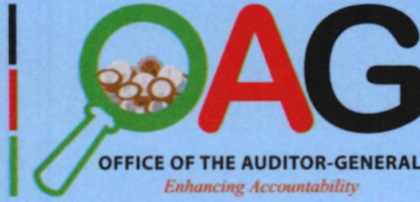


REPUBLIC OF KENYA



REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT

OF


THE AUDITOR-GENERAL

ON

**KENYA ELECTRICITY EXPANSION PROJECT
(KEEP) CR NO. 1487P**

**FOR THE YEAR ENDED
30 JUNE, 2025**

**RURAL ELECTRIFICATION AND RENEWABLE
ENERGY CORPORATION**

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

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**KENYA ELECTRICITY EXPANSION PROJECT
(KEEP)**

RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION

**PROJECT CREDIT NUMBER:
1487P**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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



Table of Contents	Page
KENYA ELECTRICITY EXPANSION PROJECT	i
1. Acronyms and Definition of Terms	iv
2. Project Information and Overall Performance.....	v
3. Statement of Performance against Project’s Predetermined Objectives	xx
4. Environmental and Sustainability Reporting.....	xxii
5. Statement of Project Management Responsibilities	xxvii
6. Report of the Auditor General on Financial Statements for the Kenya Electricity Expansion Project.....	xxix
7. Statement of Financial Performance for the Year Ended 30 th June 2025.....	1
8. Statement of Financial Position as at 30 th June 2025	3
9. Statement of Changes in Net Assets for the Year Ended 30 th June 2025	5
10. Statement of Cash flow for the Year Ended 30 th June 2025.....	6
11. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30 th June 2025	7
12. Notes to the Financial Statements	9
13. Annexes	36

1. Acronyms and Definition of Terms

REREC	Rural Electrification and Renewable Energy Corporation
KEEP	Kenya Electricity Expansion Project
CBK	Central Bank of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
OFID	Organization for Petroleum Exporting Countries Fund for International Development
OSHA	Occupational Safety and Health Administration
DOHS	Director of Occupational Health and Safety
Comparative FY	Financial year preceding the current financial year

2. Project Information and Overall Performance

2.1 Name and registered office

Name: Kenya Electricity Expansion Project.

Objective: The key objective of the project:

The Government aims to achieve universal access to electricity by the year 2028. The Project objective is to assist the Government in achievement of this target by enhancing electrification access in off-grid areas. This involves deploying resources and infrastructure to remote regions that are not connected to the national grid, ensuring that even the most isolated communities can benefit from reliable electricity. By focusing on these underserved areas, the Project plays a crucial role in bridging the energy access gap, thus contributing to the broader national target of universal electricity access within the set timeframe.

Address:

The project headquarters offices are in Nairobi, Kenya.

The address of its registered office is:

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

2.2 Project Information

Project Start Date:	01 st October, 2017
Project End Date:	31 st December, 2025
Project Coordinator:	Mr. Edward Gakunju
Project Sponsor:	Opec Fund for International Development, through the National Treasury of Kenya.

2.3 Project Overview

Line Ministry	The project is under the supervision of the Ministry of Energy and Petroleum.
Project number	Credit Number : 1487P
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <p>(i) To connect public facilities in selected areas: Enhance accessibility and efficiency by linking key public institutions like schools, hospitals, and government offices in selected areas.</p> <p>(ii) To connect household in the selected areas: Provide reliable connectivity to residential areas to bridge the digital divide, improve access to services, and support socio-economic development.</p>
Summary of Project Strategies for achievement of strategic goals	<p>The project management aims to achieve the goals through the extension of electricity supply through the following means:</p> <p>(i) Construction of powerlines: Building infrastructure to deliver electricity to targeted areas.</p> <p>(ii) Installation of transformers: Setting up equipment to regulate and distribute electricity efficiently.</p>
Other important background information of the project	The project will provide electricity access to households and public facilities in off-grid areas. By constructing distribution lines, it will significantly enhance electricity availability and reliability in these regions, fostering improved connectivity and supporting local development.
Areas that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <p>(i) Attainment of universal access to power by 2030: Ensure that all targeted areas have reliable electricity</p>

	access by the year 2030. (ii) Improve the living standards of citizens: Enhance the quality of life for residents by providing better access to electricity and its associated benefits.
Project duration	The project started on October 1, 2017 and is expected to run until December 31, 2025. (8) Years, (3) Months and (0) Days.

2.4 Bankers

The project does not operate a separate bank account. All approved project-related costs are paid directly by the financier (OFID) into the contractors' bank accounts.

2.5 Auditor

The project is audited by the:

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

Project Information and Overall Performance (Continued)

2.6 Roles and Responsibilities

No.	Names and contact details	Title designation	Key Qualifications	Responsibilities
1.	Mr. Edward Gakunju +254722244879 Edward.gakunju@rerec.co.ke	Project Coordinator	Master's Degree in Economic Policy Management	<ul style="list-style-type: none"> • Overall coordination of Project activities. • Coordinate Project implementation activities as per the work plan. • Prepare project implementation reports. • Attend project coordination meetings.
2.	Dr. Eng. James Muriuki +254723820885 James.muriuki@rerec.co.ke	Project Manager	Ph.D. in Electrical Engineering	<ul style="list-style-type: none"> • Overall management of project activities • Coordinate and approve project implementation

Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

No.	Names and contact details	Title designation	Key Qualifications	Responsibilities
				<p>on activities as per the work plan and reports</p> <ul style="list-style-type: none"> • Coordinate the review of project designs. • Attend project coordination and management meetings
3.	CPA Walter Nduta +254707879796 Walter.nduta@rerec.co.ke	Project Accountant	BBM (Accounting), CPA (K)	<ul style="list-style-type: none"> • Preparation of the project's financial reports. • Process of project-related payments.
4.	Mr Festus Kasonzo +254722138880 Festus.kasonzo@rerec.co.ke	Procurement Specialist	Master's Degree in Procurement and Supplies	<ul style="list-style-type: none"> • Preparation of projects procurement plans. • Preparation

No.	Names and contact details	Title designation	Key Qualifications	Responsibilities
				of bid documents. <ul style="list-style-type: none"> • Coordinate tendering evaluation and award notifications. • Coordination of procurement activities of the project.
5.	Mr Nicholas Muigai +254722269540 Nicholas.muigai@rerec.co.ke	Project Engineer	Bsc in Electrical Engineering	<ul style="list-style-type: none"> • Review of project designs. • Analyse all the Technical aspects of the project.

2.7 Funding summary

The Project is for duration of (8) years, (3) months and (0) days from October 1, 2017 to December 31, 2025 with an approved budget of US\$ 15,000,000 equivalent to Kshs 1,500,000,000 as highlighted in the table below:

Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Project Information and Overall Performance (Continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date (30th June 2025)		Undrawn balance to date (30th June 2025)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
OPEC Fund For International	15,000,000	1,500,000,000	9,737,242	1,162,772,688	5,262,758	337,227,312
(ii) Counterpart funds						
Government of Kenya (GOK)	-	-	671,654	79,142,646	-	-
Total	15,000,000	1,500,000,000	10,408,896	1,241,915,334	5,262,758	337,227,312

*Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Project Information and Overall Performance (Continued)

B. Application of Funds

Application of funds	Amount received to date (30th June 2025)		Cumulative amount paid to date (30th June 2025)		Unutilised balance to date (30th June 2025)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
OPEC Fund For International Development (OFID)	9,737,242	1,162,772,688	9,737,242	1,162,772,688	-	-
(ii) Counterpart funds						
Government of Kenya (GOK)	671,654	79,142,646	671,654	79,142,646	-	-
Total	10,408,896	1,241,915,334	10,408,896	1,241,915,334	-	-

Project Information and Overall Performance (Continued)

2.8 Summary of Overall Project Performance

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

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

During the financial year under review, the Project received a total of Kshs. 132,756,045 and incurred expenditures amounting to Kshs. 132,756,045. This expenditure was in line with the final approved budget of Kshs. 243,755,082, reflecting a 54% budget absorption rate. The level of fund utilization demonstrates prudent financial planning and effective implementation of project activities within the reporting period.

Cumulatively, from the inception of the project to date, total receipts stand at Kshs. 1,241,915,334, which is fully matched by total expenditures of the same amount. This alignment signifies that all funds disbursed to the project have been effectively utilized, with no outstanding balances or variances between funds received and expended. The consistency between cumulative receipts and payments is indicative of sound financial stewardship and robust internal controls maintained throughout the project's implementation period.

Project information and overall performance (continued)

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

Activities planned for the reporting period	Status Description	Implementation Status
Preparation of projects designs and lotting	Project design and surveying activities were fully completed.	Completed
Recruitment of Construction contractors	The procurement process, including bid preparation, advertisement, bid opening, evaluation, and award of contracts, was successfully concluded.	Completed
Submission of Performance bonds and guarantees	For the Lots awarded	Completed
Site and design files handing over	Relevant site and design documents were handed over to contractors for the awarded Lots.	Completed
Payment of advances	Advance payments for both local and foreign components were processed and disbursed.	Completed
Factory Acceptance Tests (FATs)	FATs for completed materials were conducted virtually	Completed
Delivery of materials	Material delivery for the awarded Lots is substantially complete, with 94% of the items already	100% Completed

Activities planned for the reporting period	Status Description	Implementation Status
	delivered.	
Installation of power lines and commissioning	For the Lots awarded	Ongoing about 72% Complete

iii) Comment on value for money achievements

The project credit officially closed on December 31, 2024. Although the National Treasury has submitted appeals to the OPEC Fund for an extension to facilitate the settlement of pending bills, the Corporation has continued to actively oversee the work of construction contractors to ensure the full and timely implementation of all planned activities.

- a) **Continued Oversight despite Credit Closure:** The Corporation's sustained supervision beyond the credit closure has ensured accountability and progress, helping to safeguard investments and prevent project delays.
- b) **Timely Completion of Distribution Line Designs:** The design phase for the distribution lines was successfully completed on schedule. This crucial step involved detailed planning and layout, ensuring that the project could proceed smoothly to the construction phase without any design-related delays.
- c) **Quality Delivery at Competitive Cost:** In 2020, the project successfully recruited qualified construction contractors through a transparent and competitive procurement process. The selected firms possessed the technical capacity and resources necessary to undertake the construction of power distribution lines. This competitive contracting approach ensured

Project Information and Overall Performance (Continued)

value for money by securing quality delivery at a fair market cost, thereby optimizing the return on investment.

- d) **Virtual Factory Acceptance Tests:** To overcome the challenges posed by travel restrictions during the COVID-19 pandemic, the Corporation innovatively conducted Factory Acceptance Tests (FAT) virtually. This allowed for the inspection and approval of manufactured materials without physical presence, ensuring that material quality standards were met and that the project timeline remained on track.
- e) **High Rate of Material Delivery:** As of June 30, 2025, approximately 100% of the construction materials have been successfully delivered to the project sites, according to the latest progress report. This high delivery rate reflects effective logistics and supply chain management, ensuring that the necessary resources are available for ongoing construction activities.
- f) **Construction Progress:** The construction of the power distribution lines is currently at about 74.50% completion. This significant progress demonstrates the project's advancement towards its goal of enhancing electrification in off-grid areas. The remaining construction work is actively being pursued, with a focus on achieving full completion and commissioning in the near future.

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

The absorption rate stands at 65% of the total donor commitment. As of the current reporting period, the OPEC Fund has disbursed USD. 9,737,242 against its total commitment of USD 15,000,000.

For each year since the project's inception, the absorption rate has been calculated based on the disbursed amounts relative to the total committed funds. The project

Project Information and Overall Performance (Continued)

began with an initial commitment, and as the years progressed, annual disbursements were made to support ongoing project activities. The absorption rate reflects the proportion of these funds that have been utilized each year, indicating the project's financial management and progress in drawing down the committed resources.

v) Implementation challenges and recommended next steps.

- a) COVID-19 Pandemic (2020-2022): The pandemic caused significant disruptions due to social distancing measures, which adversely affected material manufacturing, travel, and document sharing. These restrictions hindered project progress as efforts to control the virus disrupted essential operational processes.
- b) Insecurity Impact: Project implementation has slowed due to heightened insecurity, particularly in the regions of Turkana, Samburu, and Mandera. These areas, where a substantial portion of the project work is concentrated, have experienced significant delays. Although contractors have continued work in less affected areas, projects in insecure regions remain stalled. To address this, we are collaborating with local authorities to enhance security in the affected regions and ensure the safe continuation of project activities.
- c) Delays in Material Delivery: The delivery of critical powerline materials such as transformers was delayed by some contractors, which hindered the timely completion of project activities. To address this challenge, the Corporation worked closely with the contractors to enforce adherence to the agreed delivery schedules and expedite the supply of essential materials.
- d) Implementation Challenges due to Funding Uncertainty: A significant challenge faced during this financial year has been the slowdown in

Project Information and Overall Performance (Continued)

contractor activities, primarily due to uncertainty surrounding the credit extension. This funding ambiguity has impacted project momentum and caused delays in progress. However, the contractors remain ready and willing to resume full operations and complete the ongoing works promptly once the credit situation is resolved.

- e) Expiry of the credit financing before completion of the projects: By 31st December 2024, several projects remained incomplete as the credit financing facility expired. This led to a slowdown in installation activities, with contractors concerned about potential payment delays. In response, the Corporation, through the Ministry of Energy and Petroleum and the National Treasury, formally requested the Financier to extend the financing period. The extension aims to provide adequate time for completing the remaining projects, commissioning them, and connecting the intended customers, thus ensuring the overall program objectives are achieved.

2.9 Summary of Project Compliance

The Project has rigorously adhered to all legal requirements and regulations of the Republic of Kenya throughout its implementation. This includes strict compliance with the Public Procurement and Assets Disposal Act, 2015, which outlines the procedures for procurement and disposal of assets. The Corporation ensured that the recruitment of contractors was conducted in full accordance with this Act, involving the preparation and publication of tender notices, comprehensive evaluation of bids, and the transparent awarding of contracts. These steps were crucial in upholding the principles of fairness, accountability, and transparency in the procurement process.

Additionally, the Corporation ensured that all contractual agreements with contractors adhered to the statutory requirements set by the Public Procurement and Assets Disposal Act. This included rigorous verification of all documentation and processes to align with legal

Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

standards. By following these procedures, the Corporation effectively managed and utilized project resources while maintaining compliance with all relevant laws and regulations, thereby promoting the integrity and efficiency of the project.

3. Statement of Performance against Project's Predetermined Objectives

The overall objective of the project is to foster sustainable national economic growth by enhancing access to modern, clean, and affordable energy services. The project aims to increase the capacity, efficiency, and quality of electricity supply while expanding access to electricity in urban, peri-urban, and rural areas of north-eastern Kenya.

- (i) **Expansion and Upgrading of the Distribution Network:** The project was centered on the expansion and upgrading of the distribution network, with an initial objective of connecting 300,000 new customers over the project period. However, this target was subsequently revised following a comprehensive survey, which determined that the customer projections outlined in the original financing agreement had been overestimated. Based on the findings of the survey and detailed project designs, the adjusted expected number of customer connections was established at 3,335.

- (ii) **Additional Scope:** The expansion of the 33 kV distribution lines will enable connections to un-electrified public facilities, households, and market centers in the region. The selected mini-grid stations are located in the counties of Mandera, Wajir, Marsabit, and Turkana. Market centers within 30 km of the mini-grid stations will be connected to ensure reliable power supply. The expansion also includes other market centers and households in the nearby counties of Laikipia and Samburu. In total, approximately 500 km of 33 kV distribution lines will be constructed to connect over 50 market centers and over 200,000 households.

Introduction

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

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

- a) To help achieve sustainable national economic growth by improving access to Modern, clean and affordable energy services.
- b) Increasing the capacity, efficiency and quality of electricity supply.

- c) To expand the access to electricity in urban, peri-urban and rural areas of the North-Eastern region of Kenya.

Progress on attainment of Strategic development objectives

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

Below, we provide progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Kenya Electricity Expansion Project	To help achieve sustainable national economic growth by improving access to modern, clean and affordable energy services	Improved economic growth.	No of connections to households.	By the end of FY 2024/25, the project had successfully connected 1,931 customers through the completion and commissioning of project activities. This achievement underscores substantial progress in expanding service access and advancing toward the project's objectives.
	To increase the capacity, efficiency and quality of electricity supply	Increased electricity capacity	No of connections to households.	
	To expand the access to electricity in urban, peri-urban and rural areas of the North-Eastern, Western, Central and Nyanza Provinces of Kenya	Electricity access expanded	Area covered with electricity	

4. Environmental and Sustainability Reporting

The Kenya Electricity Expansion Project is fundamentally committed to transforming lives, a mission that serves as the cornerstone of all our endeavours. This overarching purpose guides our strategic framework, which is structured around five key pillars: prioritizing the needs of the customer or citizen, delivering essential and relevant goods and services, and continuously improving operational excellence.

Our focus on putting the customer first ensures that their needs and expectations are central to our planning and execution, driving us to deliver high-quality, accessible services. By prioritizing the delivery of relevant goods and services, we aim to address critical needs and contribute to the overall well-being of the communities we serve. Additionally, our commitment to operational excellence involves optimizing our processes, enhancing efficiency, and ensuring that every aspect of our operations meets the highest standards of quality and sustainability.

Below is a brief highlight of our achievements in each pillar.

i) Sustainability strategy and profile

In the execution of its projects, the Corporation remains deeply aware of the social and environmental impacts on host communities. To address these concerns, the Corporation has established a robust Corporate Social Responsibility (CSR) framework aligned with its mission: "To provide sustainable energy solutions for all through rural electrification and renewable energy for socio-economic transformation.

The CSR policy framework underscores the importance of evaluating our performance in relation to societal impact and environmental stewardship. Recognizing that our long-term success is intertwined with the health of the ecosystems we operate within, the Corporation is committed to ensuring sustainable practices that promote environmental health, social equity, and effective organizational governance. This approach reflects our growing awareness of the necessity for a balanced and responsible approach to development, ensuring that our operations contribute positively to the environment and communities we serve.

ii) **Environmental performance**

All major projects undertaken by the Corporation are subjected to comprehensive Environmental Impact Assessments (EIAs) as required by Kenyan law. This includes adherence to the Constitution of Kenya, 2010, the Environmental Management and Coordination Act, 1999, and the Environmental (Impact Assessment and Audit) Regulations, 2003, Legal Notice No. 101. These assessments are critical in ensuring that environmental considerations are thoroughly evaluated and integrated into our project planning and implementation processes.

The EIA process involves a detailed analysis of potential environmental impacts, both positive and negative, that a project may have on its surroundings. It encompasses various factors such as air and water quality, biodiversity, land use, and socio-economic effects on local communities. By conducting these assessments, the Corporation aims to mitigate adverse environmental impacts, promote sustainable development, and ensure compliance with national and international environmental standards.

Furthermore, the EIA process includes public participation, ensuring that the views and concerns of stakeholders, including local communities and environmental experts, are taken into account. This collaborative approach not only enhances transparency and accountability but also helps in identifying and addressing potential environmental issues early in the project lifecycle.

By adhering to these stringent environmental regulations and incorporating sustainable practices, the Corporation demonstrates its commitment to environmental stewardship and responsible project management. This approach not only safeguards the environment but also ensures the long-term viability and success of our projects, contributing to the overall well-being of the communities we serve.

iii) **Employee welfare**

The Corporation is committed to upholding comprehensive employee welfare standards through its Human Resource and Procedures Manual, which includes the following policy statements:

- a) **Equal Opportunity Employment:** The Corporation is dedicated to being an equal opportunity employer. Our recruitment and selection processes are designed to prevent discrimination based on gender, race, disability, religion, ethnicity, or any other form of bias.
- b) **Affirmative Action and Gender Mainstreaming:** The Corporation adheres to principles of affirmative action and ensures that gender and disability considerations are integral to our recruitment process. We are committed to maintaining gender balance in appointments and promotions, with a mandate that no less than one-third (1/3) of positions are filled by each gender.
- c) **Merit-Based Shortlisting:** Our shortlisting criteria are based on meeting minimum constitutional and statutory requirements, focusing on merit as outlined in the job advertisements. Gender and disability mainstreaming considerations are also taken into account.
- d) **Flexible Working Hours and Parental Leave:** The policy includes provisions for flexible working hours, particularly for expectant employees who are entitled to paid time off for antenatal clinics and hospital appointments related to their pregnancy.

In addition, management has established an Occupational Safety and Health Administration (OSHA) committee with the following Terms of Reference:

- a) **Safety and Welfare Assurance:** Ensure the safety, health, and welfare of all personnel working at the Corporation's offices and premises.

- b) Information and Training: Provide employees with information on the safe use of plants, equipment, and tools to prevent accidents and promote a safe working environment.
 - c) Registration and Compliance: Ensure that all Corporation offices and premises are registered with the Director of Occupational Health and Safety (DOHS).
 - d) Health and Safety Audits: Conduct annual health and safety audits by an external auditor who is approved and certified by the Director of Occupational Health and Safety.
 - e) These measures reflect the Corporation's commitment to fostering a safe, inclusive, and supportive work environment.
- iv) **Market place practices**
- a) 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.
 - b) The Corporation has also put in place a Complaints Handling System where Complaints received are managed from a central point. Monthly and quarterly reports are generated on the same. Quarterly reports are sent to the Commission on Administrative Justice for their information and annual rating on complaints handling and management.
 - c) 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.
 - d) 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.

v) Community Engagements

To ensure the successful acceptance and integration of its projects within the communities surrounding the project areas, the Corporation has implemented several key measures. These include the establishment of Stakeholder Coordination Committees and the rollout of a comprehensive community engagement strategy and policy. These mechanisms are designed to facilitate active communication and collaboration with local communities throughout the project lifecycle.

The Corporation has also prioritized local community involvement by providing employment opportunities during the energy project implementation. This approach not only supports local economies but also fosters a sense of ownership and involvement among community members. Additionally, local communities played a crucial role in the wayleave acquisition process, which is essential for the project's infrastructure development. By involving community members in these critical stages, the Corporation ensures that their interests and concerns are addressed, further enhancing project acceptance and success.

5. Statement of Project Management Responsibilities

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

This responsibility includes:

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

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

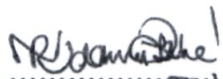
The Chief Executive Officer and the Project Coordinator for KEEP Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2025, and of the Project's financial position as at that date.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


***Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025***

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

Approval of the Project Financial Statements

The Project financial statements were approved by the Chief Executive Officer and the Project Coordinator for **KEEP** on 30th October, **2025** and signed by them.


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


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

REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY EXPANSION PROJECT (KEEP) - PROJECT CR NO. 1487P FOR THE YEAR ENDED 30 JUNE, 2025- RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying transitional International Public Sector Accounting Standards (IPSAS) financial statements of Kenya Electricity Expansion Project (KEEP) - Project Cr No. 1487P set out on pages 1 to 48, which comprise of the statement of

Report of the Auditor-General on Kenya Electricity Expansion Project (KEEP) for the year ended 30 June, 2025 - Rural Electrification and Renewable Energy Corporation (REREC)

financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of Kenya Electricity Expansion Project (KEEP) ,Cr No. 1487P as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) including the transitional provisions permitted under IPSAS 33, and comply with the Financing Agreement Credit Number 1487P dated 17 October, 2017, between OPEC Fund for International Development (OFID) and the Republic of Kenya and the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

Basis for Opinion

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

Emphasis of Matter

Undrawn Balances

Review of documents provided for audit revealed that the project's donor commitment (OPEC) was Kshs.1,500,000,000 (USD15,000,000). Review of disbursements revealed that a total of Kshs.1,162,772,688 (USD9,737,242) or approximately 76% had been disbursed as at 30 June, 2025, leaving an undrawn balance of Kshs.337,227,312 (USD5,262,758) or approximately 23%. Further, the review revealed that an amount of Kshs.1,162,772,688 (USD9,737,242) or 76% had been utilized in completion of 72% of the project as at 30 June, 2025, resulting in Kshs.337,227,312 (USD 5,262,758) or approximately 23% of the undrawn balance to complete the remaining 28% of the incomplete works. Further, review of the financing agreement revealed that the credit period was to expire on 31 December, 2025, with 97% of the project duration time having lapsed as at the time of the audit. This casts doubt on whether the remaining undrawn balance of Kshs.337,227,312 (USD 5,262,758) would be fully disbursed at the closure of the project period.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

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

	Audit Issue
1	Low Budget Absorption
2	Unresolved Prior Year Matters
3	Delay in Project Implementation
4	Unconfirmed Project Implementation
5	Reconciliation of Retention Funds
6	Misallocation of Funds
7	Material Discrepancies in Targeted Customer Connectivity
8	Lack of Project Designs and Drawings During Bidding

Other Information

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

In connection with my audit on the Project's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on

Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Lack of Project Designs and Drawings During Bidding

As previously reported, review of a special internal audit report on Development Partners' Projects of 2 October, 2023 revealed that none of the bidders were issued with project design and drawings as at the time of starting the works. This caused some projects to experience a shortage of materials, which led to their delay and derailment. This is contrary to Section 60 (1) of the Public Procurement and Asset Disposal Act, 2015 which requires the procuring entity to furnish the bidders with all specific requirements relating to the goods, works, and services being procured.

In the circumstances, value for money may not be realised in full due to the delay in completion of the project.

2. Delay in Project Implementation

Review of documents provided for audit revealed that the project was started on 1 October, 2017 with an expected duration is 8 years and 3 months. The project period was extended by two months to 31 December, 2025. However, the installation of power lines and commissioning stood at 72% as of 30 June, 2025, resulting in pending installation of 28% casting doubt on whether the project will be completed within the stipulated project timelines. Further, review of documents provided for audit revealed that the project, through the Ministry of Energy, submitted its budget to The National Treasury for the financial years 2023/2024 and 2024/ 2025. However, no allocations were made in the approved budget estimates, thereby causing Management to request for supplementary budgets. This has led to delays in the implementation of the project.

The delay in completion of the project due to budget non-allocation or delay in release of funds may attract other incidental costs like hikes in material costs, wear and tear, which would eventually increase the project costs.

In the circumstances, value for money has not been fully realised in the implementation of the Project.

3. Projects Verification

3.1 Nkoisusu Market, Survey Primary, Magadi Primary and Kahuho Primary Project

The Project Management awarded a contract to connect electricity to Olmotonyi Primary School, Survey Primary School, Kahuho Primary School, and Magadi Primary School at a contract sum of Ksh.25,914,731. The project was started on 1 June, 2021 and was

expected to be completed by the end of the same year. However, it was noted that the project had not been completed at the time of the audit, more than four (4) years after it was started. Management explained that the delay at Kahuho Primary School was caused by a shortage of Low Voltage (LV) materials, which were underestimated in the original bill of quantities, and the completion is pending a network shutdown and installation of the low-voltage (LV) network. Further, the Project line had not reached Olmotonyi Primary School since five (5) poles and Low Voltage (LV) conductor lines have not been installed had not been installed to enable power connection to Olmotonyi Primary School. Field verification conducted in September, 2025 revealed that the contractor was not on site despite the Project being incomplete. Management explained that the connection at the Magadi Primary School was awaiting the installation of a 185mm underground (UG) cable by REREC and noted that the supply and installation of the underground cables, together with associated works, were not included in the original tender.

3.2 Implementation of Kaluli Project

The Project Management awarded a contract to connect Kaluli Market and forty-six (46) households at a contract sum of Kshs.10,504,702.60. The project was started on 1 June, 2020 and was expected to be completed by 31 December, 2024. However, the project implementation has stalled due to a shortage of low-voltage (LV) materials and associated labor, which were underestimated in the original contract scope. Subsequently, internal funding has to be sought in order to complete the projects since the expenditure was not factored into the donor funds. Field verification conducted in September, 2025, revealed that the contractor was not on site despite the project being incomplete, the market was not connected with electricity, and out of the forty-six (46), only two (2) households had been connected with electricity cables, although they had not been connected to power.

3.3 Implementation of Muthungutha Village Project

The Project Management awarded a contract to connect 49 households in the village at a contract sum of Kshs.6,379,605. The project was started on 01 June,2020 and was expected to be completed by 31 December, 2024. However, the project implementation has stalled due to a shortage of low-voltage (LV) materials and associated labor, which were underestimated in the original contract scope. Internal funding has to be sought in order to complete the projects since the expenditure was not factored in the donor funds. Field verification conducted in September, 2025 revealed that, the contractor was not on site despite the project being incomplete and only two households having been connected, leaving 47 households unconnected. The two (2) households had not been connected to power.

In the circumstances, the failure to install the underground cables, the understatement of LV materials and labor led to the delay in the project completion which might lead to escalation of costs. This casts doubt on whether the project objectives will be realised.

4. Failure to Conduct a Feasibility Study Before Acquiring and Signing of the Financing Agreement

Review of the statement of performance against the project's pre-determined objectives, under the expansion and upgrading of the distribution network, revealed that, according to the findings of a comprehensive survey and detailed project designs, the expected connections were 300,000. These were adjusted to 3,335, resulting in an unexplained variance of 296,665 connections. However, review of the audited financial statements for the financial year 2023/2024 revealed that the project description and scope of works contained in the contract agreements had stated that customer connections at completion of the project would range between 4,000 to 4,398, resulting in variances between the indicated scope for the financial years 2023/2024 and 2024/2025. Management did not explain the variances. Further, under the additional scope on the expansion of the 33 kV distribution lines to enable connections to un-electrified public facilities, households, and market centers in the region, a total of approximately 500 km of 33kv distribution lines were to be constructed to connect over 50 market centers and over 200,000 households.

In addition, review of documents provided for audit revealed that the feasibility study, survey, and detailed designs were undertaken after the signing of the financing agreement.

In the circumstances, Management value for money has not been realised and it's not clear how the funding amounts were arrived at in the absence of feasibility studies.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Financing Agreement Credit Number 1487P dated 17 October, 2017, between OPEC Fund for International Development (OFID) and the Republic of Kenya and the Republic of Kenya, I report, based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.
- ii. Adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Basis for Conclusion

The Financing Agreement requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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


Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

03 December, 2025

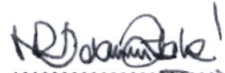
*Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

7. Statement of Financial Performance for the Year Ended 30th June 2025

Description	Notes	2024/2025
		Kshs
Revenue		
Revenue Transfers	6	132,756,045
Miscellaneous Revenue	7	-
Total revenue		132,756,045
Expenses		
Employee costs	8	-
Use of goods and services	9	-
Depreciation and amortization expense	10	(9,061,300)
Transfer to other Government Entities	11	-
Other Transfers/Subsidies/Grants	12	-
Certified Works	13	(132,756,045)
Total expenses		(141,817,345)
Other gains/(losses)		
Gain/Loss on sale of assets	14	-
Gain/Loss on foreign exchange transactions	15	-
Impairment loss	16	-
Surplus/(Deficit) for the Year		(9,061,300)

***Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025***

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



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



for
**Mr. Edward Gakunju
Project Coordinator**



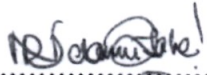
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**CPA Walter Nduta
Project Accountant
ICPAK Member No: 23665**


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


Description	Note	2024/2025	1 st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	17	-	-
Receivables:			
Contractor's Advances	18	4,719,192	52,581,112
Other receivables		-	-
Inventories	19	-	-
Prepayment	20	-	-
Total Current Assets		4,719,192	52,581,112
Non-Current Assets			
Property, Plant and Equipment (NBV)	21	1,266,873,181	1,164,084,821
Intangible Assets	22	-	-
Total Non- Current Assets		1,266,873,181	1,164,084,821
Total Assets (a)		1,271,592,373	1,216,665,933
Liabilities			
Current Liabilities			
Trade and Other Payables:			
Retention Payable - Final Settlement	23	-	-
Payables Pending Financier Disbursement		-	75,231,232
Third Party Deposits	24	-	-
Deferred Income	25	-	-
Total Current Liabilities		-	75,231,232
Non-Current Liabilities			
Retention Payable - Final Settlement	23	40,506,837	34,043,910
Total Non-Current Liabilities		40,506,837	34,043,910
Total Liabilities (b)		40,506,837	109,275,143
Net Assets (a-b)		1,231,085,536	1,107,390,790
Represented By:			
Accumulated Surplus		(10,829,798)	(1,768,499)
Capital Fund		1,241,915,334	1,109,159,289
Total Net Assets		1,231,085,536	1,107,390,790

Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

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


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


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

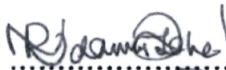

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Walter Nduta
Project Accountant
ICPAK Member No:23665

Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

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

Description	Accumulated Surplus	Capital Fund	Total
	Kshs	Kshs	Kshs
As at 30th June 2024 (Cash Basis)	-	1,109,159,289	1,109,159,289
Adjustments:	-	-	-
To recognize Assets			-
To recognize Liabilities			-
To recognize Accumulated depreciation	(1,768,499)		(1,768,499)
Total Adjustments	(1,768,499)	-	(1,768,499)
As at 1st July 2024	(1,768,499)	1,109,159,289	1,107,390,790
Surplus/(Deficit) for the year	(9,061,300)	-	(9,061,300)
Receipts during the year	-	132,756,045	132,756,045
As at 30th June 2025	(10,829,798)	1,241,915,334	1,231,085,536

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



CS Dr. Rose Mkalama
Chief Executive Officer



Mr. Edward Gakunju
Project Coordinator

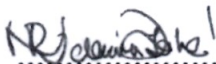



Walter Nduta
Project Accountant
ICPAK Member No:23665

10. Statement of Cash flow for the Year Ended 30th June 2025

Description	Note	2024/2025 Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers		132,756,045
Miscellaneous Revenue		-
Total receipts		132,756,045
Payments		
Employee costs		-
Use of goods and services		-
Transfer to other Government Entities		-
Other Transfers/Subsidies/Grants		-
Certified Works		(132,756,045)
Total payments		(132,756,045)
Net cash flow from operating activities	26	-
Cashflow from investing activities		
Acquisition of non-financial assets		(132,756,045)
Proceeds from sale of Assets		-
Acquisition of Intangible assets		-
Net cash flows from investing activities		(132,756,045)
Cash flow from financing activities		
Proceeds From Foreign Borrowings		132,756,045
Net cash flow from financing activities		132,756,045
Net increase/Decrease in cash and cash equivalents		-
Effect of Exchange Rate Changes (Forex Loss)	15	-
Cash and cash equivalent at 1st July 2024	17	-
Cash and cash equivalent at end June 2025	17	-

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


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


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


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

*Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

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

Receipts/Payments Item	Original Budget	Adjustments	Final Budget (Supplementary II Regularization)	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Revenue Transfers	243,755,082	-	243,755,082	132,756,045	110,999,037	54%
Miscellaneous Revenue	-	-	-	-	-	0%
Total Revenue	243,755,082	-	243,755,082	132,756,045	110,999,037	54%
Payments						
Employee costs	-	-	-	-	-	0%
Use of goods and services	-	-	-	-	-	0%
Transfer to other Government Entities	-	-	-	-	-	0%
Other Transfers/Subsidies/Grants	-	-	-	-	-	0%
Certified Works	(243,755,082)	-	(243,755,082)	(132,756,045)	(110,999,037)	54%
Total Payments	(243,755,082)	-	(243,755,082)	(132,756,045)	(110,999,037)	54%
Other gains/(losses)						
Gain/Loss on sale of assets	-	-	-	-	-	0%
Gain/Loss on foreign exchange transactions	-	-	-	-	-	0%
Impairment loss	-	-	-	-	-	0%
Surplus/(Deficit) for the Year	-	-	-	-	-	0%

Budget Allocation and Regularization for FY 2024/25 Note:

During the year, the Corporation was not allocated a budget under the initial budget estimates. Consequently, the Corporation sought and obtained authority to incur expenditure amounting to Kshs. 243,755,082 under Article 223 of the Constitution, which was granted on 30th

***Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025***

August 2025. The actual expenditure of Kshs. 132,756,045 was subsequently regularized through Supplementary Budget II for the Financial Year 2024/25.

This supplementary budget served as the final approved budget, against which the actual expenditure of Kshs. 132,756,045 represents a 54% budget absorption rate. The level of fund utilization demonstrates prudent financial management and effective implementation of project activities in compliance with constitutional and budgetary provisions governing the use of public funds.

12. Notes to the Financial Statements

1) General Information

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

2) Statement of Compliance and Basis of Preparation

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

Guiding note during the transition period:

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

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

3) Adoption of New and Revised Standards

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

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial

**Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Standard	Effective date and impact:
	<p>performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>The standard has no expected impact on the Entity.</i></p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>The standard has no expected impact on the Entity.</i></p>
<p>IPSAS 45- Property, Plant and Equipment</p>	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>The standard has no expected impact on the Entity.</i></p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;

Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

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

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

Standard	Effective date and impact:
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>Minimal impact expected; however, a review of revenue streams and updates to policies and disclosures will be required for compliance.</i></p>
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>Minimal Impact expected, but the Entity will need to review transfer transactions and update related policies and disclosures for compliance.</i></p>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector</p>

Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Standard	Effective date and impact:
	employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan. <i>The standard has no expected impact on the Entity.</i>

iii) Early adoption of standards

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

4) Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2024/25 was initially Kshs. 0.00 million, indicating that no allocation had been made at the start of the financial year. However, a budget was subsequently approved by the Board within the prescribed timelines and in accordance with the budget preparation procedures from the Ministry to the National Treasury. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. Accordingly, the entity recorded additional appropriations of 243.76 Million on the FY 2024/2025 final budget following the Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis

difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 7 of these financial statements.

c) Property, plant and equipment

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

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

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

d) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are

recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

e) Intangible assets

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

f) Research and development costs

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

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

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

g) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate). A financial instrument is any contract that gives rise to a financial asset of one entity and a

financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

h) Inventories

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

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

i) Provisions

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

Contingent liabilities

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

Contingent assets

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset

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

j) Nature and purpose of reserves

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

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

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

m) Foreign currency transactions

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

n) Borrowing costs

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

construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

o) Related parties

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

p) Service concession arrangements

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

q) Cash and cash equivalents

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

r) Subsequent events

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

5) Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Provisions

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

Notes to the financial statements (Continued)

6. Revenue Transfers

Description	2024/2025
	KShs
Unconditional Transfers	
GoK Counter Part funding	-
Transfers from Development partners	-
Other unconditional transfers (Specify)	-
Total Unconditional Transfers (a)	-
Conditional Transfers	
Transfers from OFID	132,756,045
Deferred Income realized	-
Other conditional transfers (specify)	-
Total Conditional Transfers (b)	132,756,045
Total Transfers for the Year (a + b)	132,756,045

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount moved to Capital fund	Total transfers (2024/2025)
	Kshs	Kshs	Kshs	Kshs
GOK Funding	-	-	-	-
OFID	132,756,045	-	132,756,045	132,756,045
Subtotal	132,756,045	-	132,756,045	132,756,045
Deferred Income realized	-	-	-	-
Transfers in Kind	-	-	-	-
Total	132,756,045	-	132,756,045	132,756,045

Purpose of Funding:

In the Financial Year 2024/25, a total of Kshs.132,756,045 was disbursed by the OPEC Fund through the National Treasury, with direct remittance to the bank accounts of the project's main contractors. The funds were strategically earmarked to support critical project components, including the supply, installation, commissioning, and associated technical services. The disbursement was aligned with the project's implementation schedule and was intended to ensure the timely execution and successful delivery of key project milestones.

Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements (Continued)

7. Miscellaneous revenue

Description	FY 2024/25
	Kshs
Interest Income	-
Others (specify)	-
Total	-

8. Employees Costs

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

9. Use of Goods and Services

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

Notes to the financial statements (Continued)

10. Depreciation and Amortization expense

Description	2024/2025
	Kshs
Property, Plant and Equipment	9,061,300
Intangible Assets	-
Total	9,061,300

11. Transfer to Other Government Entities

Description	FY 2024/25
	Kshs
Ministry of Energy	-
Project	-
Department	-
County	-
Total	-

12. Other Transfers/Subsidies/Grants

Description	FY 2024/25
	Kshs
Transfers to Non-Government Organizations	-
Subsidies	-
Others Specify	-
Total	-

13. Certified Works

Description	2024/2025
	Kshs
Certified Works:	
Acquisition of Project Materials	71,801,764
Local Transportation and Insurance Services	9,600,000
Factory Acceptance Visits, Training and Other incidentals costs	3,659,240
Installation and other Services	47,695,041
Consultancy Services	-
Others Specify	-
Total	132,756,045

Notes to the financial statements (Continued)

14. Gain/Loss on Sale of Assets

Description	FY 2024/25
	Kshs
Property, plant and equipment	-
Intangible assets	-
Other assets not capitalised	-
Total gain/loss on sale of assets	-

15. Gain/Loss on foreign exchange transactions

Description	FY 2024/25
	Kshs
Gain on foreign exchange transactions	-
Loss on foreign exchange transactions	-
Total Gain/Loss	-

16. Impairment Loss

Description	FY 2024/25
	Kshs
Property, Plant and Equipment	-
Intangible Assets	-
Others specify	-
Total Impairment Loss	-

17. Cash and Cash Equivalents

Description	FY 2024/25	1 st July
	Kshs	Kshs
Cash in Bank	-	-
Cash on hand	-	-
Others (Specify)	-	-
Total Cash and Cash Equivalents	-	-

Notes to the financial statements (Continued)

Project Bank Accounts

Details	FY 2024/25	1 st July 2024
	Kshs	Kshs
Foreign Currency Accounts		
Central Bank of Kenya (A/c No.....)	-	-
Kenya Commercial Bank (A/c No.....)	-	-
Others (specify)	-	-
Total Foreign Currency balances (a)	-	-
Local Currency Accounts	-	-
Central Bank of Kenya (A/c No.....)	-	-
Kenya Commercial Bank (A/c No.....)	-	-
Others (specify)	-	-
Total local currency balances (b)	-	-
Total bank account balances (c =a+b)	-	-

18. Receivables

Description	2024/2025	1 st July 2024
	Kshs	Kshs
Counter Part Funding	-	-
Contractor's Advance payments:		
Mayleen (k) Ltd Jv Nyikalanda International Technologies Group Limited	4,719,192	14,975,685
Padaa Enterprises Ltd Jv Magic Industries Ltd	-	29,127,098
Integrated Supplies and Consultancy Ltd	-	8,478,329
Other Receivables (specify)	-	-
Total Receivables	4,719,192	52,581,112

Ageing analysis for Receivables

Description	2024/2025		1 st July 2024	
	Kshs		Kshs	
	2024/2025	% of the total	Comparative FY	% of the total
Less than 1 year	4,719,192	9%	47,861,920	91%
Between 1- 2 years	-	0%	4,719,192	9%
Between 2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
Total (a+b)	4,719,192	0	52,581,112	100%

Explanation Note:

As at 30th June 2025, an amount of Kshs. 4,719,192 recorded as an outstanding advance to Mayleen (K) Ltd under Lot No. 1. The balance is expected to be recovered through offsets against certified payment certificates for invoices submitted by the contractor, in accordance with the terms of the contract.

Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025
Notes to the financial statements (Continued)

19. Inventories

Description	FY 2024/25	1 st July 2024
	Kshs	Kshs
Consumable stores	-	-
Construction stores	-	-
Others consumables (specify)	-	-
Less: allowance for impairment	-	-
Total inventories	-	-

20. Prepayments

Description	FY 2024/25	1 st July 2024
	Kshs	Kshs
Insurance	-	-
Rent	-	-
Others specify	-	-
Total inventories	-	-

*Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Notes to the financial statements (Continued)

21. Property, Plant and Equipment

Cost	Motor vehicles	Overheads Distribution Lines	ICT Equipment	Other Assets (Specify)	Capital Work in Progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Depreciation rate	25%	2.5%	33.3%	2.5%	0.0%	
As at 1st July 2024 (opening balances)	-	150,383,633	-	-	1,015,469,686	1,165,853,320
Additions	-	370,857,263	-	-	111,849,659	482,706,922
Disposals	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	(370,857,263)	(370,857,263)
As at 30th June 2025 (a)	-	521,240,897	-	-	756,462,082.14	1,277,702,979
Depreciation And Impairment						
As at 1 July 2024	-	1,768,498.66	-	-	-	1,768,498.66
Depreciation charge for the year	-	9,061,299.68	-	-	-	9,061,299.68
Impairment loss	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-
As at 30th June 2025 (b)	-	10,829,798.34	-	-	-	10,829,798.34
Net Book Values:						
As at 1st July 2024	-	148,615,135	-	-	1,015,469,686	1,164,084,821
As at 30th June 2025 (c=a-b)	-	510,411,098	-	-	756,462,082	1,266,873,181

*Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Notes to the financial statements (Continued)

22. Intangible Assets

Description	1 st July 2024
	Kshs
Cost	
As at 1 st July 2024	-
Additions 1	-
Additions 2	-
As At 30 th June 2025	-
	-
Amortization and impairment	
As at 1 st July 2024	-
Amortization	-
Impairment loss	-
As At 30 th June 2025	-
	-
NBV as at 1st July 2024	-
NBV as at 30th June 2025	-

*Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Notes to the financial statements (Continued)

23. Trade and Other Payables

Description	2024/2025		1 st July 2024	
	Kshs		Kshs	
Trade payables	-		-	
Employee payables	-		-	
Retention Payable at Project Completion:				
Mayleen (k) Ltd Jv Nyikalanda International Technologies Group Ltd	34,440,240		34,043,910	
Padaa Enterprises Ltd Jv Magic Industries Ltd	-		-	
Integrated Supplies and Consultancy Ltd	6,066,597		-	
Total (a)	40,506,837		34,043,910	
<i>Other payables (specify)</i>	-		-	
Financier Pending Payable:				
Mayleen (k) Ltd Jv Nyikalanda International Technologies Group Ltd	-		27,214,391	
Padaa Enterprises Ltd Jv Magic Industries Ltd	-		-	
Integrated Supplies and Consultancy Ltd	-		48,016,841	
Total (b)	-		75,231,232	
Total trade and other payables	40,506,837		109,275,143	
Ageing analysis: (Trade and other payables)	2024/2025	% of the Total	Comparative FY	% of the Total
Under one year	40,506,837	100%	75,231,232	69%
1-2 years	-	0%	34,043,910	31%
2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
Total (tie to above total)	40,506,837	100%	109,275,143	100%

Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements (Continued)

Brief Explanation:

Retention monies payable amounting to Kshs. 40.5 million as at year-end represent cumulative amounts withheld from payments to the main project contractors to ensure the satisfactory fulfilment of contractual obligations. These funds serve as security to guarantee the timely rectification of any defects identified during the defect liability period and are released only upon successful project completion and formal handover of all mini-grids.

24. Third-Party Deposits

Description	FY 2024/25		1 st July 2024	
	Kshs		Kshs	
Contractor's Retention	-		-	
Gratuity	-		-	
Other deposits (specify)	-		-	
Total deposits	-		-	
Ageing analysis: (Refundable deposits)	Current FY 2024/25	% of the Total	Comparative FY	% of the Total
Under one year	-	-	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	-		-	

Brief Explanation:

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

Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements (Continued)

25. Deferred Income

Description	FY 2024/25	1 st July 2024
	Kshs	Kshs
Opec Fund for International Development (OFID)	-	-
Development partner 2	-	-
Others specify	-	-
Total Deferred Income	-	-

Deferred Income Movement Schedule

Description	OFID	Development Partner 2	Others specify	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 1st July 2024	-	-	-	-
Additions	-	-	-	-
Transfers To Performance Statement as Revenue	-	-	-	-
Balance as at 30th June 2025	-	-	-	-

*Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Notes to the financial statements (Continued)

26. Cash Generated from Operations

Description	2024/2025
	Kshs
Surplus/Deficit for the year	(9,061,300)
Adjusted for:	
Depreciation	9,061,300
Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
Effect of exchange rate changes (Forex Loss)	-
Working capital adjustments:	
Increase in inventory	
Decrease in receivables - vendor advances	47,861,920
Decrease in deferred income	-
Increase in retention payable - final settlement	6,462,927
Decrease in Payables Pending Financier Disbursement	(75,231,232)
Increase in payments received in advance	-
Reconciliation Adjustments (Non-Cash)	20,906,386
Adjusted Net Cash Flow from Operating Activities	-

27. Special Deposit Accounts

The project did not operate a Special Deposit Account (SDA) during its implementation; instead, all disbursements were made directly through Contractor's designated bank accounts, in line with the agreed financing arrangements.

*Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Notes to the financial statements (Continued)

28. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

Other related parties include:

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

Description	FY 2024/25
	Kshs
Transactions with related parties	
a) Sales to related parties	
Sales of electricity to govt agencies	-
Rent income from govt. Agencies	-
Others (specify) e.g. interest and bank charges	-
Total	-
b) purchases from related parties	
Purchases of electricity from KPLC	-
Purchase of water from govt service providers	-

Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Description	FY 2024/25
	Kshs
Rent expenses paid to govt agencies	-
Others (specify)	-
Total	-
c) Grants /transfers from the government	
Grants from national govt	-
Grants from county government	-
Donations in kind	-
Total	-
d) Expenses incurred on behalf of related party	
Payments of salaries and wages	
Payments for goods and services	-
Total	-
e) Key management compensation	
Directors' emoluments	-
Compensation to key management	-
Total	-

29. Events after the Reporting Period

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

30. Ultimate and Holding Entity

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

31. Currency

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

*Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Audit report Reference	Issue / Observations from Auditor	Management Comments	Status	Timeframe
No.1	<p>Low Budget Absorption</p> <p>As disclosed under Paragraph 2.7 of the Project information, the Donor had made commitment of USD.15,000,000 equivalent to Kshs.1,500,000,000 for the Project which was set to close on 31 December, 2024. However, actual drawdowns during the project life amounted to USD.8,701,846 equivalent to Kshs.1,030,016,643 leaving Kshs.469,983,357 or 31% undrawn. The credit was set to lapse in six months without being fully utilized as planned. In addition, there was no expenditure incurred during the year under review which further contributed to underutilization of project funds.</p> <p>The National Treasury in a letter dated 30 August, 2024 granted additional funding of Kshs.243,755,082 to the project from the Donor Funding. However, no assurances were</p>	<p>Budget absorption was low in 2023/24 due to the absence of an allocation, which caused payment delays and hindered project progress. This was resolved with a 2024/25 budget allocation of Kshs. 243.76 million, approved under Article 223 and incorporated into IFMIS on August 30, 2024. The Corporation resumed processing pending invoices. Contractors were requested to submit invoices and expedite remaining works to ensure completion before the credit facility's expiry on December 31, 2024.</p> <p>To date, the absorption rate stands at 63% of the total donor commitment. The OPEC Fund has disbursed USD. 9,379,062, equivalent to approximately Kshs. 1.24 billion, representing 62.5% of its total commitment of USD 15,000,000.</p> <p>Overall, aggregate payments made to date amount</p>	Resolved	Not Applicable

**Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Audit report Reference	Issue / Observations from Auditor	Management Comments	Status	Timeframe
	<p>provided on the utilization of the additional funding before expiry of the credit on 31 December, 2024.</p> <p>In the circumstances, the effectiveness in implementation of the project, and value for money obtained for financing project activities could not be confirmed.</p>	<p>to approximately Kshs. 1.24 billion, which is 91.9% of the total aggregate contract value of Kshs. 1.35 billion.</p> <p>This approach aimed to maximize budget utilization and ensure timely project delivery.</p>		
No. 2	<p>Unresolved Prior Year Matters</p> <p>In the audit report of the previous year, several matters were raised under the Report on Financial Statements and in the Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management had not resolved the matters in the year under review citing challenges of lack of budgetary provision delay in implementation of the project. In addition, Management did not indicate steps taken to implement recommendation arising from those prior matters.</p>	<p>The previous audit report highlighted delays and low budget absorption under Other Matters concerning the Kenya Electricity Expansion Project (KEEP), funded by the OPEC Fund. These issues arose due to the following factors:</p> <ol style="list-style-type: none"> 1. COVID-19 Pandemic: Project implementation, which began in June 2020, experienced significant delays caused by global supply chain disruptions, inspection difficulties, and travel restrictions. To mitigate these impacts, the Corporation adopted virtual inspections, which enabled the continued manufacturing, testing, and delivery of materials. 2. Lack of Budget Allocation for FY 2023/24: The absence of funding during 	Resolved	Not Applicable

Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Audit report Reference	Issue / Observations from Auditor	Management Comments	Status	Timeframe
		<p>the financial year impeded payments for ongoing works. This challenge was later resolved through an allocation of Kshs. 243.76 million for FY 2024/25, which was incorporated into IFMIS.</p> <p>3. Security Challenges: Insecurity in Turkana, Samburu, and Mandera forced contractors to demobilize, further delaying project progress. The Corporation engaged local authorities and the Ministry of Interior to strengthen security and facilitate work resumption.</p> <p>With the key challenges resolved budget constraints, pandemic disruptions, and security issues. Management was able to resume project activities, process pending payments, and coordinate effectively with contractors, thereby positioning the Corporation to achieve critical milestones within the remaining project period</p>		
No. 3	<p>Delay in Project Implementation</p> <p>The statement of receipts and payments reflects cumulative payments amounting to Kshs.1,109,159,289 as at 30 June, 2024 in respect of acquisition of non-financial assets.</p>	<p>The delays in project completion were caused by the lack of budget allocation during the year under review. However, with the budget allocated in FY 2024/25, the Corporation successfully implemented measures to ensure the timely</p>	Resolved	Not Applicable

Kenya Electricity Expansion Project

Annual Report and Financial Statements for the financial year ended June 30, 2025

Audit report Reference	Issue / Observations from Auditor	Management Comments	Status	Timeframe
	<p>The payment represented 82% of the total contracted works amounting to Kshs.1,35,919,371 for the three (3) lots under the Project. The contracts were signed in June, 2020 and were expected to be completed by 31 December, 2024. However, the progress provided indicated an overall progress of works as 82% comprising of 94% of delivered materials and 72% of executed works. This implies that over 18% of the contract had not been executed.</p> <p>In addition, no payments were made on verified contracted works during the year under review which Management attributed to lack of budget allocation in supplementary estimates I and II as was recommended by The National Treasury. The lack of budget impacted negatively on contractors' cash flows which further delayed execution of works.</p> <p>In the circumstances, the value for money realized from the project could not be</p>	<p>completion and commissioning of all projects before the credit expired on December 31, 2024. The Corporation actively collaborated with contractors and developed an updated project implementation Gantt chart to monitor progress and ensure adherence to agreements. These actions positioned the Corporation to meet project deadlines and deliver the intended benefits to the public efficiently.</p>		

Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Audit report Reference	Issue / Observations from Auditor	Management Comments	Status	Timeframe
	confirmed as the credit agreement was set to lapse with substantial works not executed.			
No. 4	<p>Unconfirmed Project Implementation</p> <p>Annex 4(a) to the financial statements reflects Kshs.75,231,232 in respect to pending bills relating to activities carried out in Lot 1 and Lot 3 by two local contractors. Review of the project progress report revealed that activities under Lot 2 undertaken in Mandera, Isiolo, Wajir and Marsabit counties had two (2) commissioned projects, four (4) projects set for commissioning and three (3) projects awaiting transformer installation. However, it was not confirmed whether any works were carried out during the year since documents in respect of works executed such as invoices, delivery notes, and detailed inspection reports were not provided for review contrary.</p> <p>In the circumstances, the value for money</p>	<p>As indicated in the progress report, installation work under Lot 2 was underway, but the Contractor had not yet submitted invoices for payment. Two projects had been completed and commissioned, as evidenced by the acceptance and handover certificates for KPLC and joint inspection reports for Guba Market (June 3, 2024) and Bulla Kotkot (March 18, 2024) in Banisa Constituency. Additional joint inspection reports were to be submitted once the remaining projects were inspected and commissioned. The Contractor had indicated plans to submit a single invoice for all installation works. Furthermore, the minutes from the testing and inspection of transformers, conducted at Tanalec Kenya Limited in Tanzania on September 27-28, 2023, were attached. Some transformers had already been installed, while the installation of the remaining units was still in progress.</p>	Resolved	Not Applicable

**Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Audit report Reference	Issue / Observations from Auditor	Management Comments	Status	Timeframe
	incurred on works executed under the two lots could not be confirmed.			
No. 5	<p>Reconciliation of Retention Funds</p> <p>As disclosed in annex 4c to the financial statements containing an analysis of other pending payables, an amount of Kshs.39,775,445 was outstanding in respect of retention monies. Review of payment schedules supporting the amount revealed that the total amount paid to the contractors as at 30 June, 2024 was Kshs.1,109,159,928 with an expected retention of Kshs.123,239,921. However, the financial statements reflect retained amount of Kshs.39,775,445 during the year resulting in unexplained and unreconciled variance of Kshs.83,464,476.</p> <p>In addition, the retention monies were awaiting issuance of completion certificate and lapse of the defect's liability period as</p>	<p>As of June 30, 2024, the total retention monies amounted to Kshs. 39,775,445, which was accurately reflected in the financial statements, indicating the true financial position. The noted variance did not require amendments, as no additional retention amounts were withheld or unreported. However, discrepancies were noted in retention amounts that had not been withheld in accordance with the contract terms for invoices paid under letters of credit for materials supplied. To address this, management implemented the following measures:</p> <ol style="list-style-type: none"> 1. Correct withholding procedures to ensure required retention amounts were withheld for future payments. 2. A review mechanism for payment 	Resolved	Not Applicable

Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Audit report Reference	Issue/ Observations from Auditor	Management Comments	Status	Timeframe
	<p>per the contractual guidelines. However, Kshs.30,952,470 relates to previous years, which exceeded the one (1) year retention period stipulated in the contract. No evidence was provided to indicate that the Corporation had made efforts to have the amount paid. In the event that these payments will not be made by 31 December, 2024 when the credit period lapses, the Corporation may be compelled to incur the cost from own funds since the financier had indicated that unutilized loan balance would automatically be cancelled upon expiry of the agreement on 31 December, 2024.</p> <p>In the circumstances, the implementation of the Project by Management was not effective.</p>	<p>certificates to verify compliance with retention requirements.</p> <p>These actions were intended to prevent future discrepancies and improve overall financial management practices.</p>		
No. 6	<p>Misallocation of Funds</p> <p>Note 15 to the financial statements reflects Kshs.1,109,159,289 (US\$.9,373,500) in respect to prior year adjustments for OPEC</p>	<p>An amount of Kshs. 79,142,646 (equivalent to US\$ 671,654) was mistakenly paid through the Corporation's KCB Bank account, instead of</p>	Resolved	Not Applicable

Kenya Electricity Expansion Project

Annual Report and Financial Statements for the financial year ended June 30, 2025

Audit report Reference	Issue / Observations from Auditor	Management Comments	Status	Timeframe
	<p>Fund for International Development (OFID) funding. However, a review of the loan schedule revealed that the actual amount received from OFID was Kshs.1,030,016,643 (US\$.8,701,846) resulting in a variance of Kshs.79,142,646 (US\$.671,654). The variance relates to payments for Lot 3 works paid to a local company from the Corporation's Bank account instead of the project fund yet the Project was fully funded by the financier (OFID). This is contrary to Regulation 4 (c) of the Public Finance Management (National Government) 2015 which provides that a standardized financial management system be in place capable of producing accurate and reliable accounts free from errors, fraud and which will be useful in management decisions and statutory reporting.</p> <p>Even though Management acknowledged these payments as erroneously paid, the</p>	<p>being processed as a claim against the OPEC Fund for International Development (OFID), as per the financing agreement. The payment, related to Lot 3: Integrated Supplies and Consultancy Ltd, should have been covered by a special commitment via letters of credit. However, the disbursement occurred before the National Treasury approved the special commitment, preventing the application of the necessary procedures.</p> <p>To resolve this, the Corporation sought guidance from OFID on the appropriate steps to rectify the situation and facilitate the refund of the erroneously debited amount. OFID provided the necessary guidance, and the Corporation is now engaging with the National Treasury to process the refund and ensure compliance with the financing agreement.</p>		

Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Audit report Reference	Issue / Observations from Auditor	Management Comments	Status	Timeframe
	errors remained uncorrected for over the eleven (11) months.			
No. 7	<p>Material Discrepancies in Targeted Customer Connectivity</p> <p>Review of the financing agreement revealed that the targeted number of new customers was 300,000. However, the progress reports as at 30 June, 2024 revealed that only 896 or approximately 0.3% of the customers had been connected despite 82% of funds having been paid to contractors, and the project set to close on 31 December, 2024.</p> <p>Further, a review of the project description and scope of works contained in the contract agreements revealed a contradiction of the above data. While agreement indicate that customers ranging between 4,000 to 4,398 would be connected, the financing agreement indicated 300,000 customers resulting in a variance of 296,000 customers. Management admitted that the during the time of signing</p>	<p>The customer numbers outlined in the financing agreement were initial estimates, as actual connections depend on project surveys and designs, which were not completed at the time of signing. As a result, the initial figures were overestimated. The final target customer count, determined after the surveys and designs, stands at 4,398, with the distribution as follows: 1,877 for Mayleen Ltd, 1,292 for Padaa Enterprises Ltd, and 1,229 for Integrated Supplies and Consultancy Ltd.</p> <p>As of June 30, 2023, 896 connections had been completed. Joint measurements for the completed works are ongoing, and the remaining installations will be completed now that the budget provisions are in place. The target number of customer connections is expected to be achieved before the credit</p>	Resolved	Not Applicable

**Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Audit report Reference	Issue / Observations from Auditor	Management Comments	Status	Timeframe
	<p>of the financing agreement on 4 February, 2013, survey and project designs had not been done and, therefore, the targeted number of customers were overestimated. This casts doubt on whether the donor funds were adequately planned for and whether it was necessary to commit public funds on loans as at 30 June, 2024 only 896 customers or approximately 20% were connected with Kshs.1,109,159,289 or 82% of the contracted sums</p> <p>In the circumstances, realization of value for money secured from the donor funds for the project could not be confirmed.</p>	<p>expires on December 31, 2024.</p>		
No. 8	<p>Lack of Project Designs and Drawings during Bidding</p> <p>An Internal Audit report on implementation of Donor Funded Projects issued on 2 October, 2023 revealed that none of the bidders were issued with project design and drawings. This was contrary to Section 60(1) of the Public</p>	<p>The bidding process for the Supply and Installation of 33kV, 11kV Lines, and Associated Transformers and Low Voltage Networks followed the required procurement protocols to ensure transparency and efficiency. A comprehensive set of bidding documents, including technical specifications and</p>	Resolved	Not Applicable

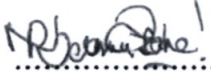
Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Audit report Reference	Issue / Observations from Auditor	Management Comments	Status	Timeframe
	<p>Procurement and Asset Disposal Act, 2015 which requires the procuring entity to furnish the bidders with all specific requirements relating to the goods, works and services being procured.</p> <p>In addition, lack of the designs and drawing resulted in variation of a contract issued to a local contractor by Kshs.38,181,354 on materials procured for the projects occasioned by changes in prices and quantities in the estimates.</p> <p>Further, during a site handover to a local contractor for Lot 3 in Kirimon, Laresoro and Marijo it was established that the projects had already been constructed by Kenya Power and Lighting Company Limited (KPLC), thus necessitating a replacement with seven other projects. However, the change led to a difference in specifications and materials quantities causing further delays in project's completion.</p>	<p>construction plans, was publicly available on the Corporation's website, ensuring equitable access for all potential bidders.</p> <p>Clarifications were provided in response to bidder inquiries, confirming that all technical specifications and drawings were accessible online. These responses (Annex 10: Responses to Requests for Clarification) demonstrate the Corporation's commitment to clear communication and fair competition.</p> <p>Effective project management oversight ensured that the bidding process was efficient, avoiding redundancies and inconsistencies. This oversight helped prevent task duplication, kept the project within established timelines, and contributed to the overall success of the project, aligning with the Corporation's strategic objectives.</p>		


Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Audit report Reference	Issue / Observations from Auditor	Management Comments	Status	Timeframe
	In the circumstances, Management was in breach of the law.			

Signed by:



Chief Executive Officer
CS Dr. Rose Mkalama



 for **Project Coordinator**
Mr. Edward Gakunju

*Kenya Electricity Expansion Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Annex 2: Reconciliation of Inter-Entity Transfers

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

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

**Project Coordinator
(REREC)**

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

Sign: 

Sign: 

Kenya Electricity Expansion Project

Annual Report and Financial Statements for the financial year ended June 30, 2025

Annex 3: Fixed Asset Register

Asset class	Historical Cost b/f Previous Year	Additions during the year	Disposals during the year	Transfers in/(out) during the year	Historical Cost c/f Current Year
	(Kshs)	(Kshs)	(Kshs)		(Kshs)
Overheads Distribution Lines (ODL)	150,383,633	370,857,263	-	-	521,240,897
Capital Work in Progress (WIP)	1,015,469,686	111,849,659	-	(370,857,263)	756,462,082
Total	1,165,853,320	482,706,922	-	(370,857,263)	1,277,702,979

Annex 4: Other Support Documents

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