

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

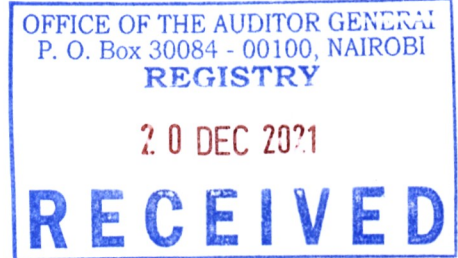
**KENYA ELECTRICITY EXPANSION
PROJECT (OFID CR.NO.1487P)**

**FOR THE YEAR ENDED
30 JUNE, 2021**

**RURAL ELECTRIFICATION AND
RENEWABLE ENERGY CORPORATION**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 09 FEB 2022	DAY: Wed
TABLED BY: LDM	
CLERK-AT-THE-TABLE: S. Kalama	

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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, 2021

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

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: Kenya Electricity Expansion Project (KEEP)

Objective: The key objectives of the project is:

The Government aims to achieve universal access to electricity by the year 2021. The objective project is to assist the government in achievement of this target by enhancing electrification access in off-grid areas.

The project headquarters offices are in Nairobi, Kenya

The address of its registered office is:

Kawi House, Red Cross Road,
P.O Box 34585 – 000100,
Telephone: (254) 2341400, 2710955,
E-mail: info@rea.co.ke,
Website: www.rea.co.ke

1.2 Project Information

Project Start Date:	The project start date is October 2017
Project End Date:	The project end date is 30 th December 2021
Project Manager:	The project Manager is Mr. Edward Gakunju
Project Sponsor:	The project sponsor is OPEC Fund, through the National Treasury

1.3 Project Overview

Line Ministry	The project is under the supervision of the Ministry Of Energy
Project number	The project number is OFID CREDIT NUMBER 1487P
Strategic goals of the project	The strategic goals of the project are as follows: (i) To connect public facilities in selected areas (ii) To connect household in the selected areas
Achievement of strategic goals	The project management aims to achieve the goals through the extension of electricity supply

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.4 Project Information

Project Start Date:	The project start date is 01.10.2017
Project End Date:	The project end date is 31.12.2021
Project Manager:	The project manager is Mr Edward Gakunju
Project Sponsor:	The project sponsor is OPEC Fund

1.5 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry Of Energy
Project number	1487P
Strategic goals of the project	The strategic goals of the project are as follows: (i) To connect public facilities in selected areas. (ii) To connect household in the selected areas.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Construction of powerlines (ii) Installation of transformers
Other important background information of the project	The project will connect households and public facilities in the off-grid areas and distribution lines constructed will enhance electricity access in these regions
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: i. Attainment of universal access to power by 2030 ii. Improve living standards of citizens
Project duration	The project started on 01.10.2017 and is expected to run until 31.12.2021

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.6 Bankers

The project does not have a bank account

1.7 Auditors

The project is audited by the Office of the Auditor General

1.8 Roles and Responsibilities

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names and contact details	Title designation	Key Qualifications	Responsibilities
Edward Gakunju 0722244879 egakunju@rea.co.ke	Project Manager	Master's Degree in Economic Policy Management	Overall coordination of Project activities Responsibilities <ul style="list-style-type: none"> • Coordinate Project implementation activities as per the work plan • Prepare project implementation reports • Attend project coordination meetings
Lucy Kinyanjui 0722842402 lkinyanjui@rea.co.ke	Project Accountant	Bsc Admin(Accounting), C.P.A (K)	<ul style="list-style-type: none"> • Preparation of Financial Reports for the project • Process of project related payments

*Kenya Electricity Expansion Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

<p>Festus Kasonzo 0722138880 fkasomzo@rea.co.ke</p>	<p>Procurement Specialist</p>	<p>Master's Degree in Procurement and Supplies</p>	<ul style="list-style-type: none"> • Preparation of projects procurement plans • Preparation of bid documents • Coordinate tendering evaluation and award notifications • Coordination of procurement activities of the project
<p>Nicholas Muigai 0722269540 nmuigai@rea.co.ke</p>	<p>Project Engineer</p>	<p>Bsc in Electrical Engineering</p>	<ul style="list-style-type: none"> • Review of project designs • Analyse all the Technical aspects of the project
<p>OPEC Fund</p>			<ul style="list-style-type: none"> • Project sponsors. • Review and approving the projects withdrawal applications, expenditure justifications, no objection requests, annual work plan and budget. • Participating in implementation support missions.
<p>Ministry Of Energy</p>			<ul style="list-style-type: none"> • Ensures Project's budget is captured in its development Projects • Disburse the government counterpart funding. • Review and track the Project's annual work plan and budget against the set targets and makes the approvals. • Oversee the execution of the project coordinating team.

Office of The Auditor General			<ul style="list-style-type: none"> • Mandated to audit all national government entities, which include government development projects and present these statutory financial statements to the Parliament. • Facilitate submission of the audited report to the project's sponsors by 31 December each year.

1.9 Funding summary

The Project is for duration of five years from 2017 to 2021 with an approved budget of US\$ 1,500,000 (use donor currency) equivalent to Kshs 1,500,000,000 as highlighted in the table below:

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30.06.2021)		Undrawn balance to date	
	Donor currency	KShs	Donor currency KShs	KShs	Donor currency KShs	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
(i) Loan						
OPEC Fund	15,000,000	1,500,000,000	2,465,099	263,691,632	12,534,901	1,236,308,368
Total	15,000,000	1,500,000,000	2,465,099	263,691,632	12,534,901	1,236,308,368

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2021)		Cumulative paid to date – (30 th June 2021)	Amount (30 th June 2021)	Unutilised balance to date	
	Donor currency (A)	Kshs (A')			Donor currency (A)-(B)	Kshs (A')- (B')
(i) Loan						
OPEC Fund	2,465,099	263,691,632	263,691,632	263,691,632	-	-
Total	2,465,099	263,691,632	263,691,632	263,691,632	-	-

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.10 Summary of Overall Project Performance:

During the year under review, the Project received Kshs 264 Million against a budget of Kshs 750 Million which was 35% absorption rate. The project implementation commenced in November 2020 after the payment of advance payments to the contractors. By the end of the financial year the contractors were mobilizing resources and actual delivery of materials and installation of power lines will be done in the financial year 2021/2022.

The implementation challenges have been the lengthy process of communication through documents and payment processing. This has been resolved by putting in place a separate desk to deal with a particular loan portfolio which has increased efficiency in processing and sending documents to the financier.

1.11 Summary of Project Compliance:

The Program has ensured that all its activities carried out are within the laws of the Republic of Kenya and that all regulations and procedures have been followed. Among the regulations include the Environmental and Social Impact Assessment (ESIA) for which authority was issued for the implementation of the project. In cases of inconsistency between the GOK Regulations and those of the donors, the latter have been applied.

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

The Project's overall objective is to help achieve sustainable national economic growth by improving access to modern, clean and affordable energy services and specifically aims at increasing the capacity, efficiency and quality of electricity supply as well as to expand the access to electricity in urban, peri-urban and rural areas of the North-Eastern, Western, Central and Nyanza Provinces of Kenya. This is to be achieved by implementing component c of the loan agreement.

C- Distribution, including the expansion and upgrading of the distribution network as well as connection of 300,000 new customers during the period between 2012 and 2017. Consultancies services for design and supervision are further included under this component. Additional scope: The expansion of the 33 kV distribution lines will facilitate connection 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. The market centers to be connected are within a distance of less than 30 km from the mini grid stations to ensure reliability of power supply. The expansion is also covering other market centers and households in the nearby counties of Laikipia and Samburu. In total, about 500 km of 33 kV distribution lines will be constructed to connect over 50 market centers and over 200,000

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

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, Western, Central and Nyanza Provinces of Kenya

Progress on attainment of Strategic development objectives

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

Project	Objective	Outcome	Indicator	Performance
Kenya Electricity Expansion Project (KEEP)	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.	In FY 20/21 no connections were achieved since the project had just started.
	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	

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

1. Sustainability strategy and profile

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

The Corporation's CSR policy framework is cognisant of the fact that its performance in relation to the society in which it operates and its impact on the environment is critical in measuring its overall performance and its ability to continue operating effectively. It is also cognisant of the fact that in the long run, all the Corporations' activities depend on the health of the ecosystems around it. This is, in part, a reflection of the growing recognition of the need to ensure healthy ecosystems, social equity and good organizational governance.

2. Environmental performance

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

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

Every year the Corporation carries out tree planting initiatives across the country. Recent projects that have been carried out in collaboration with the Kenya Forest Research Institute have involved setting up of tree nurseries in the counties of Nyeri, Kilifi, Kisumu and Turkana. In the 2020/21 financial year, the corporation undertook a tree planting exercise in Kilifi County at Pwani University where 10,000 seedlings were planted.

3. Employee welfare

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

- The Corporation is an equal opportunity employer and shall not in its recruitment and selection process, discriminate on the basis of gender, race, disability, religion, ethnicity or any other form of discrimination.

- The principles of affirmative action, gender and persons living with disability and national values will apply in the recruitment process. The Corporation shall observe gender mainstreaming, balance on appointment, promotion and ensure that a minimum of a third (1/3) are of either gender.
- Short listing criteria shall include minimum constitutional and statutory requirements and shall be on merit (meeting minimum requirements as advertised). The requirement for Gender and Disability Mainstreaming may be considered.
- The policy also provides flexi hours for staff. An expectant Employee is entitled to time off from work with full pay in order to attend antenatal clinic and any hospital appointments relating to her pregnancy.

Management has put in place an OSHA committee with Terms of Reference including:

- To ensure the safety, health and welfare of all persons working at REREC offices and premises.
- To ensure information is provided to all employees on issues related to plants, equipment and tools in order to avert any accidents which may arise.
- To ensure all REREC offices and premises are registered with the Director of Occupational Health and Safety (DOHS).
- Ensure health and safety audits are conducted once a year by an external auditor approved and certified by Director of Occupational Health and Safety.

4. Market place practices-

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

5. Community Engagements-

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

Education:

- The Corporation has been working in collaboration with the Kenya Prisons to provide desks to various needy schools across the country. The partnership has supported the Kenya Prisons by providing an income generating activity and also supported the education efforts in the various schools in our project areas. Beneficiaries in the 2020/21 financial year included schools in Marsabit, Kiambu, Bungoma and Kisii counties.
- The Corporation has donated textbooks sourced from the Kenya Literature Bureau to various needy schools. Recent beneficiaries in the 2020/21 Financial year have been schools in Tana River, Kisii, Tharaka Nithi, Murangá, Homabay, Migori, Garissa, Wajir and Mandera counties
- REREC donated newspaper bales to R.S. Ndingi Mwana' A Nzeki Foundation in May, 2021. The donated newspapers will be sold to raise funds for bursaries for needy students in Kenya under a funds drive dubbed, 'The one million Kilogram Newspaper Project.
- REREC supported 'Touch a Learner's Foundation' through a contribution of Kshs. 200,000 in aid of school fees for needy bright pupils at St. Martins Kathonzweni Primary School in Makueni County.

Health:

Every year, the Corporation runs a health camp in collaboration with a selected county government for purposes of providing free health services and education to local communities. In the 2020/21 financial year the Corporation held a health camp in Meru County in collaboration with the county government. The purpose of the health camp was to offer outpatient medical services and screening for cancer and other non-communicable diseases (NCDs)

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer Rural Electrification and Renewable Energy Corporation and the Project Manager, for KEEP *project* are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2021.

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 (vi) Making accounting estimates that are reasonable in the circumstances.

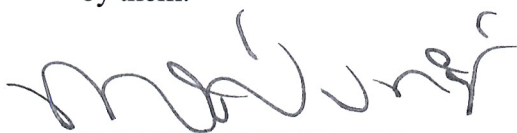
The Chief Executive Officer Rural Electrification and Renewable Energy Corporation and the Project Manager, for KEEP are responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Chief Executive Officer Rural Electrification and Renewable Energy Corporation and the Project Manager, for KEEP 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/period ended June 30, 2021, and of the Project's financial position as at that date. The Chief Executive Officer Rural Electrification and Renewable Energy Corporation and the Project Manager, for KEEP further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

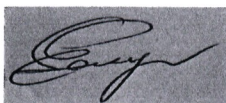
The Chief Executive Officer Rural Electrification and Renewable Energy Corporation and the Project Manager, for KEEP confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period 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 Rural Electrification and Renewable Energy Corporation and the Project Manager, for KEEP on 20/9/ 2021 and signed by them.



Chief Executive Officer
CPA Peter Mbugua



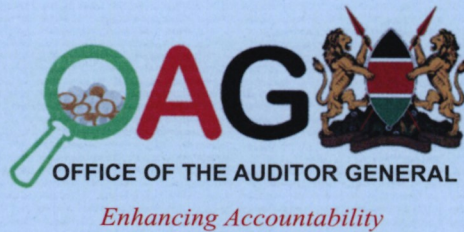
Project Manager
Edward Gakunju



Project Accountant
CPA Lucy Kinyanjui
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REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY EXPANSION PROJECT (OFID CR.NO.1487P) FOR THE YEAR ENDED 30 JUNE, 2021 - RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Electricity Expansion Project set out on pages 1 to 40, which comprise of the statement of financial assets as

at 30 June, 2021, statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Electricity Expansion Project as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No.1487P dated 17 October, 2017, between the OPEC Fund for International Development (OFID) and the Republic of Kenya and the Public Finance Management Act, 2012.

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

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Delay in Implementation of Project

Review of the financing agreement and other relevant documentation revealed that the project had a financing commitment of Kshs.1,500,000,000. The statement of receipts and payments as at 30 June, 2021 indicates that the project had receipts of Kshs.263,691,632, and expenditure of the same amount which is 18% of the total amount financed. The project commenced on October, 2017 with an end date of December, 2021.

Additionally, in the financial year under review, the project had a budget of Kshs.750,000,000 but only 263,267,861 had been absorbed by the end of the year, representing 35% of the budget. Continued low absorption of funds will adversely affect

the achievement of the Project's objectives and hence delay the benefits of the project to the citizenry.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Delayed Commencement of the Project

The loan agreement for financing the Project was signed on 25 September, 2011. It was however noted that there was no activity for the project until the current financial year when the procurements were made with the implementor contracting for services on 25 and 26 June, 2020 which was nine (9) years after signing the financing agreement. Further the financing agreement provided for review indicated that the loan repayments were to commence on October, 2016 which is more than four (4) years before the actual first drawdown.

In addition, the following documents were not provided for audit review in support of the continued implementation of the project:

- i. The amended loan agreement to allow for the drawdown on the loan and or implement of the project nine years down the line.
- ii. The approved work plan and budget for the current financial year
- iii. The approved rescheduling of loan repayments as a result of the late drawdown.

In the circumstances, delay in implementation of the project is likely to adversely affect realisation of the project's objectives.

2. Advance Payment to Contractors

Review of the financial records revealed that the project made advance payments to contractors amounting to Kshs.263,691,632 which were covered by payment guarantees issued by commercial banks that had a cover period upto 25 June, 2021 or interim works certificate indicating that 90% of the accepted contract sum had been certified for payment, whichever is earlier. However, as at 30 June, 2021, the guarantee had expired and there was no evidence of ninety percent (90%) certification of the work or extension of the guarantee.

Further, clause 2.2 of the contract with the implementing contractors indicates that the Corporation can give a credit guarantee to the contractor's bank in favour of the contractor up to 80% of the contract sum, a clause that if effected, could greatly increase the risk exposure for the Corporation.

3. Incomplete Coverage of the Defined Scope as per the Loan Agreement

According to Paragraph (c) of Annex 1 to the amendment of OFID loan agreement No.1487P for Kenya Electricity Expansion Project, dated 17 October, 2017, the scope of the project includes distribution, expansion and upgrading of the distribution network as well as connection of 300,000 new customers. Consultancy services for design and supervision were also included under this component.

Further, additional scope included expansion of the 33kV distribution lines to facilitate connection to electrified public facilities, households and market centers in the region.

Review of the financial records indicate that the Corporation had tendered for establishment of mini-grids in Mandera, Turkana, Laikipia and Samburu at a total cost of Kshs.1,314,426,487 out of the total loan of Kshs.1,500,000,000 and which covered 38 markets against the 50 provided for in the loan agreement. The Management did not explain how the remaining 12 markets, and mini grids in Wajir and Marsabit counties would be covered.

In addition, no evidence was provided to confirm that consultancy services for design and supervision were procured.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance on whether effective processes and systems of internal control, risk management and overall governance,

were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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


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

obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

22 December, 2021

6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021.

RECEIPTS	Note	2020-2021		2019-2020		Cumulative to date
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		Kshs	Kshs	Kshs	Kshs	Kshs
Transfer from Government entities	1	-	-	-	-	-
Proceeds from domestic and foreign grants	2	-	-	-	-	-
Loan from external development partners	3	-	263,691,632	-	-	-
Miscellaneous receipts	4	-	-	-	-	263,691,632
Total receipts		-	263,691,632	-	-	263,691,632
PAYMENTS						
Compensation of employees	5	-	-	-	-	-
Purchase of goods and services	6	-	-	-	-	-
Social security benefits	7	-	-	-	-	-
Acquisition of non-financial assets	8	-	-	-	-	-
Transfer to other Government Entities	9	-	263,691,632	-	-	263,691,632.15
Other grants and transfers and payments	10	-	-	-	-	-
TOTAL PAYMENTS		-	-	-	-	-
SURPLUS/DEFICIT FOR THE YEAR		-	263,691,632	-	-	263,691,632.15

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



Chief Executive Officer
CPA Peter Mbugua



Project Manager
Edward Gakunju

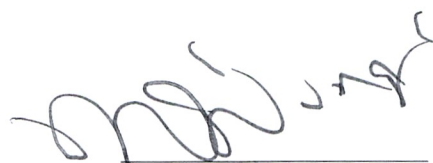



Project Accountant
CPA Lucy Kinyanjui
ICPAK 4862


7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021

	Note	2020-2021 Kshs	2019-2020 Kshs
Cash and Cash Equivalents			
Bank Balances	11..A		
Cash Balances	11.B	-	-
Cash Equivalents (short-term deposits)	11.C	-	-
Total Cash and Cash Equivalents		-	-
Accounts receivables – Imprest and Advances	12	-	-
TOTAL FINANCIAL ASSETS		-	-
FINANCIAL LIABILITIES			
Payables- Deposits and Retentions	13	-	-
REPRESENTED BY:			
Fund balance b/fwd	14		
Prior year adjustments	15	-	-
Surplus/Deficit for the year		-	-
NET FINANCIAL POSITION		-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 20/9/ 2021 and signed by:


 Chief Executive Officer
 CPA Peter Mbugua


 Project Manager
 Edward Gakunju


 Project Accountant
 CPA Lucy Kinyanjui
 ICPAK 4862

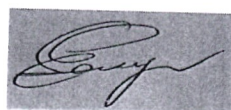
8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021

	Note	2020-2021	2019-2020
		Kshs	Kshs
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfer from Government entities	1	-	-
Proceeds from domestic and foreign grants	2	-	-
Miscellaneous receipts	4	-	-
Payments from operating expenses			
Compensation of employees	5	-	-
Purchase of goods and services	6	-	-
Social security benefits	7	-	-
Transfers to other government entities	9	-	-
Other grants and transfers and payments	10	-	-
Adjustments during the year			
Prior Year Adjustments	15		
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	16	-	-
Increase/(Decrease) in Accounts Payable:	17	-	-
Net cash flow from operating activities		<u>-</u>	<u>-</u>
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of non-financial assets	8	(263,691,632)	-
Net cash flows from Investing Activities		<u>(263,691,632)</u>	<u>-</u>
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	3	-	-
Net cash flow from financing activities		<u>263,691,632</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENT			
Cash and cash equivalent at BEGINNING of the year	11	<u>-</u>	<u>-</u>
Cash and cash equivalent at END of the year	11	<u>-</u>	<u>-</u>

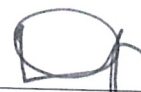
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 20/9/ 2021 and signed by:



Chief Executive Officer
CPA Peter Mbugua



Project Manager
Edward Gakunju



Project Accountant
CPA Lucy Kinyanjui
ICPAK 4862

**Kenya Electricity Expansion Project
Reports and Financial Statements
For the financial year ended June 30, 2021**

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=d-c	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
Payments from Government entities	-	-	-	-	-	-
Proceeds from domestic and foreign grants	-	-	-	-	-	-
Proceeds from borrowings	750,000,000	-	750,000,000	263,691,632	486,308,368	35
Miscellaneous receipts	-	-	-	-	-	-
Total Receipts	750,000,000	-	750,000,000	263,691,632	486,308,368	35
Payments						
Compensation of employees	-	-	-	-	-	-
Purchase of goods and services	-	-	-	-	-	-
Social security benefits	-	-	-	-	-	-
Acquisition of non-financial assets	750,000,000	-	750,000,000	263,691,632	486,308,368	35
Transfers to other government entities	-	-	-	-	-	-
Other grants and transfers	-	-	-	-	-	-
Other payments	-	-	-	-	-	-
Total Payments	750,000,000	-	750,000,000	263,691,632	486,308,368	

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements.



Chief Executive Officer
CPA Peter Mbugua



Project Manager
Edward Gakunju



Project Accountant
CPA Lucy Kinyanjui
ICPAK 4862

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.2 Statement of compliance and basis of preparation

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

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

10.3 Reporting entity

The financial statements are for the Project KEEP under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.3.1 Reporting currency

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

10.4 Significant Accounting Policies

a) Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

External assistance is received through loans from multilateral and bilateral development partners.

iii) Other receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements the time associated cash is received.

b) Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

Significant Accounting Policies (Continued)

c) Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the Project or any other debt the Project may take on will be treated on cash basis and recognized as a receipt during the year they were received.

d) Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

e) Recognition of payments

The Project recognises all payments when the event occurs, and the related cash has actually been paid out by the Project.

i) Compensation of employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

ii) Use of goods and services

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

Significant Accounting Policies (Continued)

iii) Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

iv) Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

f) In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

Significant Accounting Policies (Continued)

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank

account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

h) Accounts receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

Significant Accounting Policies (Continued)

i)Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. **Annex 5** of this financial statement is a register of the contingent liabilities in the year.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

j) 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

Significant Accounting Policies (Continued)

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.

k) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

l) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

m) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties column in the statement of receipts and payments.

During the year Kshs 264 Million being loan disbursements were received in form of direct payments from third parties.

Significant Accounting Policies (Continued)

n) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

o) Comparative figures

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

p) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2021.

q) Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

11. NOTES TO THE FINANCIAL STATEMENTS

RECEIPTS FROM GOVERNMENT OF KENYA

These represent counterpart funding and other receipts from government as follows:

	2020/21	2019/20	Cumulative to-date (from inception)
	KShs	KShs	
<i>Counterpart funding through Ministry xxx</i>			
Counterpart funds Quarter 1	-	-	-
Counterpart funds Quarter 2	-	-	-
Counterpart funds Quarter 3	-	-	-
Counterpart funds Quarter 4	-	-	-
Total (See Annex 2)	-	-	-
<i>Other transfers from government entities</i>	-	-	-
Ministry xx	-	-	-
Ministry xy	-	-	-
Project zxy	-	-	-
Agency xz	-	-	-
	-	-	-
Appropriations-in-Aid	-	-	-
Total	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2021 we DID NOT receive grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment *	Grants received in kind	Total amount in KShs	
						2020/21	2019/20
			KShs	KShs	KShs	KShs	KShs
Grants Received from Bilateral Donors (Foreign Governments)							
Insert name of foreign Government	-					-	-
Grants Received from Multilateral Donors (International Organizations)							
Insert name of international organization	-					-	-
Grants Received from Local Individuals and organizations							
Insert name of individual or local organization	-					-	-
Total						-	-

* The direct payment grants represent payments for goods and services done directly by the donor on behalf of the project. Projects should ensure that the adequate documents and support document is requested from the donors to support this grant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2021 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs	
					FY 2020/21	FY 2019/20
			Kshs	Kshs	Kshs	Kshs
Loans Received from Bilateral Donors (Foreign Governments)						
Loans Received from Multilateral Donors (International Organisations)- OPEC Fund	03.11.2020	2,465,099	263,691,632	263,691,632	263,691,632	
Total		2,465,099	263,691,632	263,691,632	263,691,632	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. MISCELLANEOUS RECEIPTS

The project did not receive any miscellaneous receipts during the financial year

	2020/21			20/19/2020	Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts	Total Receipts	
	KShs	KShs	KShs	KShs	KShs
Property income	-	-	-	-	-
Sales of goods and services	-	-	-	-	-
Administrative fees and charges	-	-	-	-	-
Fines, penalties and forfeitures	-	-	-	-	-
Voluntary transfers other than grants	-	-	-	-	-
Other receipts not classified elsewhere	-	-	-	-	-
Total	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

COMPENSATION OF EMPLOYEES

	2020/2021			2019/2020	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Basic salaries of permanent employees	-	-	-	-	-
Basic wages of temporary employees	-	-	-	-	-
Personal allowances paid as part of salary	-	-	-	-	-
Personal allowances paid as reimbursements	-	-	-	-	-
Personal allowances provided in kind	-	-	-	-	-
Pension and other social security contributions	-	-	-	-	-
Compulsory national social security schemes	-	-	-	-	-
Compulsory national health insurance schemes	-	-	-	-	-
Social benefit schemes outside government	-	-	-	-	-
Other personnel payments	-	-	-	-	-
Total	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. PURCHASE OF GOODS AND SERVICES

	2020/2021			2019/2020	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	-	-	-	-	-
Communication, supplies and services	-	-	-	-	-
Domestic travel and subsistence	-	-	-	-	-
Foreign travel and subsistence	-	-	-	-	-
Printing, advertising and information supplies	-	-	-	-	-
Rentals of produced assets	-	-	-	-	-
Training payments	-	-	-	-	-
Hospitality supplies and services	-	-	-	-	-
Insurance costs	-	-	-	-	-
Specialized materials and services	-	-	-	-	-
Other operating payments	-	-	-	-	-
Routine maintenance – vehicles and other transport equipment	-	-	-	-	-
Routine maintenance- other assets	-	-	-	-	-
Exchange rate losses/gains (net)	-	-	-	-	-
Total	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. SOCIAL SECURITY BENEFITS

	2020/21		2019/20		Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Government pension and retirement benefits	-	-	-	-	-
Social security benefits in cash and in kind	-	-	-	-	-
Employer social benefits in cash and in kind	-	-	-	-	-
Total	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACQUISITION OF NON-FINANCIAL ASSETS

	2020/21			2019/20	Cumulative to date
	Payments made by the Entity	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Works	-	-	-	-	-
Goods	-	263,691,632	263,691,632	-	263,691,632
Consultancy /Training	-	-	-	-	-
	-	263,691,632	263,691,632	-	263,691,632

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30 June 20xx, we transferred funds to reporting government entities as shown below:

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Transfers to National Government entities					
Ministry ABC	-	-	-	-	-
Project XYZ	-	-	-	-	-
	-	-	-	-	-
Transfers to County Governments					
County ABC	-	-	-	-	-
County XYZ	-	-	-	-	-
	-	-	-	-	-
TOTAL	-	-	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. OTHER GRANTS AND TRANSFERS AND PAYMENTS

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Grants for scholarships	-	-	-	-	-
Transfers to lower levels of government e.g schools	-	-	-	-	-
Miscellaneous payments	-	-	-	-	-
Total	-	-	-	-	-

[Provide explanation as necessary]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. CASH AND CASH EQUIVALENTS

	2020/21	2019/20
	KShs	KShs
Bank accounts (Note 11A)	-	-
Cash in hand (Note 11B)	-	-
Cash equivalents (short-term deposits) (Note 11C)	-	-
Total	-	-

The project has no project account spread within the project implementation area and no foreign currency designated accounts managed by the National Treasury as listed below:

11. A Bank Accounts

Project Bank Accounts

	2020/21	2019/20
	KShs	KShs
<u>Foreign Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]	-	-
Kenya Commercial Bank [A/c No.....]	-	-
Co-operative Bank of Kenya [A/c No.....]	-	-
Others (<i>specify</i>)	-	-
Total Foreign Currency balances	-	-
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]	-	-
Kenya Commercial Bank [A/c No.....]	-	-
Co-operative Bank of Kenya [A/c No.....]	-	-
Others (<i>specify</i>)	-	-
Total local currency balances	-	-
Total bank account balances	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 20xx are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

	2020/21	2019/20
	KShs	KShs
(i) A/c Name [A/c No.....]		
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
Closing balance (as per SDA bank account reconciliation attached)	-	-
(ii) A/c Name [A/c No.....]		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
Closing balance (as per SDA bank account reconciliation attached)	-	-

The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as *Appendix xx* support these closing balances.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 B Cash In Hand

	2020/21	2019/20
	KShs	KShs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other locations (<i>specify</i>)	-	-
Total cash balances	-	-

[Provide a cash count certificate for each location above]

11 C Cash equivalents (short-term deposits)

	2020/21	2019/20
	KShs	KShs
Kenya Commercial Bank [A/C No.....]	-	-
Co-Operative Bank of Kenya [A/C No.....]	-	-
Others (<i>Specify</i>)	-	-
Total	-	-

12. ACCOUNTS RECEIVABLES

<i>Description</i>	2020-2021	2019-2020
	Kshs	Kshs
Government Imprests	-	-
Salary advances	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12B: BREAKDOWN OF IMPRESTS AND ADVANCES

<i>Name of Officer or Institution</i>	<i>Amount Taken</i>	<i>Due Date of Surrender</i>	<i>Amount Surrendered</i>	<i>Balance 2021</i>	<i>Balance 2020</i>
<i>Officer 1</i>	-	-	-	-	-
<i>Xx institution</i>	-	-	-	-	-
<i>Officer 2</i>	-	-	-	-	-
<i>Officer 3</i>	-	-	-	-	-
<i>Officer 4</i>	-	-	-	-	-
<i>Officer 5</i>	-	-	-	-	-
<i>Programme 1</i>	-	-	-	-	-
Total	=	=	=	=	=

13. ACCOUNTS PAYABLES

Description	2020-2021	2019-2020
	Kshs	Kshs
Retention	-	-
Deposits	-	-
Total	-	-

14. FUND BALANCE BROUGHT FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts	-	-
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. PRIOR YEAR ADJUSTMENT

Description of the error	Balance b/f FY 2019/2020 as per Financial statements Kshs	Adjustments Kshs	Adjusted Balance b/f FY 2020/2021 Kshs
Bank account Balances	-	-	-
Cash in hand	-	-	-
Accounts Payables	-	-	-
Receivables	-	-	-
Others (<i>specify</i>)	-	-	-
Total	-	-	-

16. CHANGES IN RECEIVABLE

Description of the error	2020-2021 KShs	2019-2020 KShs
Opening Receivables as at 1 st July 2021	-	-
Closing account receivables as at 30 th June 2021	-	-
Change in Receivables	-	-

17. CHANGES IN ACCOUNTS PAYABLE

Description of the error	2020-2021 Kshs	2019-2020 Kshs
Deposit and Retentions as at 1 st July 2021	-	-
Closing accounts payables as at 30 th June 2021	-	-
Change in payables	-	-

12. OTHER IMPORTANT DISCLOSURES

1. PENDING ACCOUNTS PAYABLE (See Annex 3A)

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	-	-	-	-
Construction of civil works	-	-	-	-
Supply of goods	-	-	-	-
Supply of services	-	-	-	-
Total	-	-	-	-

2. PENDING STAFF PAYABLES (See Annex 3B)

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Senior management	-	-	-	-
Middle management	-	-	-	-
Unionisable employees	-	-	-	-
Others	-	-	-	-
Total	-	-	-	-

OTHER IMPORTANT DISCLOSURES (Continued)

3. OTHER PENDING PAYABLES (See Annex 3C)

	Balance b/fFY 2020/2021	Additions for the period	Paid during the year	Balance c/fFY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	-	-	-	-
Amounts due to County Government entities	-	-	-	-
Amounts due to third parties	-	-	-	-
Total	-	-	-	-

4. EXTERNAL ASSISTANCE

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
External assistance received as loans	263,691,632	-
Total	263,691,632	-

OTHER IMPORTANT DISCLOSURES (Continued)

a). External assistance relating loans and grants

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
External assistance received as loans	263,691,632	-
Total	263,691,632	-

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2020/2021	FY 2019/2020
Description		Kshs	Kshs
Undrawn external assistance - loans		1,236,308,368	-
Total		1,236,308,368	-

c) classes of providers of external assistance

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
International assistance organization-OFID	263,691,632	-
Total	263,691,632	-

OTHER IMPORTANT DISCLOSURES (Continued)

d. non-monetary external assistance

Description	FY 2020/2021	FY 2019/2020
	Kshs	Kshs
Goods	-	-
Services	-	-
Total	-	-

The project did not receive non-monetary assistance.

e Purpose and use of external assistance

Payments Made by Third Parties	FY	FY
	2020/2021	2019/2020
	Kshs	Kshs
Compensation of Employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to Other Government Units	-	-
Other grants and transfers	-	-
Social Security Benefits	-	-
Acquisition of Assets	263,691,632	-
Finance Costs, including Loan Interest	-	-
Repayment of principal on Domestic and Foreign borrowing	-	-
Other Payments	-	-
TOTAL	263,691,632	-

OTHER IMPORTANT DISCLOSURES (Continued)

f. External Assistance paid by Third Parties on behalf of the Entity by Source

This relates to external assistance paid directly by third parties to settle obligations on behalf of the entity

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
International assistance organization-OPEC Fund	263,691,632	-
Total	263,691,632	-

13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

The project did not have financial hence no prior audit recommendations.



Chief Executive Officer
CPA Peter Mbugua



Project Manager
Edward Gakunju

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14. ANNEXES

ANNEX1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation Variance to Final Budget	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=c/a %	
	Kshs	Kshs	Kshs	Kshs	
RECEIPTS DURING THE YEAR/PERIOD					
Government of Kenya	-	-	-		
External financing	750,000,000	263,691,632	486,308,368	65	Technicalities in opening of Letters of Credit
In-kind donations					
Miscellaneous receipts					
Total receipts	750,000,000	263,691,632	486,308,368		
PAYMENTS DURING THE YEAR/PERIOD					
Compensation of employees					
Pension and other social security contributions					
Purchase of goods and services					
Social security benefits					
Acquisition of non-financial assets	750,000,000	263,691,632	486,308,368	65	Technicalities in opening of Letters of Credit
Other Payments				0	
Advances to government employees					
Total payments	750,000,000	263,691,632	486,308,368		

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ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS

PROJECT NAME:				
Break down of Transfers from the Ministry Of Energy				
a. Funding	Government Counterpart			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		Total	-	
b. Direct Payments				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		Total	-	
c. Others				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		Total	-	
		TOTAL(a+b+c)	-	

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

Project Manager
REREC

Head of Accounting Unit
Ministry OF Energy

Sign -----

Sign-----

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ANNEX 3A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount a	Date Contracted b	Amount Paid To-Date c	Outstanding Balance 2020/21 d=a-c	Outstanding Balance 2019/20	Comments
Construction of buildings						
1.						
2.						
Sub-Total						
Construction of civil works						
3.						
4.						
Sub-Total						
Supply of goods						
5.						
6.						
Sub-Total						
Supply of services						
7.						
8.						
Sub-Total						
Grand Total						

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ANNEX 3B - ANALYSIS OF PENDING STAFF BILLS

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2020/21	Outstanding Balance 2019/20	Comments
Permanent Employees - Management							
1.							
2.							
Sub-Total							
Permanent Employees - Others							
3.							
4.							
Sub-Total							
Temporary employees							
5.							
6.							
Sub-Total							
Others (specify)							
7.							
8.							
Sub-Total							
Grand Total							

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ANNEX 3C - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Description	Original Amount	Date Contracted	Payable Amount Paid To-Date	Outstanding Balance 20xx	Outstanding Balance 20xx	Comments
Amounts due to National Govt Entities							
1.							
2.							
Sub-Total							
Amounts due to County Govt Entities							
3.							
4.							
Sub-Total							
Amounts due to Third Parties							
5.							
6.							
Sub-Total							
Others (<i>specify</i>)							
7.							
8.							
Sub-Total							
Grand Total							

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ANNEX 4 – SUMMARY OF FIXED ASSETS REGISTER

Asset class	Opening Cost (KShs) 20xx/xx (a)	Donations in form of assets (KShs) 20xx/xx (b)	*Purchases/ Additions in the Year (KShs) 20xx/xx (c)	** Disposals in the Year (KShs) 20xx/xx (d)	Transfers in/(out) KShs 20xx/xx (d)	Closing Cost (KShs) 20xx (e)= (a)+ (b)+c)- (d)+(-)d
Land						
Buildings and structures						
Transport equipment						
Office equipment, furniture and fittings						
ICT Equipment, Other Machinery and Equipment						
Heritage and cultural assets						
Biological assets						
Infrastructure assets roads, rails						
Intangible assets						
Work in Progress						
Total						

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ANNEX 5 – CONTINGENT LIABILITIES REGISTER

	Nature of contingent liability	Payable to	Estimated Amount Kshs	Expected date of payment	Remarks
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					