIVE OFFICER

6. REVIEW OF RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION'S PERFORMANCE FOR FY 2019/2020

The Corporation has strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

- Pillar 1: Renewable Energy development
- Pillar 2: Electricity Connectivity
- Pillar 3: Renewable Energy Research and Development
- Pillar 4: Renewable Energy Research and Development
- Pillar 5: Human Resource and institutional Capacity
- Pillar 6: Financial Sustainability

The Corporation develops its annual work plans based on the above 6 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Corporation achieved its performance targets set for the FY 2019/2020 period for its five strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Renewable Energy development	To develop and promote the use of renewable energy	No. of. Renewable Energy Sources	- undertake Joint Mapping of the Renewable Energy Resources in the counties - Develop and update the RE (Renewable Energy) Master plan - To Support the establishment of energy Centres in the counties - To establish renewable energy minigrids in off grid areas	- Alternative Energy Department has commenced mapping of Renewable Energy Resources as they are being implemented - RE(Renewable Energy) projects database is being developed and updated - REREC is taking over 16 Energy centres& in discussion with several counties to set up Energy Centres - REREC Has developed 26 Minigrids in off- grid counties. one called Buna in Wajir North has been contracted and is ongoing implementation
Pillar 2: Electricity Connectivity	To increase electricity connectivity	- No.of Electricity Connections of Public Facilities - No.of Households	Connection of public Facilities and the Households that are within a radius of 600 metres from the grid	A total of 652 public facilities and transformer projects Energised in the Financial Year

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		connected to Electricity		A total of 18908 households connected in the Financial year
Pillar 3: Renewable Energy Research and Development	To promote Research and Development in Renewable Energy	No. of Research and Development programmes carried out in Renewable Energy	- Carry out a baseline to establish the existing research Institutions and their scope of activities. - To participate in selected Renewable Energy collaborations	- Baseline studies done and Research institutions established - Research collaboration signed with JKUAT , Nuclear Power and Energy Agency (NuPEA)
Pillar 4: Strategic Collaborations	To establish strategic collaborations with stakeholders	No. of Strategic collaborations carried signed off and executed	- To develop a collaboration framework with the county governments - Sign off working collaborations with Counties - Development of Proposals for collaboration	- REREC has developed collaborative frameworks with the counties of Vihiga, Bungoma and Kiambu counties - Over 300 Proposals done to various stakeholders for Collaboration
Pillar 5 : Human Resource and institutional Capacity	To build human and strengthen institutional capacity	% of Human Resource complement trained or developed in relevant fields % of automation of business processes % of Customer satisfaction attained % of Employee Satisfaction attained	- Recruitment of qualified staff - Automation of the key activities of the Corporation - Resolution of Customer complains and quarterly reporting to the CAJ	- The Corporation is in the process of Recruiting 234 Staff to build the Human Resource capacity and implement the enhanced mandate as per the Energy Act 2019 - The Corporation is at the Realise phase to update the SAP system to S4HANNA system - The Corporation was ranked Good in the current Evaluation by the Commission of Administrative justice (CAJ) - Staff are regularly engaged by Heads of Departments and HR to

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			Employee Satisfaction Surveys done / Face to Face discussions	gauge their level of Job Satisfaction
Pillar 6: Financial Sustainability	To achieve financial sustainability	% of Fund generated by the Corporation compared to Exchequer remittances	- Prioritize revenue generating options - Develop financing Proposals (Investor Pack) - Ensure effective collection of the 5% Electricity - optimize the materials stock levels in REREC Stores - Register potential CDM projects and seek Board approval	- REREC has mobilised Kshs 129.7 Million from Counties and Constituents for shilling to Shilling collaboration on electrification of Public facilities - REREC has developed and shared with Investors 17no. Value propositions - Submission of the REP Fund by KPLC is incorporated in the Service Level Agreement - Supply chain has analysed all materials in the stores for optimal implementation of Projects - The Kenya Off grid Access project (KOSAP) funded by The World bank is a pioneer project for REREC to benefit from the Clean Development Mechanism

HOW REREC HAS TIED ACHIEVEMENTS TO PERFORMANCE CONTRACTS

The five year Strategic Plan is the Medium term drive of the Pillars, vision and Mission of the Corporation. The Strategic objectives are the building blocks of the Performance contract which is developed and signed annually between the Ministry and the Board of Directors of REREC. This is the Annual plan which is cascaded down to all Departments through Annual work plans signed off as Performance contracts which are evaluated Quarterly to measure levels of achievement and corrective action taken.

7. CORPORATE GOVERNANCE STATEMENT

Introduction

The Rural Electrification and Renewable Energy Corporation (REREC) was established under Section 43 of the Energy Act of 2019. The Authority's mandate is set out under section 44 of the Act which states that the Corporation is set up to:

- (a) Oversee the implementation of the Rural Electrification Programme;
- (b) Manage the Rural Electrification Programme Fund established under section 143;
- (c) Source additional funds for the Rural Electrification Programme and renewable energy;
- (d) Develop and update the rural electrification master plans in consultation with County Governments;
- (e) Develop and update the renewable energy master plan taking into account county specific needs and the principle of equity in the development of renewable energy resources;
- (f) Support the establishment of energy centres in the counties;
- (g) Establish framework for collaboration with County Governments in the discharge of its mandate;
- (h) Undertake on-farm and on station demonstration of wood-fuel species, seedling production and management;
- (i) Undertake feasibility studies and maintain data with a view to availing the same to developers of renewable energy resources;
- (j) Develop, promote and manage in collaboration with other agencies, the use of renewable energy and technologies, including but not limited to biomass (biodiesel, bio-ethanol, charcoal, fuel-wood, biogas) municipal waste, solar, wind, tidal waves, small hydropower and co-generation but excluding geothermal;
- (k) Formulate, in conjunction with the Agency, a national strategy for coordinating research in renewable energy;
- (l) Undertake, in conjunction with the Agency, research, development and dissemination of appropriate renewable energy technologies;
- (m) Provide an enabling framework for the efficient and sustainable production, conversion, distribution, marketing and utilization of biomass, solar, wind, small hydro's, municipal waste;
- (n) Promote, in conjunction with the agency responsible for forests, the use of fast maturing trees for energy production including bio-fuels and the establishment of commercial woodlots including peri-urban plantations;
- (o) Promote, in collaboration with other agencies, the development of appropriate local capacity for the manufacture, installation, maintenance and operation of renewable technologies such as bio digesters, solar systems, turbines and other renewable energy technologies;
- (p) Promote international co-operation programmes focusing on renewable energy sources;

- (q) Harness opportunities offered under clean development mechanism and other mechanisms including, but not limited to, carbon credit trading to promote the development and exploitation of renewable energy sources;

- (r) Promote the development of electricity generation through co-generation by sugar millers;
- (s) Provide technical and other capacity building support to County Governments in the discharge of the function of electricity reticulation and energy regulation; and
- (t) Undertake any other duty or perform such other function as may be necessary for the execution of its mandate under this Act.

Corporate Governance Practices

Corporate governance refers to the manner in which the power of any organization is exercised in the stewardship of the organization's total portfolio of assets and resources with the objective of maintaining and increasing the satisfaction of the stakeholders, in the context of the corporate Vision and mission. The Board of directors and Management of REREC acknowledge that the Corporation, as an agent of Government, manages public funds while electrifying rural areas which require a high degree of accountability. In order to achieve its mandate, and to properly report back to the owners on how well it has utilized public resources, the Corporation has developed and embraced the ethos of good corporate governance. To this end, the Corporation has taken deliberate measures to ensure that levels of governance in the Corporation are in line with accepted good governance standards. The main corporate Governance practices and structures are set out in this statement.

Appointment of Directors

The Board of Directors of the Corporation is appointed pursuant to Section 12(1) of the Energy Act 2019. This section also sets out mandatory qualifications that individuals must possess to qualify for appointment as directors. The chairman is appointed by the President of the Republic of Kenya to serve for five (3) years and may be re-appointed for one further term of three (3) years. Directors are appointed by the Minister of Energy for a three (3) year term but can subsequently be re-appointed for a further term of three years.

The Board consists of eleven (11) directors. Two are drawn from Government that is, the Permanent Secretary, Ministry of Energy and the Permanent Secretary, Ministry of Finance. The chairman of the Board and the other eight (8) directors are drawn from both the private and public sector. This provides the necessary mix of skills, experience and expertise to the Board that are required to propel the Corporation towards meeting its Legal mandate of spearheading Kenya's renewable energy drive, in addition to implementing rural electrification projects.

Interfaces between the Corporation and Government

The Corporation is a State Corporation pursuant to the State Corporations Act. It is a body corporate, governed by the principles of Corporate Governance but being a State Corporation established by an Act of Parliament, it does not have shareholders as defined in the Companies Act, Chapter 486. The equivalent to shareholders is the Government, which under the State Corporations Act, has the ultimate legal authority over State

Corporations. To ensure proper linkages with Government and proper information flow, the Permanent Secretary, Ministry of Finance and the Permanent Secretary, Ministry of Energy are Board members while the Inspector General (Corporations), Inspectorate of State Corporations, attends Board and Committees meetings on invitation. The three are able to give policy direction to the Board to ensure decisions made by the Board are in tandem with Government policy. The Board also, in keeping with Government policy, consults widely with Treasury and the State Corporations Advisory Committee (SCAC) through the parent ministry from time to time and is keen to implement guidelines that are issued by Government from time to time through circulars.

Board Manual, Board Charter and Code of Ethics

The Board acknowledges that it is the custodian of good corporate governance in the Corporation, and it has the responsibility to ensure that proper Governance Structures are developed and properly implementation to this end, it has put in place structures both at the strategic and operational level to support good corporate governance in the Corporation. At the operational level, all systems and procedure manuals are in place and are continuously monitored through the various Board Committees. In order to guide its business, the board operates in accordance with the principles set out in its Board manual, Board Charter and Code of ethics and conduct.

Board Manual

This is a reference guide for Directors of the Corporation. It seeks to expound and explain the collective and individual powers, duties, obligations, responsibilities and liabilities of Directors. It also highlights the requirements of good Corporate Governance which are necessary to bring the standards of Corporate Governance in the Corporation up to International best practice. Specifically, the Board Manual clearly spells out the roles and duties of the Chairman, Directors, CEO and Management; the liabilities of directors; the interface between the Government and the Corporation; procedures and conduct of meetings; terms of reference of various Board committees; capacity building of Directors and evaluation of the performance of Directors. The Manual also elaborates the key tenets of Corporate Governance.

Board Charter

The Charter seeks to facilitate the effectiveness of each Director's contribution, consistent with the standards of independent judgement, ethics and integrity that Directors are expected to observe as they provide leadership in achieving the Authority's mandate as articulated in Section 67 of the Energy Act, 2006. By abiding to the Charter and living the values of the Authority, the Board has committed that it will provide leadership and strategic direction to the staff in achieving the Vision and Mission of the Authority. In summary, the charter covers the following; that Directors shall always act in the interest of the Authority; have commitment to attend meetings and to meaningfully contribute to matters before the Board; uphold the core values of the Corporation; observe confidentiality; be committed to Board evaluation at the end of every year; be responsible

to all stakeholders including staff and observe proper financial management of the public funds bestowed on them.

Code of Ethics and Conduct for Directors and Staff

A Code of Ethics and Conduct for Directors and staff have been developed and signed by all directors and staff as a demonstration of individual commitment in upholding good corporate governance. The code sets out the ethical rules that govern the conduct of individual Directors and staff which are considered essential in providing guidance and direction in the manner in which members of the Board and staff is expected to conduct themselves when handling matters relating to the Corporation.

It is intended to establish standards of ethical conduct and behavior for both the staff and the Board of Directors of the Corporation, so as to maintain integrity and impartiality in the provision of services to members of the public. The main areas in the code include; to always uphold good faith and act honestly; to always promote and practice fairness to all stakeholders in the course of executing their mandate; to have integrity and to always declare interest whenever there was an issue related to him/her that is before the Board; upholding confidentiality in matters of Corporation that come to their attention by virtue of their positions as staff or directors; not involving themselves in any business transaction with the Corporation; not to misuse Corporation property; compliance with Corporation policies and being sensitive to the customers that they serve.

The Roles and Responsibilities of the Chairman

The Chairman of the Board who served during the year under review was Dr. Simon Gicharu. The Chairman provides the required leadership to the Board and manages the affairs of the Board with the assistance of the Chief Executive Officer. The main duties of the chairman include; Provision of overall leadership to the Board and chairing all board meetings; setting the agenda for meetings in consultation with the CEO and efficiently conducting board meetings; harnessing the collective skills of the board and executive team; creating teamwork among Directors and also between the Directors and Management; ensuring new directors are properly inducted; encouraging directors to fully participate in board deliberations; overseeing the development of the Board's annual business plan and preparation of the Corporation's annual Performance Contracts; ensuring that there are constant strategies for monitoring and evaluating the effectiveness of the Board, the Chairman, individual Directors, senior management and the entire Corporation; acting as an informal link between the Board, Management and Government.

The Roles and Responsibilities of the Board

The functions of the Board are strategic in nature in that they provide overall leadership to management to ensure that the Corporation is at all times on course in achieving its mandate. The Board of the Corporation is mandated to exercise all the powers of the Corporation within the framework of the Energy Act and the laws

and regulations that regulate State Corporations, in particular the State Corporations Act, Chapter 446. The main functions of the Board include;

- (a) Manage, supervise and administer the assets of the Agency in such a manner as best promotes the purpose for which it is established;
- (b) Determine the provisions to be made for capital, recurrent expenditure and reserves of the Agency;
- (c) Receive any grants, gifts, donations or endowments on behalf of the Agency and make legitimate disbursements there from;
- (d) Open a banking account or bank accounts for the funds of the Agency;
- (e) Approve the annual work plan including the short and long term programs of the Agency; and
- (f) Any other function that enhances or adds value to the proper performance of the Agency.

The Directors who served during the year under review were Dr. Simon N. Gicharu (Chairman), Dr.Eng. Joseph Njoroge (PS, MOE), Mr. Evans Mutari (Alternate to PS-MOE), Dr. Julius Muia (PS, National Treasury), Mr. James Mugambi (Alternate PS, Treasury) Eng. Benson Kamau Kariuki, Mr. Alex Kiptekwei Chesosi, Mrs. Josephine Muritu, Mrs. Beatrice C. Kemei, Hon. Nicholas Ngikor Nixon, Hon Benard Bett, Mr. Ezekiel Weya, and Hon. George Oner.

The Roles and Responsibilities of the Chief Executive Officer

The Chief Executive Officer (CEO) who served during the year under review was Mr. Peter Mbugua. The CEO is the Corporation's most senior employee. The main responsibilities of the CEO are set out in the Board manual and are summarized as follows; recommending policy, strategic direction and business plans for Board approval; in charge of the day to day running of the Corporation implementing Board decisions; submitting reports on the performance of the Corporation to the Board; implementing the corporate Strategic plan; submitting financial reports to the Board for approval before audit; preparing and implementing the annual performance contract for the Corporation; Developing all the systems and procedures and recommending them to the Board for approval; Preparation of quarterly Performance contract reports; procurement of goods and services; preparation of funding proposals; attending to staff matters; ensuring that a proper training programme for the staff and the Board is in place and properly implemented; ensuring that the Authority has the right staff at all times; putting in place a proper succession plan; ensuring that there is a good working environment for staff; acting as the link between the Board and the staff; communicating Board decisions to staff and creating teamwork work among the staff and also between the Board and management.

The Roles of the Authority Secretary

CS Lucky Rono served as the Corporation secretary during the year under review. The duties of the Corporation secretary are enumerated in the Board manual as follows; in consultation with the CEO; provision of secretarial services to the Board and Board committees; Organizing Board and Board committee meetings

; advising management on content and organization of memoranda or presentations to the Board meetings; Circulating Board papers to directors in good time to ensure that directors have sufficient time to prepare for Board and Board committee meetings; ensuring that minutes are taken in all meetings and that the minute books are properly maintained; ensuring that all Board committees are properly constituted and provided with clear terms of reference; ensuring that the Corporation is at all times compliant with all the Laws and Government policies issued from time to time; development and implementation of a schedule of Board and Board committee meetings and other board activities every year, and development and implementation of a capacity building programme for Directors.

Board Meetings

The State Corporations Act provides that the Board shall meet at least four (4) times in a year. The responsibility of deciding the number of meetings that the Board and Board committee should hold is vested on the Board. In order to ensure that Directors plan early, the schedule of Board meetings for each financial year is approved by the Board at the beginning of the year. Special Board meetings may be called from time to time to address specific issues that cannot wait for the scheduled meeting. Notices to board meetings are sent fourteen (14) days before the meeting. Board papers are circulated at least seven days before meetings. The Chairman provides leadership during Board meetings and strives to ensure open and constructive discussions during the meetings. During the year under review, the Board held seven (7) Board meetings. The average attendance to Board meetings by Directors recorded during the year was about 80%. This good attendance made it possible for crucial decisions and approvals to be given and hence Management was able to implement Board decisions in good time. The board is allowed to obtain outside independent professional advice from qualified individuals if they consider it necessary. The costs for such services are met by the Corporation to ensure involvement of Directors in Board matters, Directors are allowed to propose Agenda items during Board meetings.

Committees of the Board

The State Corporations Act gives powers to the Board to constitute such other standing committees as it deems fit. Board committees are designed to ensure that the Board is run efficiently, effectively and in a manner that embraces Corporate Governance. They delve into issues that require attention and this way, the committees are able to give greater attention to issues and then report back to the Board. This enables the Board to deliberate on issues and make more informed decisions. In order to achieve this, the Board has established five (5) committees as follows;

- a) Audit Committee
- b) Finance committee
- c) Strategy and Project Implementation Committee
- d) Human Resources Committee

e) Procurement Oversight Committee

In coming up with the members of the various Committees, the Board is guided by the area of specialization of each Director.

The Committees meet at least four times in a year. However, special meetings may be called from time to time to deal with specific matters. Notices to meetings are sent fourteen (14) days to the date of the meeting, and papers for discussion are circulated seven (7) days to the date of the meeting. This way, members are able to adequately prepare for meetings and give meaningful contribution.

Unless expressly delegated by the Board to one of its committees, all matters determined by committees are submitted to the full Board as recommendations for Board decision. All committees are allowed to obtain outside independent professional advice from qualified individuals to advice on specific issues if they consider it necessary. The costs for such services are met by the Authority. Each committee has its own terms of reference that guide its operations as summarized here below;

Audit Committee

The Audit Committee is basically the watchdog for the Authority. It ensures that all the systems in the Authority are functioning properly. The main terms of reference as provided for in the Board manual are as follows;

- (i) Support the Board of Directors in reviewing the effectiveness of the Authority's processes of Corporate Governance;
- (ii) Review the annual financial statements and consider whether they are complete, consistent and reflect appropriate accounting principles and make appropriate recommendations for necessary action;
- (iii) Recommending financial statements to the Board for approval before submission to the Controller and Auditor General for audit;
- (iv) Review the result of the audit on the financial statements by the External Auditor or any other inspector or investigator engaged by REREC;
- (v) Consider the effectiveness of the REREC internal control systems established by management to ensure compliance with policies, laws and regulations;
- (vi) Review the risk management framework and assess policies and controls developed by Management for risk assessment and risk management;
- (vii) Review and approve the internal audit plan, charter and manual;
- (viii) Review the activities, organizational structure and qualifications of the internal auditors;
- (ix) Assess managements' action on significant findings and audit recommendations and ensure that action taken is adequate to maintain the integrity of the financial systems.

In addition to the Terms of Reference, the committee also has an Audit Committee Charter that defines how they are supposed to execute their responsibilities.

Finance Committee

The committee is responsible for Financial Management and proper resource allocation in the Corporation. The Terms of reference of the committee are as follows;

- (i) Develop and recommend to the Board the Corporation's Annual Budget;
- (ii) Develop, review and approve major changes in the Corporation's accounting policies;
- (iii) Oversee the preparation of year-end financial statements of the Corporation;
- (iv) Develop strategies aimed at achieving financial sustainability for the Corporation;
- (v) Consider and recommend to the Board Banking facilities and Corporation levels;
- (vi) Ensure proper financial management systems are in place;
- (vii) Develop a financial monitoring system for the Organization

Strategy and Project Implementation Committee

The main responsibility of this committee is to ensure that the Authority's strategic plan is in place and is being implemented. The Committee also monitors the Corporation's performance. The Committee's Terms of reference are set out in the Board manual and summarized here below;

- (i) Advise the Board on strategies to be adopted in order to enhance performance of the Corporation towards achieving its mandate and objectives;
- (ii) Develop annual work plans for the committee and ensure compliance with the same;
- (iii) Receive and consider the reports of all proposed new business practices, policies and capital development
- (iv) Review the Corporation's Master plan from time to time and make recommendations for its amendment to the Board;
- (v) Develop, Review and oversee the implementation of the Corporation's corporate strategic plan;
- (vi) Consider and make recommendations to the Board on an annual basis on project identification, preliminary costing of projects and funds allocation.
- (vii) Monitor the Corporation's performance.

Human Resources Committee

The overall responsibility of the Human Resource committee is to ensure that proper policies are developed to manage the Corporation's human resource in accordance with the labor Laws and any other applicable laws. Their Terms of Reference are enumerated in the Board manual and summarized here below;

- (i) Oversee human resource planning and ensure that the Authority has the right number of staff at the right time and at the right place capable of delivering the Authority's mandate;
- (ii) Consider and recommend the Authority's staff establishment and remuneration, including bonuses and other incentives, to the Board for approval;
- (iii) Consider staff recruitment and make recommendations to the Board and to ensure that the recruitment process is done in a fair manner;
- (iv) Approve the training plan for the Corporation and recommend the training budget to the Board for approval;
- (v) Develop and oversee the implementation of a health and safety policy for the staff in the work place as required by the law;
- (vi) Develop anti-sexual harassment policy, HIV policy and an equal employment policy for the Authority as required by the law;
- (vii) Develop and oversee the implementation of a comprehensive human resource manual for the staff; and to review it from time to time;
- (viii) Ensure that the Authority complies with all the labour laws and Government circulars released by the office of the President from time to time;
- (ix) Ensure that staff has a conducive work environment.

Procurement Oversight Committee

The overall responsibility of the committee is to ensure that the annual procurements undertaken by Management are able to support the annual business plans for the Corporation. The Terms of Reference are provided for in the Board manual and are summarized as follows;

- (i) Discuss and propose to the Board the Corporation's annual procurement plan for approval
- (ii) Review of the annual procurement plan when need arises.
- (iii) Ensure adherence to the procurement plan
- (iv) Ensure that the Corporation's procurement plan is capable of enabling the Corporation achieve its mandate.
- (v) Monitor the implementation of the procurement plan to ensure that it conforms to the approved budget.
- (vi) Ensure that procurement reports are submitted to the Board.

Directors Remuneration

The Chairman and members of the Board are paid out of the funds of the Corporation, such sitting or other remuneration and/or benefits as the Board may, within the scales of remuneration specified from time to time by the State Corporations Advisory Committee, approve.

8. MANAGEMENT DISCUSSION AND ANALYSIS

During 2019/20 financial year, the Rural Electrification Authority (REA) transitioned to Rural Electrification and Renewable Energy Corporation (REREC) through the Energy Act of 2019. REREC's focus continued to be on electrification of the remaining public facilities, mainly secondary schools, polytechnics, health centers, trading centers, tea buying centers, coffee processing plants, water projects and administrative offices.

REREC also continued with the connection of all customers within 600 meters radius of the transformer for all new projects it implemented under the Last Mile Connectivity initiative where 4,217 new customers/households were connected to electricity during the year. Under this Last Mile Constituency Transformers programme, REREC has been installing extension transformers in areas with existing power lines and maximizing them by connecting customers within their vicinity.

Other Achievements

1. Two (2) Isolated Diesel Stations were on-going, namely: Maikona and Sololo
2. Solar Mini grids - 18. were completed while two (2) others were in progress
3. Garissa 50 MW Solar Plant was completed, in November 2018. Plant is in production and connected to the national grid.
4. Turkwell - Lokichar Project was 95% complete pending installation of the OPGW cable.
5. 223 Public Facilities were electrified.
6. New primary schools - 268 had been identified for electrification (179 to be done on grid and 89 on solar), these are expected to be completed during the FY2019/20.
7. 4,217 New Customers were connected to electricity.
8. 451 transformers were installed under the constituency maximization fund

Electrification Off-grid areas;

REA's focus since inception has been to supply electricity to the un-electrified public facilities in rural areas. Electrification of Off-grid areas has been through;

- Development of isolated Hybrid/Diesel stations in trading centers,
- Extension of power lines from towns with off-grid stations to other towns,
- Installation of Stand-alone solar PVs systems in public facilities
- Solar Home Systems by the private sector and
- Electrification of Public Primary Schools

REREC's focus is now more on renewable energy sources. During the year, 18 Solar Power mini grid projects were completed out of 25 for Public facilities and household connections, only two (2) were still ongoing. The 25 mini grids were financed by Government of Kenya in 2018/9.

Garissa 54.6 MW Solar Power Plant

REREC completed construction of the 54.6 mw Solar Power Plant in Garissa County, in November 2018. The power plant is in production and connected to the national grid increasing the country's power supply.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

1. Sustainability strategy and profile -

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

It is the intention of the Corporation that its projects bring about sustainable and social transformation for the beneficiary communities. In its new Corporate Social Responsibility policy that is awaiting Board approval, the Corporation intends to scrutinise the social and environmental impact of all its planned projects and to work in collaboration with the host communities to implement social and environmental social responsibility projects aimed at mitigating the impact for purposes of ensuring sustainable development.

2. Environmental performance

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

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

Every year the Corporation carries out tree planting initiatives across the country. Recent projects that have been carried out in collaboration with the Kenya Forest Research Institute have involved setting up of tree nurseries in the counties of Nyeri, Kilifi, Kisumu and Turkana. Recent tree planting activities in collaboration with the communities have been carried out in Kajiado, Nyeri and Kisumu counties.

3. Employee welfare

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

- The Corporation is an equal opportunity employer and shall not in its recruitment and selection process, discriminate on the basis of gender, race, disability, religion, ethnicity or any other form of discrimination. The constitutional requirement on mainstreaming of gender and persons with disabilities as stipulated in Article 232 of the Constitution will be observed alongside any policies issued by the National Cohesion, Act 2012 (revised) and Integration Commission.

- On training, National cohesion values (Regional, Ethnic, Gender, Disability balance) shall be considered during the selection of trainees.
- The policy also provides flexi hours for staff. An expectant Employee is entitled to time off from work with full pay in order to attend antenatal clinic and any hospital appointments relating to her pregnancy. All time off must be agreed on with the supervisor beforehand. Breastfeeding mothers will be entitled to two (2) hours per day for three (3) months upon reporting from maternity leave for the purpose of nursing her child. On resumption of regular duties after maternity leave the employee will be exempted from night duty until the newborn is two years old.

4. Market place practices-

- In carrying out its activities, the Corporation is guided by its Customer Service charter that outlines the services provided and expected timelines of the service to be provided.
- The Corporation is currently implementing the Access to Government Procurement Opportunities (AGPO) programme whose objective is to facilitate the youth, women and persons with disability-owned enterprises to be able to participate in government procurement. The Corporation has set aside 30% of its procurement spent for purposes of empowering youth, women and persons with disability-owned enterprises.
- The Corporation embarked on the automation of its procurement system in February 2017 in response to the Presidential Directive that all State Corporations adopt E-Procurement in a bid to enhance efficiency and transparency in planning, budgeting and procurement of goods and services in the Public Service. SRM has enabled the Corporation to organize its interactions with its critical suppliers in a more efficient and effective and transparent manner and thereby reduce the time taken to procure project materials

5. Community Engagements-

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

Education:

- The Corporation has constructed several classrooms in its project areas. Recent projects include Katulu primary school in Machakos County and Classrooms in the vicinity of the 50MW Garissa solar plant in Garissa county
- The Corporation has been working in collaboration with the Kenya Prisons to provide desks to various needy schools across the country. The partnership has supported the Kenya Prisons by providing an income generating activity and also supported the education efforts in the various schools in our project areas. Recent beneficiaries include Kiambu, Marsabit and Samburu counties.
- The Corporation has donated textbooks sourced from the Kenya Literature Bureau to various needy schools across the country in project areas in rural Kenya. Recent beneficiaries have been Kisumu, Kericho, Machakos, Makueni and Bungoma counties.

Sports:

The Corporation has been supporting various community sports activities aimed at discovering local talent and raising funds for community projects in education and other community development projects. Recent sports initiatives where REREC has participated include the Mwea Community Marathon in Kirinyaga County and Chemususu Marathon in Baringo County.

Health

Every year, the Corporation runs a health camp in collaboration with a selected county government for purposes of providing free health services and education to local communities. Recently the Corporation has held health camps in Migori and Kwale Counties

Water & Sanitation

The Corporation is in the process of implementing the Sarmach water project at supporting the local community living within the vicinity of the Turkwell-Lokichar Line that was implemented by the Corporation.

The Corporation has also implemented a water project to serve the Raya community living in the vicinity of the Garissa 50MW solar project.

Overall, the CSR projects have been undertaken in areas where the Corporation has implemented its projects. This has enabled good relations with the communities in the project areas enabling support and use and security of REREC projects. The CSR projects have also enabled sustainable development as the Corporation has ensured that education, health, sports and other social conditions are enhanced in our areas of operation.

10. REPORT OF THE DIRECTORS

The Directors submit their report and audited financial statements for the year ended 30th June 2020 which disclose the state of affairs of the Corporation.

Principal Activities

The principal activities of REREC as stipulated in section 44 of the Act are as follows;

- (a) Oversee the implementation of the Rural Electrification Programme;
- (b) Manage the Rural Electrification Programme Fund established under section 143;
- (c) Source additional funds for the Rural Electrification Programme and renewable energy;
- (d) Develop and update the rural electrification master plans in consultation with County Governments;
- (e) Develop and update the renewable energy master plan taking into account county specific needs and the principle of equity in the development of renewable energy resources;
- (f) Support the establishment of energy centres in the counties;
- (g) Establish framework for collaboration with County Governments in the discharge of its mandate;
- (h) Undertake on-farm and on station demonstration of wood-fuel species, seedling production and management;
- (i) Undertake feasibility studies and maintain data with a view to availing the same to developers of renewable energy resources;
- (j) Develop, promote and manage in collaboration with other agencies, the use of renewable energy and technologies, including but not limited to biomass (biodiesel, bio-ethanol, charcoal, fuel-wood, biogas) municipal waste, solar, wind, tidal waves, small hydropower and co-generation but excluding geothermal;
- (k) Formulate, in conjunction with the Agency, a national strategy for coordinating research in renewable energy;
- (l) Undertake, in conjunction with the Agency, research, development and dissemination of appropriate renewable energy technologies;
- (m) Provide an enabling framework for the efficient and sustainable production, conversion, distribution, marketing and utilization of biomass, solar, wind, small hydro's, municipal waste;
- (n) Promote, in conjunction with the agency responsible for forests, the use of fast maturing trees for energy production including bio-fuels and the establishment of commercial woodlots including peri-urban plantations;
- (o) Promote, in collaboration with other agencies, the development of appropriate local capacity for the manufacture, installation, maintenance and operation of renewable technologies such as bio digesters, solar systems, turbines and other renewable energy technologies;
- (p) Promote international co-operation programmes focusing on renewable energy sources;
- (q) Harness opportunities offered under clean development mechanism and other mechanisms including, but not limited to, carbon credit trading to promote the development and exploitation of renewable energy sources;

Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2020

Health

Every year, the Corporation runs a health camp in collaboration with a selected county government for purposes of providing free health services and education to local communities. Recently the Corporation has held health camps in Migori and Kwale Counties

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- (k) Formulate, in conjunction with the Agency, a national strategy for coordinating research in renewable energy;
- (l) Undertake, in conjunction with the Agency, research, development and dissemination of appropriate renewable energy technologies;
- (m) Provide an enabling framework for the efficient and sustainable production, conversion, distribution, marketing and utilization of biomass, solar, wind, small hydro's, municipal waste;
- (n) Promote, in conjunction with the agency responsible for forests, the use of fast maturing trees for energy production including bio-fuels and the establishment of commercial woodlots including peri-urban plantations;
- (o) Promote, in collaboration with other agencies, the development of appropriate local capacity for the manufacture, installation, maintenance and operation of renewable technologies such as bio digesters, solar systems, turbines and other renewable energy technologies;
- (p) Promote international co-operation programmes focusing on renewable energy sources;

Rural Electrification and Renewable Energy Corporation
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(q) Harness opportunities offered under clean development mechanism and other mechanisms including, but not limited to, carbon credit trading to promote the development and exploitation of renewable energy sources;

(r) Promote the development of electricity generation through co-generation by sugar millers;

(s) Provide technical and other capacity building support to County Governments in the discharge of the function of electricity reticulation and energy regulation; and

(t) Undertake any other duty or perform such other function as may be necessary for the execution of its mandate under this Act.

Results for the year

The results for the Corporation for the year are shown in the Statement of Financial performance as set out on page 1

Directors

The Directors who served during the year are as shown in pages 7-14

Auditors

The Auditor General is responsible for the Statutory Audit of the Corporation's books of accounts in accordance with provisions of the Public Audit Act, 2015.

By Order of the Board



CS. Lucky Rono

Corporation Secretary

30th September 2020

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 82 of the Public Finance Management Act, 2012 and section 77 of the Energy Act 2006, require the Directors to prepare financial statements in respect of that Corporation, which give a true and fair view of the state of affairs of the Corporation at the end of the financial year and the operating results of the Corporation for that year. The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation. The Directors are also responsible for safeguarding the assets of the Corporation.

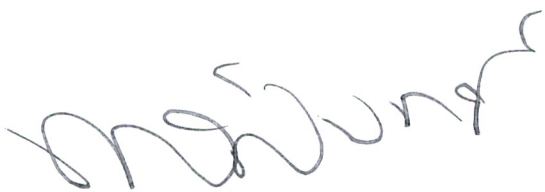
The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2020, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Corporation's financial statements were approved by the Board on 25/09/ 2020 and signed on its behalf by:

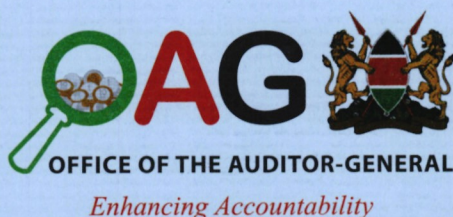


.....
CPA. Peter K. Mbugua
Chief Executive Officer



.....
Prof. Simon Gicharu, CBS
Chairman.

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 AND RENEWABLE ENERGY CORPORATION FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Rural Electrification and Renewable Energy Corporation set out on pages 1 to 50, which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and the 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Rural Electrification and Renewable Energy Corporation as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Energy Act, 2019 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Lack of Fixed Assets Register

As disclosed in Note 32 to the financial statements, the statement of financial position reflects non-current assets with a net book value of Kshs.89,482,218,000. However, a fixed assets register was not provided to support the assets. Whereas Management indicated that the register was available in the Systems Applications and Products in Data Processing (SAP) System, the same was not generated as closure procedures had not been completed.

In the circumstances, the accuracy and completeness of the non-current assets valued at Kshs.89,482,218,000 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Rural Electrification and Renewable Energy Corporation 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.

Emphasis of Matter

Unrecovered Duty Paid on Behalf of a Vendor

As previously reported, the Corporation paid import duty amounting to Kshs.31,894,000 to Kenya Revenue Authority (KRA) in 2015 on behalf a vendor. According to Management, the payment was intended to preempt a KRA agency notice on the Corporation's bank account. Although Management has made full provision for the amount in the financial statements and continues to pursue the matter in Court, the matter has not been concluded.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular reference No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for 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 overall governance were not effective.

Basis for Conclusion

Long outstanding receivable

Note 28A to the financial statements reflects other receivables - sale of power amounting to Kshs.760,606,000. The amount was due from Kenya Power and Lighting Company Plc under a power purchase agreement with the Corporation. However, the amount has been outstanding for long periods exceeding 360 days. Further, there is no debt management policy in place at the Corporation to guide recovery of overdue debts.

In the circumstance, I am unable to confirm existence of effective internal controls on management of debts.

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

Responsibilities of Management and the Board of Directors

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 control as Management determines is necessary to enable the preparation of financial statements that are free

from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 February, 2022

Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2020

13. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2019-2020	2018-2019
		Kshs(000)	Kshs(000)
Revenue from non-exchange transactions			
Property taxes revenue	6	-	-
Public contributions and donations	7	-	-
Levies, Fines and penalties	8	6,315,133	5,563,802
Transfers from other governments	9	511,520	487,232
		6,826,653	6,051,035
Revenue from exchange transactions			
Rendering of services	10	-	-
Sale of water and electricity	11	509,614	389,144
Rental revenue from facilities and equipment	12	-	-
Finance income - external investments	13	451,443	525,471
Other income	14	110,964	244,185
		1,072,021	1,158,800
Total revenue		7,898,674	7,209,834
Expenses			
Use of goods and services	15	210,840	217,491
Employee costs	16	453,313	440,501
Remuneration of directors	17	28,448	20,782
Depreciation and amortization expense	18	1,304,712	1,147,208
Repairs and maintenance	19	85,667	42,798
Contracted services	20	-	-
Grants and subsidies	21	-	-
Finance costs	22	804	931
Tax Expense		24,364	1,375
Total expenses		2,108,148	1,871,087
Other gains/(losses)			
Gain on sale of assets	23	-	-
Gain on foreign exchange transactions		-	-
Unrealized gain on fair value of investments	24	-	-
Impairment loss	25	-	-
Surplus before tax		5,790,527	5,338,748
Taxation	26	-	-
Surplus/(deficit) for the period/year		5,790,527	5,338,748

The notes set out on pages 1 to 4 form an integral part of these Financial Statements

Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2020

14. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	2019-2020	2018-2019
		Kshs(000)	Kshs(000)
Assets			
Current assets			
Cash and cash equivalents	27	3,704,441	4,838,537
Current portion of receivables from exchange transactions	28(a)	12,499,873	7,396,989
Receivables from non-exchange transactions	29	315,580	310,598
Inventories	30	6,041,324	5,245,770
Investments	31	-	-
		22,561,217	17,791,895
Non-current assets			
Property, plant and equipment	32	89,444,150	86,269,267
Intangible assets	33	38,067	42,600
Investment property	34	-	-
Long term receivables from exchange transactions	28(b)	-	-
		89,482,218	86,311,867
Total assets		112,043,435	104,103,762
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	35	2,035,857	2,092,825
Refundable deposits from customers	36	200	200
Provisions	37	64,188	57,117
Finance lease obligation	38	-	-
Current portion of borrowings	43	-	-
Deferred income	39	280,000	280,000
Employee benefit obligation	40	-	-
Taxation	51	188,542	71,725
		2,568,787	2,501,867
Non-current liabilities			
Non-current employee benefit obligation	40	-	-
Non-current provisions	41	-	-
Borrowings	42	-	-
Service concession liability	43	-	-
Deferred tax liabilities	52	-	-
		-	-
Total liabilities		2,568,787	2,501,867
Net assets			
Development Reserves		41,201,542	39,134,542
Accumulated surplus		68,219,510	62,413,758
Capital Fund		53,596	53,596
Total net assets		109,474,648	101,601,895
Total net assets and liabilities		112,043,435	104,103,762

The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:

CPA Peter K. Mbugua
Chief Executive Officer

Date: 27/5/21

CPA Davis K. Cheruiyot
Manager Finance & Accounts

ICPAK No.
Date: 27/5/21

Prof. Simon Gichard, CBS
Chairman.

Date: 27/5/21

15. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2020

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)
At July 1, 2018	53,596	-	-	56,999,045	-	37,860,737	94,913,378
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	5,416,327	-	-	5,416,327
Capital/Development grants received during the year	-	-	-	-	-	1,273,805	1,273,805
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	(1,615)	(1,615)
Dividends paid – 2018	-	-	-	-	-	-	-
Interim dividends paid – 2019	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
At June 30, 2019	53,596	-	-	62,415,372	-	39,132,927	101,601,895
At July 1, 2019	53,596	-	-	62,415,372	-	39,132,927	101,601,895
Total comprehensive income	-	-	-	5,790,527	-	-	5,790,527
Capital/Development grants received during the year	-	-	-	-	-	2,067,000	2,067,000
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	15,226	15,226
At June 30, 2020	53,596	-	-	68,205,898	-	41,215,153	109,474,647

16. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020 Kshs'000'	2018-2019 Kshs'000'
Cash flows from operating activities			
Receipts			
Property taxes		-	-
Public contributions and donations		-	-
Levies		2,106,000	1,561,302
Licenses and permits		-	-
Government grants and subsidies		2,497,000	1,668,405
Rendering of services		-	-
Sale of goods		-	-
Finance income		451,443	525,471
Other income		110,964	177,237
Total Receipts		5,165,407	3,932,415
Payments			
Compensation of employees		453,313	440,143
Goods and services		210,840	240,284
Finance cost		804	931
Rent paid		10,833	6,637
Taxation paid		24,364	1,375
Other payments		28,448	20,782
Grants and subsidies paid		-	-
Total Payments		728,602	710,152
Net cash flows from operating activities		4,436,805	3,222,263
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(5,570,902)	(4,763,030)
Proceeds from sale of property, plant and Equipment		-	-
Decrease in non-current receivables		-	-
Increase in investments		-	-
Net cash flows used in investing activities		(5,570,902)	(4,763,030)
Cash flows from financing activities			
Proceeds from Donors		-	-
Repayment of borrowings		-	-
Increase in deposits		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(1,134,097)	(1,540,767)
Cash and cash equivalents at 1 JULY 2019		4,838,537	6,379,304
Cash and cash equivalents at 30 JUNE 2020	27	3,704,441	4,838,537

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	A Annual Budget 2019-2020 ' '000'	Adjusted Budget '000'	Budget For The Year '000'	Actual on Comparable Basis 30th June 2020 '000'	Performance Difference '000'	Remarks
Revenue						
Exchequer Development	1,665,000	-	1,665,000	2,067,000	402,000	Prompt release of funds
Exchequer Recurrent	430,000	-	430,000	430,000	-	
Petroleum Devt Levy	1,236,000	-	1,236,000	1,236,000	-	
Kipevu Oil Storage	54,000	-	54,000	-	(54,000)	Delay in exchequer releases
REP Levy	2,673,000	-	2,673,000	5,079,133	2,406,133	Increase in customer base
						Delay in processing invoices for the contractor at the National Treasury
China Exim Bank	380,000	-	380,000	-	(380,000)	National Treasury
IDA-KEMP	350,000	-	350,000	-	(350,000)	Delay in commencement of project due to Covid-19
BADEA	920,000	-	920,000	81,520	(838,480)	Delay in processing Special Commitment letters affecting delivery of materials
	7,708,000	-	7,708,000	8,893,653	1,185,653	
CDF/County Funding	150,000	-	150,000	109,732	(40,268)	Delay in exchequer releases to counties & constituencies due to Covid-19
Capital Contribution Customers	-	-	-	-	-	Due to last mile project by KPLC
Other Revenue-Licences	-	-	-	1,232	1,232	Revenue not budgeted for
Interest Income	-	-	-	451,443	451,443	Prudent cash management
	150,000	-	150,000	1,072,021	922,021	
Sub-Total Revenue	7,858,000	-	7,858,000	9,965,674	2,107,674	
Recurrent Expenditure	A annual Budget 2019-2020 '000'	A adjusted Budget '000'	Budget For The Year '000'	A actual on Comparable Basis 30th June 2020 '000'	Performance Difference '000'	
Salaries,Wages & Other Staff Costs	543,529	-	543,529	453,313	90,216	Delay in recruitments
Board Expenses	40,000	-	40,000	28,448	11,552	Reduced activities due to Covid-19
Staff Training & Seminars	45,661	-	45,661	27,350	18,311	Reduced activities due to Covid-20
Postage & Telephone	13,464	-	13,464	11,127	2,337	Reduced activities due to Covid-20
General transport/Vehicle expenses	18,424	-	18,424	17,085	1,339	Reduced activities due to Covid-20
Hospitality Expenses	10,000	-	10,000	8,108	1,892	Delay in budget approvals
Office Cleaning Services	10,164	-	10,164	9,095	1,069	Reduced activities due to Covid-20
Printing & Stationery	8,400	-	8,400	447	7,953	Delay in budget approvals
Advertising & Promotions	30,000	-	30,000	6,400	23,600	Delay in budget approvals
Computer Expenses	83,837	-	83,837	77,410	6,427	Delay in budget approvals
Audit fees	3,062	-	3,062	3,000	62	
Consultancy and Professional Fees	12,000	-	12,000	4,425	7,575	Activities for last quarter postponed due to Covid-19
Bank Charges & Commissions	3,000	-	3,000	804	2,196	Prudent cash management
Corporate Social Responsibility	5,500	-	5,500	5,123	377	Activities for last quarter postponed due to Covid-19
Rent and Rates	8,134	-	8,134	10,833	(2,699)	
Repairs & Maintenance Expenses	16,400	-	16,400	2,382	14,018	Activities for last quarter postponed due to Covid-19
General Insurance	21,617	-	21,617	16,239	5,378	
Water & Electricity	11,680	-	11,680	10,625	1,055	
Security	26,079	-	26,079	17,731	8,348	

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20	Subscriptions	7,104	-	7,104	1,159	5,945	Staff did not join professional bodies as intended.
21	Research & Development	8,070	-	8,070	7,490	580	Sensitization ongoing
22	Finance costs	1,000	-	1,000	-	1,000	Project postponed to next financial year
24	Legal Fees	20,473	-	20,473	55,697	(35,224)	Prudent cash management
26	Tender Evaluation	5,400	-	5,400	3,590	1,810	Procurement of service providers on going to be awarded in 2020/21 financial year.
	Total Recurrent Expenses	952,998	-	952,998	779,072	172,115	
	Surplus	6,905,002	-	6,905,002	9,186,602	1,935,559	

18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Rural Electrification and Renewable Energy Corporation was established by an Act of Parliament 43 of Energy Act 2019 and derives its authority and accountability from Energy Act 2019. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is rural electrification.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Corporation.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of Corporation's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Corporation's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the Corporation; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Corporation's financial performance, financial position and cash flows.
Amendments to Other IPSAS	Applicable: 1st January 2022:

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Standard	Effective date and impact:
resulting from IPSAS 41, Financial Instruments	a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other Improvements to IPSAS	Applicable: 1st January 2021: a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard

iii. Early adoption of standards

The Corporation did not early – adopt any new or amended standards in year 2020.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The Corporation recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

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 Corporation and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

The Corporation recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Corporation.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly in April 2019. 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 Corporation upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Corporation recorded additional appropriations of Kshs.nil on the 2019-2020 budget following the board's approval.

The Corporation'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 a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 6 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Corporation operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) 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 of the items. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is calculated to write-off the asset cost to the residual values on a straight-line basis over the expected useful life. Where an asset is acquired during the year, depreciation is applied on a prorata basis over the number of days to the end of the financial year of purchase.

Asset	Depreciation Rate (%)
Distribution lines	2.5 (40yrs)
Plant and Machinery	12.5
Motor Vehicles	25
Furniture, fittings & Equipment	12.5
Computers & Allied Hardware & Software	33.3
Tools implements and Testing apparatus	22.5(4yrs) (R10%)

Distribution lines

All distribution lines are capitalized in property, plant and equipment when commissioned and are depreciated over their useful lives. The useful life is currently estimated to be forty years from the date of commissioning.

Work in Progress

Work-in-progress represents costs incurred in acquisition/installation of an item of property plant and equipment which is not in use. Work-in-progress is not depreciated until the assets are completed and brought into use.

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Corporation. 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 Corporation also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of 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 so as 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 Corporation 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.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

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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.

h) Research and development costs

The Corporation expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Corporation 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development costs (Continued)

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.

i) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Corporation determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Corporation assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

j) 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 labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Inventories (Continued)

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.

k) 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 Corporation 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.

Contingent liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Nature and purpose of reserves

The Corporation creates and maintains reserves in terms of specific requirements.

m) Changes in accounting policies and estimates

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

n) Employee benefits

Retirement benefit plans

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

The Authority runs a defined contribution pension scheme. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the company at 10% and employees at 5% of basic salary. During the year, the scheme was managed by the following service providers;

Genesis Investments	-Fund Manager
Co-operative Bank of Kenya Ltd	-Custodian
Liaison Associates	-Administrator

o) 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.

p) Borrowing costs

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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.

q) Related parties

The Corporation 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 Corporation, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

r) Service concession arrangements

The Corporation 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 Corporation 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 Corporation also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

s) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Comparative figures

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

u) 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, 2020.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 22 NOTE 37/41

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 provisions recognized by the Corporation includes; provision for gratuity, provision for accrued leave, provision for audit fees, provision for directors' fees and provision for theft and pilferages.

The said provisions are estimated as follows;

- Provision for gratuity is calculated at the rate of 31% of basic salary of the beneficiary.
- Provision for leave is estimated based on accrued leave days; which should not exceed 15 days' leave is equivalent to an individual month's basic salary.
- Audit fees are estimated based on previous year's payment.
- Directors fees is based on government circular guidelines
- Provision for theft and pilferage is made based on the cost / book value of stolen materials

6 PROPERTY TAXES REVENUE

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Actual		
Taxable land and buildings		
Residential	-	-
Commercial	-	-
State	-	-
Penalties	-	-
Sub- total property and taxes	-	-
Income forgone	-	-
Total property taxes revenue	-	-

7 PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
The Green Belt Movement	-	-
Other public donations	-	-
Total transfers and sponsorships	-	-
Reconciliation of public contributions and donations		
Balance unspent at beginning of the year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions to be met - remain liabilities	-	-
	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 LEVIES, FINES AND PENALTIES

Description	2019-2020	2018-2019
	KShs'000'	KShs'000'
Revenue - Petroleum Devt Levy	1,236,000	687,000
Revenue - 5% REP Levy	5,079,133	4,876,802
Total	6,315,133	5,563,802

9 TRANSFERS FROM OTHER GOVERNMENTS

(a)

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Unconditional grants		
Operational grant	81,520	26,632
Other Grants	-	-
GOK Grants- Exchequer Recurrent	430,000	460,600
Conditional grants		
National housing grant	-	-
National infrastructure grant	-	-
Provincial health grant	-	-
Social services grant	-	-
Basic services subsidy	-	-
Transportation fund (international funding)	-	-
Other organizational grants	-	-
Total government grants and subsidies	511,520	487,232

9b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Unconditional grants		
Operational grant	81,520	26,632
Other Grants	-	-
GOK Grants- Exchequer Recurrent	430,000	460,600
Conditional grants		
National housing grant	-	-
National infrastructure grant	-	-
Provincial health grant	-	-
Social services grant	-	-
Basic services subsidy	-	-
Transportation fund (international funding)	-	-
Other organizational grants	-	-
Total government grants and subsidies	511,520	487,232

(Ensure that the amount recorded above as having been received from the Ministry fully reconciles to the amount recorded by the sending entity Ministry. An acknowledgement note/receipt should be raised in favour of the sending Ministry. The details of the reconciliation have been included under appendix VI)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 RENDERING OF SERVICES

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Waste management (solid waste)	-	-
Waste management (sewerage and sanitation)	-	-
Service fees	-	-
Water quality	-	-
Quality assurance	-	-
Total revenue from the rendering of services	-	-

11 SALE OF GOODS

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Sale of goods		
Sale of electricity	509,614	389,144
Sale of water	-	-
Sale of books	-	-
Sale of publications	-	-
Other(include in line with your organisation)	-	-
Total revenue from the sale of goods	509,614	389,144

This revenue relates to sale of power generated by Garissa Power Plant.

12 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Straight-lined operating lease receipts	-	-
Contingent rentals	-	-
Total rentals	-	-

No revenue from this item

13 FINANCE INCOME - EXTERNAL INVESTMENTS

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Cash investments and fixed deposits	451,443.06	525,470.79
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
Total finance income – external investments	451,443.06	525,470.79

This revenue relates to interest from interest on deposits

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 OTHER INCOME

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Const & County partnership	109,732	242,305
Revenue - Licences	1,232	1,232
Connection fees	-	648
Total other income	110,963.94	244,185.26

15 USE OF GOODS AND SERVICES

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Electricity	10,517	12,920
Water	109	206
Security	17,450	25,505
Professional services	-	-
Subscriptions	1,159	642
Advertising & Promoting	5,518	14,044
Admin fees	-	-
Audit fees	3,000	3,000
Conferences and delegations	1,191	3,141
Consulting fees	4,425	1,936
Corp Social Responsibility Exp	5,123	4,454
Fuel and oil	11,211	-
Insurance	16,239	18,442
Legal expenses	55,697	40,811
Licenses and permits	-	-
Research & Devt Expenses	7,490	5,865
Water purification cost	-	-
Postage	349	168
Printing and stationery	447	3,459
Newspapers & Periodicals	882	966
Rental	10,833	6,637
Security costs	281	472
Sewage treatment costs	-	-
Skills development levies	-	-
Inventory scrapping	-	-
Telecommunication	10,778	11,860
Training	27,350	39,260
Other general expenses-Tender processing	20,793	23,702
Total Use of Goods and Services	210,840	217,491

16 EMPLOYEE COSTS

	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Salaries and wages	217,379	216,397
Employee related costs - contributions to pensions and medical aids	87,266	77,352
Travel, motor car, accommodation, subsistence and other allowances	95,202	91,316
Housing benefits and allowances	52,540	54,473
Overtime payments	-	-
Performance and other bonuses	-	-
Social contributions	927	964
Expenditure recharged to capital projects	-	-
Total Employee costs	453,313	440,501

17 REMUNERATION OF DIRECTORS

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Chairman's Honoraria	960	380
Directors emoluments	10,700	7,260
Directors Fees	-	2,395
Other allowances	16,788	10,747
Total director emoluments	28,448	20,782

18 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Property, plant and equipment	1,282,474	1,098,909
Intangible assets	22,237	48,299
Investment property carried at cost	-	-
Total depreciation and amortization	1,304,712	1,147,208

19 REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Property	2,382	2,344
Vehicles	5,875	2,344
Computers and accessories	77,410	38,111
Other	-	-
Total repairs and maintenance	85,667	42,798

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 CONTRACTED SERVICES

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Actuarial valuations	-	-
Investment valuations	-	-
Property valuations	-	-
Total contracted services	-	-

21 GRANTS AND SUBSIDIES

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Community development	-	-
Education initiatives and programs	-	-
Social development	-	-
Community trust	-	-
Sporting bodies	-	-
Total grants and subsidies	-	-

22 FINANCE COSTS

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Borrowings (amortized cost)*	-	-
Finance leases (amortized cost)	-	-
Unwinding of discount	-	-
Interest on Bank overdrafts	804	931
Interest on loans from commercial banks	-	-
Total finance costs	804	931

23 GAIN ON SALE OF ASSETS

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Property, plant and equipment	-	-
Intangible assets	-	-
Other assets not capitalised	-	-
Total gain on sale of assets	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Investments at fair value	-	-
Total gain	-	-

25 IMPAIRMENT LOSS

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Property, plant and equipment	-	-
Intangible assets	-	-
Total impairment loss	-	-

26 TAXATION

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Withholding tax		
Deferred tax: [Note 52]	-	-
Relating to original and reversal of temporary differences	-	-
Income tax expense reported in the statement of financial performance	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 CASH AND CASH EQUIVALENTS

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Current account	796,385	847,738
On - call deposits	108,051	90,794
Fixed deposits account	2,800,000	3,900,000
Staff car loan/ mortgage	-	-
Cash in hand	5	5
Total cash and cash equivalents	3,704,441	4,838,537

27 (a) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

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		2019-2020	2018-2019
Financial institution	Account number	Kshs(000)	Kshs(000)
a) Current account			
Cooperative Bank	01136125016300	1,000	1,000
Standard Chartered	010600495500	58,681	49,505
KCB Main	1103201557	74,223	371,318
KCB Development	1103201808	3	3
Kcb Escrow Account	1178001539	549,011	293,677
CFC Stanbic	0100000547616	7,608	7,639
Equity Bank	0810270199897	27,509	27,509
National Bank	01023098897200	-	9,489
Citi Bank	0104679006	7,356	7,356
Current Account- KEEP	01136125016301	155	160
Current Account- KEMP	01136125016302	50,854	60,092
Current Account- KSSG	01136125016303	19,984	19,989
Sub- total		796,385	847,738
b) On - call deposits			
Held with Cooperative Bank	01150125016300	108,031	90,774
Held With Standard Chartered	0140004955900	20	20
Held With CFC Stanbic		0	0
Sub- total		108,051	90,794
c) Fixed deposits account			
COOP Bank		1,300,000	900,000
NBK		-	-
Equity		-	-
KCB		1,500,000	3,000,000
Sub- total		2,800,000	3,900,000
d) Staff car loan/ mortgage			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
e) Others(specify)			
Cash in transit		-	-
cash in hand		5	5
M pesa		-	-
Sub- total		5	5
Grand total		3,704,441	4,838,537

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 RECEIVABLES FROM EXCHANGE TRANSACTIONS

28(a)

	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Current receivables		
Advance to vendors*	924,222	877,325
Less Provisions for Bad & Doubtful Debt	(31,894)	(31,894)
Advance to Vendors*	892,328	845,431
Other Accrued Revenues	10,779,099	6,094,576
Prepayments- Others	1,300	1,300
Others- Output VAT KRA	(6,937)	413
Deposits- Rent	14,627	14,627
Deposits- Court Cases	50,000	50,000
Other Receivables-Sale Of Power	760,606	389,144
Other Receivables	1,500	1,500
Total current receivables	12,492,523	7,396,989

28(b)

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Non-current receivables		
Long term debtors	-	-
Public organizations	-	-
Less: impairment allowance	-	-
	-	-
Current portion transferred to current receivables	-	-
Total non-current receivables	-	-
Total receivables (a+b)	12,492,523	7,396,989

29 RECEIVABLES FROM NON-EXCHANGE CONTRACTS

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Current receivables		
Interest Receivables	308,796	303,689
Staff Advances	6,784	1,524
Other Receivables-Payroll Liabilities	-	5,384
Total current receivables	315,580	310,598

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 INVENTORIES

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Poles	409,102	533,706
Insulators	277,578	289,828
Conductors, Stay Blocks and Wires	1,866,444	1,423,174
Hardware line items*	1,476,281	1,561,121
Transformers	1,331,152	909,850
Surge Diverters Circuit Breakers and Isolators	661,504	535,878
Stationery	17,898	9,498
ICT	1,365	1,365
Total inventories at the lower of cost and net realizable value	6,041,324	5,264,421

31 INVESTMENTS

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
a) Investment in Treasury bills and bonds		
Financial institution		
CBK	-	-
CBK	-	-
Sub- total	-	-
b) Investment with Financial Institutions/ Banks		
COOP Bank		
KCB		
Sub- total	-	-
c) Equity investments (specify)		
Equity/ shares in entity xxx	-	-
Sub- total	-	-
Grand total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

d) Shareholding in other entities

For investments in equity share listed under note 31 above, list down the equity investments under the following categories:

Name of entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	%	%	%	Shs	Shs	Shs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
Entity D	-	-	-	-	-	-
	-	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings		Motor vehicles		Furniture and fittings		Computers		Other Assets			Plant and equipment		Capital		Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Overhead Distribution Lines	Office Equipment	Tools & Implements	Shs	Shs	Work in progress	Shs	Shs
Cost																
At 1 July 2018	111,016	425,013		201,595		202,477		66,205,462		30,178	24,657	159,279	18,338,953		85,698,630	
Additions	-	88,496		-		9,004		13,556,873			25	-	3,767,440		17,421,838	
Disposals	-	-	-	-		-		-				-	-		-	
Transfers/adjustments	-	-	-	-		-		-				-	12,660,804		12,660,804	
At 30 th June 2019	111,016	513,509		201,595		211,481		79,762,335		30,178	24,682	159,279	9,445,589		90,459,664	
Additions	-	-	-	9,522		29,248		267,954		885	27	-	4,197,071		4,504,706	
Disposals	-	-	-	-		-		-				-	-		-	
Transfer/adjustments	-	-	-	-		-		-				-	47,349		47,349	
At 30 th June 2020	111,016	513,509		211,117		240,729		80,030,289		31,063	24,709	159,279	13,595,311		94,917,022	
Depreciation and impairment																
At 1 July 2018	3,412	306,867		54,601		176,267		2,394,954		23,813	24,039	107,535	-		3,091,488	
Depreciation	676	46,669		23,505		7,538		1,004,012		2,386	3	14,119	-		1,098,909	
Impairment	-	-	-	-		-		-				-	-		-	
At 30 th June 2019	4,088	353,537		78,107		183,804		3,398,966		26,199	24,043	121,654	-		4,190,397	
Depreciation	676	55,139		22,955		10,363		1,179,493		1,853	10	11,984	-		1,282,474	
Disposals	-	-	-	-		-		-				-	-		-	
Impairment	-	-	-	-		-		-				-	-		-	
Transfer/adjustment	-	-	-	-		-		-				-	-		-	
At 30 th June 2020	4,764	408,676		101,062		194,168		4,578,460		28,052	24,052	133,639	-		5,472,872	
Net book values																
At 30 th June 2020	106,252	104,833		110,055		46,561		75,451,829		3,011	657	25,641	13,595,311		89,444,150	
At 30 th June 2019	106,928	159,972		123,488		27,677		76,363,369		3,979	639	37,625	9,445,589		86,269,267	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 INTANGIBLE ASSETS-SOFTWARE

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Cost		
At beginning of the year	366,955	366,574
Additions	17,704	380
At end of the year	384,659	366,955
Additions-internal development	-	-
At end of the year	384,659	366,955
Amortization and impairment		
At beginning of the year	(324,354)	(276,055)
Amortization	(22,237)	(48,299)
At end of the year	(346,592)	(324,354)
Impairment loss	-	-
At end of the year	(346,592)	(324,354)
NBV	38,067	42,600

34 INVESTMENT PROPERTY

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
At beginning of the year	-	-
Additions	-	-
Depreciation	-	-
At end of the year	-	-

35 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Trade-Creditors invoiced	1,004,513	986,079
Trade-Creditors not invoiced	1,013,994	1,084,997
Trade-KPLC Metre Deposits	713	713
Other payables-VAT deducted	16,637	16,637
Other payables-Payroll Payables	-	4,398
Total trade and other payables	2,035,857	2,092,825

36 REFUNDABLE DEPOSITS FROM CUSTOMERS

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Consumer deposits	200	200
Other deposits	-	-
Total deposits	200	200

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37 CURRENT PROVISIONS

Description	Leave provision	Directors Fees	Gratuity	Theft Case	Audit Fees	Total
	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)
Balance b/d (1.07.2019)	15,466	22,689	8,729	4,170	6,062	57,117
Additional Provisions	15,455	-	7,081	-	3,000	25,537
Provision utilised	-	-	-	-	-	-
Change due to discount and time value for money	-	-	-	-	-	-
Transfers from non-current provisions	15,466	-	-	-	3,000	18,466
Total provisions as at 30.6.2020	15,455	22,689	15,811	4,170	6,062	64,188

38 FINANCE LEASE OBLIGATION

Description	Minimum lease payments	Future finance charges	Present value of minimum lease payments	2018-2019
	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)
Within current year	-	-	-	-
Long term portion of lease payments	-	-	-	-
Total provisions	-	-	-	-

39 DEFERRED INCOME

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
National government	280,000	280,000
International funders	-	-
Public contributions and donations	-	-
Total deferred income	280,000	280,000

The deferred income movement is as follows:

	National government	International funders	Public contributions and donations	Total
Balance brought forward	280,000	-	-	280,000
Additions	-	-	-	-
Transfers to Capital fund	-	-	-	-
Transfers to income statement	-	-	-	-
Other transfers	-	-	-	-
Balance carried forward	280,000	-	-	280,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

40 EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2019-2020	2018-2019
	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
Total employee benefits obligation	-	-	-	-	-

The entity operates a defined benefit scheme for all full-time employees from July 1, 20XX. The scheme is based on xxx percentage of salary of an employee at the time of retirement. During the year, no actuarial valuers were engaged to value the scheme. The liability at the end of the year is as follows:

	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Valuation at the beginning of the year	-	-
Changes in valuation during the year	-	-
Valuation at end of the year	-	-

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1,080 per employee per month.

41 NON-CURRENT PROVISIONS

Description	Long service leave	Gratuity	Other Provisions	Total
	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)
Balance at the beginning of the year	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Less: Current portion	-	-	-	-
Total deferred income	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

42 BORROWINGS

The analyses of both external and domestic borrowings are as follows:

	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
External Borrowings		
Dollar denominated loan from 'xxx organisation'	-	-
Sterling Pound denominated loan from 'yyy organisation'	-	-
Euro denominated loan from 'zzz organisation'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Total balance at end of the year	-	-

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

43 SERVICE CONCESSION ARRANGEMENTS

Description	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	-	-
Net carrying amount	-	-
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	-	-
Service concession liability at end of the year	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

44 CASH GENERATED FROM OPERATIONS

	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Surplus for the year before tax	5,790,527	5,338,748
Adjusted for:		
Depreciation	1,304,712	1,147,208
Non-cash grants received	-	-
Contributed assets		
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	7,070	10,449
Contribution to impairment allowance	-	-
Finance income		-
Finance cost		-
Working Capital adjustments		
Increase in inventory	776,903	790,643
Increase in receivables	(1,869,438)	(2,275,813)
Increase in deferred income	-	-
Increase in payables	59,570	347,607
Increase in payments received in advance	-	-
Net cash flow from operating activities	6,069,344	5,358,842

45 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

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

	Total amount	Fully performing	Past due	Impaired
	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)
At 30 June 2020				
Receivables from exchange transactions	12,492,523	12,505,573	-	-
Receivables from non exchange transactions	315,580	315,580	-	-
Bank balances	3,704,441	3,704,441	-	-
Total	16,512,544	16,525,593.51	-	-
At 30 June 2019				
Receivables from exchange transactions	7,396,989	7,396,989	-	-
Receivables from non exchange transactions	310,598	310,598	-	-
Bank balances	4,838,537	4,838,537	-	-
Total	12,546,124	12,546,124	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Corporation has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts.

The board of directors sets the Corporation's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Corporation's directors, who have built an appropriate liquidity risk management framework for the management of the Corporation's short, medium and long-term funding and liquidity management requirements. The Corporation manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Corporation under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)
At 30 June 2020				
Trade payables	985,000	-	1,063,607	2,048,607
Current portion of borrowings	-	-	-	-
Provisions		-	64,188	64,188
Deferred income		-	280,000	280,000
Employee benefit obligation	-	-	-	-
Total	985,000	-	1,407,795	2,392,795
At 30 June 2019				
Trade payables	1,074,825	-	1,018,000	2,092,825
Current portion of borrowings	-	-	-	-
Provisions		-	57,117	57,117
Deferred income		-	280,000	280,000
Employee benefit obligation	-	-	-	-
Total	1,074,825	-	1,355,117	2,429,942

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Corporation's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Corporation's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

a) Foreign currency risk

The Corporation has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

Foreign currency sensitivity analysis (Continued)

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2020			
Euro	10%	-	-
USD	10%	-	-
2019			
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Corporation's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Corporation considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
At 30 June 2020	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)
Financial Assets				
Quoted equity investments	-	-	-	xxx
Non- financial Assets				
Investment property	-	-	-	111,016
Land and buildings	111,016	-	-	111,016
	111,016			
	111,016	-	-	111,016
At 30 June 2019				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	111,016	-	-	111,016
	111,016	-	-	111,016

There were no transfers between levels 1, 2 and 3 during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (Continued)

a) Financial instruments not measured at fair value (Continued)

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

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

	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Development reserve	41,201,542	39,134,542
Retained earnings	68,219,810	56,997,431
Capital reserve	53,596	53,596
Total funds	109,474,948	96,185,568
Total borrowings	-	-
Less: cash and bank balances	3,704,441	4,838,537
Net debt/(excess cash and cash equivalents)		
Gearing	%	%

46 RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the Corporation 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 Corporation, holding 100% of the Corporation'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 National Government;
- ii) The Parent Ministry.
- iii) Kenya Power.

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- iv) Key management.
- v) Board of directors

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

47. RELATED PARTY BALANCE (Continued)

	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Transactions with related parties		
a) Sales to related parties		
Sales of goods to xxx	-	-
Sales of services xxx	509,514	389,144
Total	509,614	389,144
b) Grants from the Government		
Grants from National Govt	430,000	460,600
Grants from County Government	-	-
Donations in kind	-	-
Total	430,000	460,600
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services for	-	-
Total		
d) Key management compensation		
Directors' emoluments	28,448	20,782
Compensation to key management	140,335	140,335
Total	168,783	168,783

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

47 SEGMENT INFORMATION

The Corporation does not have independent regional operations.

48 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Court case 68 against the entity(Not determined)	-	-
Bank guarantees in favour of subsidiary	-	-
Total	-	-

49 CAPITAL COMMITMENTS

Capital commitments	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Authorised for	-	-
Authorised and contracted for	-	-
Total	-	-

50 DIVIDENDS/SURPLUS REMISSION

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.
The Corporation does not pay dividends.

51 TAXATION

	2019-2020	2018-2019
	Kshs(000)	Kshs(000)
Tax payable- Witheld Tax 3% Agency	23,343	11,585
Tax payable- Witheld Tax 5% Prof.fees	8,173	4,832
Tax payable- Witheld Vat	143,226	55,308
Tax payable- Witheld Tax 2% Agency	6,452	-
At end of the year	181,192	71,725

NOTES TO THE FINANCIAL STATEMENTS (Continued)

52 DEFERRED TAX LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	2019-2020	2018-2019
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	-
Provisions for liabilities and charges	-	-
Net deferred tax liability/(asset)	-	-
	=====	=====
The movement on the deferred tax account is		
Balance at beginning of the year	-	-
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	-	-
	=====	=====

[In ordinary circumstances public sector entities under IPSAS are not expected to pay taxes. However, in specific cases where this is applicable an organisation is supposed to seek guidance on accounting for income taxes from IAS 12]

53 EVENTS AFTER THE REPORTING PERIOD

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

54 ULTIMATE AND HOLDING ENTITY

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

55 Currency

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

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19. APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Qualification	Property Plant & Equipment	The capitalization and creation of projects in the system is a continuous process. It follows that there will always be figures in transition accounts and Work In Progress accounts representing the ongoing projects.	Eng. Esther Ruto General Manager Technical Services	Resolved	30.06.2019
Emphasis of matter	Unrecovered duty Paid to Kenya Revenue Authority (KRA) on Behalf of Vendors	The matter is in court and Apar has instruction their advocate in Kenya to nter appearance. The court process is on course.	Sharon Tugee Manager Legal Department	Not resolved	30.12.2020

Guidance Notes:

- Use the same reference numbers as contained in the external audit report;
- Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Chief Executive Officer

Date.....

27/5/21

Chairman of the Board

Date.....

27/5/21

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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

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APPENDIX III: INTER-ENTITY TRANSFERS

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:		RURAL ELECTRIFICATION AUTHORITY		
Break down of Transfers from the Ministry of Energy 2019/2020 FY				
a	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		5 th September 2019	107,500,000.00	2019/2020
		15 th November 2019	107,500,000.00	2019/2020
		20 th January 2020	107,500,000.00	2019/2020
		29 th May 2020	107,500,000.00	2019/2020
		Total	430,000,000	
	Petroleum Development Levy From The Ministry			
		9 th March 2020	1,236,000,000	2019/2020
		Total	1,236,000	
	REP LEVIES(From KPLC)			
		30 th July 2019	287,768,080.30	2019/2020
		15 th October 2019	278,574,566.50	2019/2020
		29 th November 2019	304,535,660.25	2019/2020
		Totals	870,878,307.05	
b	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		8 th October 2019	416,250,000.00	2019/2020
		13 th December 2019	416,250,000.00	2019/2020
		4 th February2020	11,500,000.00	2019/2020
		4 th February2020	375,000,000.00	2019/2020
		4 th February2020	29,750,000.00	2019/2020
		6 th July 2020	788,500,000.00	2019/2020
		6 th July 2020	29,750,000.00	2019/2020
		Total	2,067,000,000.00	

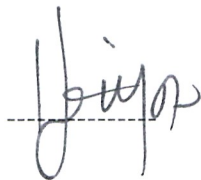
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The above amounts have been communicated to and reconciled with the parent Ministry

Manager Finance &Accounts
REREC

Head of Accounting
Ministry Of Energy

Sign



Sign-----



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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the Donor/MDA transferring funds	As per Bank statement	Nature: Recurrent/ Development Others	Total Amount (Ksh)	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others	Total Funds Transferred
Ministry of Energy	See Appendix 2 above	Recurrent	430,000	430,000					460,000
Ministry of Energy (Petroleum Levies)	See Appendix 2 above	Development	687,000	687,000					687,000
Ministry of Energy (Kipevu)									-
Ministry of Energy Development Funds	See Appendix 2 above	Development	2,067,000		2,067,000				2,067,000
Total			3,184,000	1,117,000	2,076,000				3,184,000