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THE AUDITOR-GENERAL

ON

**KENYA OFF-GRID SOLAR ACCESS PROJECT
 FOR UNDERSERVED COUNTIES
 (IDA CR. NO. 6135-KE)**

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

MINISTRY OF ENERGY



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KENYA OFF-GRID SOLAR ACCESS PROJECT FOR UNDERSERVED COUNTIES

**THE NATIONAL ASSEMBLY
MINISTRY OF ENERGY PAPERS LAID**

DATE: 23 FEB 2021

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PROJECT CREDIT NUMBER: 6135-KE

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ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

**THE NATIONAL ASSEMBLY
PAPERS LAID**

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Kenya Off-Grid Solar Access Project (IDA CR. NO. 6135-KE)
Reports and Financial Statements
for the financial year ended June 30, 2020

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and Registered Office

Name: The project's official name is Kenya Off-Grid Solar Access Project

Objective: The key objective of the project is to increase access to modern energy services in underserved counties of Kenya.

Registered Address:

Ministry of Energy
 Nyayo House
 P. O. Box 30582-0100
 NAIROBI

Contacts:

Telephone: (254) 33101112
 E-mail: ps@energy.go.ke
 Website: www.energy.go.ke

1.2 Project Information

Project Start Date:	The project start date is 05 September 2017
Project End Date:	The project end date is 30 th June 2023
Project Manager:	The project manager is Rodney Sultani
Project Sponsor:	The project sponsor is International Development Association, Which will contribute 100% of project costs.

1.3 Project Overview

Line Ministry of the project	The project is under the supervision of the Ministry of Energy.
Project number	IDA CR. NO. 6135-KE
Strategic goals of the project	The strategic goals of the project are as follows: (i) Mini-grids for Community Facilities, Enterprises, and Households (Component 1) (ii) Standalone Solar Systems and Clean Cooking Solutions for Households (Component 2) (iii) Standalone Solar Systems and Solar Water Pumps for Community Facilities (Component 3) (iv) Implementation Support and Capacity Building (Component 4)
Achievement strategic goals of	The project management aims to achieve the goals through the following means: The implementing agencies (IAs) are the Ministry of Energy (MoE), KPLC, and REA. Components 1 and 3 is being implemented by KPLC and

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	<p>REREC. Component 2 is implemented by the MoE through a competitively selected consortium of debt and grant facility managers. The MoE will implement Component 4 as well.</p>
Other important background information of the project	<p>The proposed project aims to support the GoK’s announced objective of reaching all Kenyan consumers with energy services. The project proposes a comprehensive suite of investments to provide modern energy services to households, enterprises, and community facilities, with pragmatic business models to attract private sector investment, sustainable services, know-how, and efficiencies. A substantial TA component is proposed to support a widespread consumer education campaign to inform and engage with citizens, create a new strategic planning and program management (SPPM) unit to coalesce sector planning and NES implementation efforts, and launch an inclusive county capacity building program across various dimensions identified through a needs assessment.</p> <p>The project area is divided into six lots (referred as ‘service territories’ hereon) based on county allocations derived from scale of challenge (un electrified population and community facilities), poverty index, and population density¹⁹ to (a) achieve greatest impact with limited IDA resources, (b) deliver services where the need is the largest, (c) consider additional costs due to low population density, and (d) consider principles of equality such that all the counties should benefit in a similar manner (Error! Reference source not found.). Such a division into lots allows economies of scale in the procurement and elicits private sector contractors to be present in these underserved counties over a long term. All the procurements in the proposed project will be carried out according to these lots.</p>
Current situation that the project was formed to intervene	<p>The 14 underserved counties collectively represent 72 percent of the country’s total land area and 20 percent of the country’s population, including historically nomadic societies that even today continue to rely on pastoralism. Their population is highly dispersed, at a density four times lower than the national average. They present profound infrastructure deficits, including lack of access to roads, electricity, water, and social services. There is also significant insecurity in certain areas, giving rise to substantial numbers of displaced persons and livelihood adaptations that further undermine economic prosperity.</p>
Project duration	<p>The project started on 5th September 2017 and is expected to run until 30th June 2023</p>

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1.4 Bankers

The following are the bankers for the current year:

(i) Special Account

Central Bank of Kenya Ltd

Account No. 1000360739

Account No. 1000356685

(ii) Project Account

Central Bank of Kenya

Account No. 1000390824

1.5 Auditors

The project is audited by the Office of the Auditor General (OAG), P.O. Box 30084-00100, Nairobi, Kenya

1.6 Roles and Responsibilities

Names	Title Designation	Qualifications	Responsibilities
Dr Eng. Joseph Njoroge, CBS	Principal Secretary	MBA, BSc., C, Eng, MIEE R Connsul' Eng FIEX	Accounting Officer
Rodney Sultani	Project Coordinator	MSc. Project Management, BSc Civil Engineering.	Manager
CPA Moses Gitari	Assistant Accountant General	MBA, (Strategic Management)	Accounting & ERD
Mr. William O. Mbaka	Senior Deputy Director Budget	MBA(Finance)	Finance
Lawrence Nduva	Monitoring and Evaluation Specialist	MA Project Management	Monitoring and Evaluation
CPA Geoffrey Tsalwa Imbayi	Financial Management Specialist	MSc. Finance BCOM. Finance CPA (K)	Financial Management
Simeon Korir	Procurement Specialist	MBA (Strategic Management)	Procurement
Felista Njoki Ng'ang'a	Head of Procurement	MBA , Strategic Management	Procurement
Nancy Wachira	Assistant Director/HRM&D	MED , BED, Education, Higher Dip HRM	Training

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1.7 Funding summary

The Project is for duration of Six (6) years from 2017 to 2023 with an approved budget of US\$ 150 million equivalents to KSHS 15billion as highlighted in the table below:

Component Name	US\$ Million
Component 1: Mini-grids for Community Facilities, Enterprises, and Households	40
Component 2: Standalone Solar Systems and Clean Cooking Solutions for Households	48
Component 3: Standalone Solar Systems and Solar Water Pumps for Community Facilities	40
Component 4: Implementation Support and Capacity Building	22
	150

The project has two special designated account and one project account in which all the components will be facilitate.

Source of funds	Donor Commitment-		Amount received to date – (30 06 2020)		Undrawn balance to date (30 06 2020)	
	<i>Donor currency</i>	<i>KShs</i>	<i>Donor currency</i>	<i>KShs</i>	<i>Donor currency</i>	<i>KShs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
Loan						
World Bank						
i. DA-A	91,000,000	10,201,793,722	6,329,380	703,658,062	84,670,620	9,498,135,658
ii. DA-B	42,800,000	4,798,206,278	20,000,000	2,223,466,000	22,800,000	2,574,740,278
Total	133,800,000	15,000,000,000	26,329,380	2,927,124,062	107,470,620	12,072,875,938

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1.8 Summary of Overall Project Performance:

1.8.1 Budget performance against actual amounts

During the year under review, the project received Kshs. 2,327,448,361 against a final budget of Kshs. 2,200,000,000 and incurred a total expenditure of Kshs. 2,386,198,802. The projects cumulative receipts and payments Kshs. 2,927,124,062 and Kshs. 2,559,529,530 respectively as shown below:

Receipts/Payments Item	Current Year		Cumulative	
	Budget	Actual Expenditure	Budget	Actual Expenditure
Receipts				
Proceeds from borrowings	2,200,000,000	2,327,448,361	3,000,000,000	2,927,124,062
Total Receipts	2,200,000,000	2,327,448,361	3,000,000,000	2,927,124,062
Payments				
Purchase of goods and services	908,039,000	155,565,393	908,039,000	314,891,072
Acquisition of non-financial assets	91,961,000	7,167,409	91,961,000	21,133,258
Other grants and transfers	1,200,000,000	2,223,466,000	2,000,000,000	2,223,466,000
Total Payments	2,200,000,000	2,386,198,802	3,000,000,000	2,559,490,330

1.8.2 Physical progress based on outputs, outcomes and impacts since project commencement,

The project is ending on 30 June 2023. Activities in component 4 are under way. This are preparatory activities for component 1, 2 and 3. The table below highlights main activities in components;

Component 1: Mini-grids for Community facilities, Enterprises, and Households

Activities planned for the Year	Status	Narration
Preparation of Profiles for Mini Grids & Community Facilities (NRECA)		
-Review of final profile report	Completed	The Consultant submitted final profiles report after taking into account the Clients comments
-Review of bidding documents submitted by NRECA	On-going	The Consultant submitted final Bidding documents after taking into account the Client's comments
	On-going	The Lot packaging is currently being reviewed with a view of increasing them.
Land Acquisition for the Mini-grids		

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Organize Community Engagement activities in support of Land Acquisition process across the counties	On-going	So far the activity has been undertaken in Mandera and Narok County. However land was donated with conditions in Narok County.
		Formal request to transfer land from Unregistered community land to public land was launched in Mandera County.
		Transfer has begun but still in the initial stages

Component 1 Key Achievements

- During the reporting period the NRECA Consultant submitted final profiles report after taking into account the Clients (MoE) comments;
- Preparation of bidding documents is ongoing and documents have been submitted to the World Bank for clearance once the Lot packaging is addressed.
- One community engagements meeting has been held and communities are in support of the project.

Component 2: Stand-alone Solar systems and clean cooking solutions for Households

Activities Planned for the reporting year	Status	Narrations
Debt facility and Grant facility managers		
Approval of awardees for the SSP RBF, and CCS RBF facilities.	Complete	10 CCSPs and 10 SSPs were approved by the Ministry for award of the RBF. This was for round 1 of the Solar RBF facility and Lot 1 for the clean cooking solutions RBF facility. For the SSP Facility, this constituted an award of Kshs. 290, 692,152 while for the CCS facility the amount awarded was Kshs. 199,991,408
Signing of contracts with the awarded bidders for SSP RBF facility, Debt Facility and CCS RBF facility during the reporting period.	Ongoing	During the reporting period: the contract templates were approved. 16 contracts were signed for the SSP RBF and CCS RBF facilities. These comprised contracts between the Ministry and 7 CCSPs and 9 SSPs
KFM to submit addendum no.2 request (requesting the Ministry to approve: amendment of reimbursable costs to include recruitment of Environmental and social safeguards key experts, purchase of a portfolio management system for the debt facility, increased management costs and reallocation of various reimbursable expenses; amendment of the ceiling, local taxes and contract sums of the contract; and amendment of budget allocations) to the World Bank for review and approval	Ongoing	The addendum submitted by KFM included requests for additional 2 No staff, a portfolio management system and budget realignment. Bank responded that the changes were within Clients threshold to make the amendments.

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Build capacity of county entrepreneurs to bid for and be awarded the RBF and Debt.	Ongoing	In round 1 of the Solar RBF and Lot 1 of CCS RBF it was observed that there were few applicants from entrepreneurs in the underserved counties. Further, the quality of proposals received from these entrepreneurs was of low quality. The project is therefore working on building the capacity of the entrepreneurs so that they effectively apply and be awarded RBF and debt. To this end, the project collected information to identify the county-based entrepreneurs in KOSAP counties. Information of 145 entrepreneurs was collected. This aided the KFM in preparing a county capacity building outline to facilitate training of the entrepreneurs
Approval of one awardees for the Debt facility	Ongoing	The Ministry reviewed the award and loan documentation submitted by the KFM for award of the first debt facility recipient – PAWAME Kenya Limited. PAWAME has applied for a Kshs 50million loan. A professional opinion on the award documentation is awaited
Submit addendum 3 on price adjustment to the World Bank for review and approval	Ongoing	Addendum number 3 under review by MoE as it is within the ministry’s threshold to execute. This addendum seeks to increase consultants remuneration based on indices stated in the contract document

Component 2 Achievements

During the reporting period the following was achieved: -

- The facilities Manager Opened the Facilities Main account and MOE disbursed Kshs. 2,223,466,000 to the facilities manager’s Main account to facilitate the Result Based Financing (RBF) and the Debt Facilities.
- During the reporting period the project signed 16 contracts for the SSP RBF and CCS RBF facilities. These comprised contracts between the Ministry and 7 CCSPs and 9 SSPs.
- During the reporting period MoE Collected information on county based entrepreneurs to facilitate training of the entrepreneurs to effectively apply for and be awarded RBF and Debt. Information of 145 entrepreneurs was collected.
- The facilities Manager Opened the Facilities Main account and MOE disbursed Kshs. 2,223,466,000 to the facilities manager’s Main account to facilitate the Result Based Financing (RBF) and the Debt Facilities.

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Component 3: A Stand-alone solar systems for community facilities

Activities Planned for the reporting Year	Status	Narration on the implementation status
Supervision consultancies services under both 3A & 3B		
Finalize with the procurement process and contract services of a consultant to carry out supervision services for both component 1-3A and 1-3B	Ongoing	Combined Evaluation Reports (CERs) being reviewed. The Ministry has requested for authority to transfer responsibility of procurement to REREC and KPLC.
Borehole investigation study		
Finalize and sign the amendment to the borehole consultancy contract, which will provide for a no cost extension.	Completed	The Draft addendum submitted to the bank for review and was cleared. The amendment to the contract that extended the contract time and specified strict timelines and deliverables was signed on 3rd February 2020.
Submission by the consultant of the 2 nd Milestone Deliverable – 20% of the complete borehole reports	Partially done	The Consultant gave a notice on 31 st March 2020 that it had stopped its fieldwork and recalled staff due to the prevailing COVID-19 pandemic. The consultant made a commitment to complete and submit reports for 74 reports boreholes that it had completed as well as organize to resume fieldwork in the counties. By the end of the reporting period, only 54 soft copies of the reports had been submitted and no progress in the fieldwork had been achieved.
Submission by the consultant of the 3 rd Milestone Deliverable on 8 th May, 2020 – the next 30% of the complete borehole reports.	On going	The Consultant has however submitted, in piecemeal fashion, a total of 54 reports, only (Klifi-31, Tana River 20 and Isiolo 3.) by the end of the reporting period. Further, due to the travel and health restrictions arising from COVID-19, the Consultant has withdrawn Team from the field.

Component 3 Achievements

- During the reporting period the Combined Evaluation report (CER) i.e. both Financial and Technical for both component 1-3A and 1-3B were cleared ready for submission. The budget in the proposal received exceeds the Procurement Plan budget. The Ministry is considering requesting the Bank for authority to transfer responsibility of procurement to REREC and KPLC.
- The Boreholes Investigation Consultant was able to submit soft copies of 54 boreholes reports during the period.

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Component 4: Implementation Support and Capacity Building

Planned Activities Carried forward from last Year	Status	Narration on the Implementation status
Sub-component 4A: Consumer Education and Citizen Engagement		
Conduct Situational analysis covering the 6 lots.	Completed	During the reporting period the consumer education and citizen engagement consultant had finalized the situation analysis exercise covering the 6 lots. The situation analysis exercise was completed following a change of the methodology from face to face interviews to virtual interviews, as response to the COVID-19 health and travel restrictions. With the assistance of County Renewable Energy Officers, the Consultant was able to have virtual interviews with CEC and Directors of Energy in 8 Counties and undertake telephone interviews with Ward Administrators and potential customers. The CREOS were also deployed to undertake market reviews. The final Situation Analysis was submitted and accepted by MOE allowing the consultant to move to the next stage of developing the communication strategy. The branding manual for the Project was awaiting approval from MOE.
Sub-component 4B: Implementation Support and Capacity Building		
Procurement of a Verification Agent for the Standalone Community System, and home systems and cook stoves	On going	Technical proposal received from four (4) bidders, Evaluation on-going.
Recruitment of a firm to carry out training needs assessment (TNA)	On going	RFP issued to the eight (8) shortlisted firms, submission extended to 1 st September 2020
Procurement of Consultancy services for exploration of options for productive use and demand creation	On going	REOI ready for publishing and submitted to procurement for action
Procurement of a consultant to carry out National Impact evaluation survey of the last mile connections Project	On going	RFP issued to the shortlisted firms, closing on August 20 th 2020.
Procurement of Consultancy Services to assess HH clean cooking market	On going	Reviewed TOR to be submitted for clearance/REOI and RFP ready. However, the activity is being considered for cancellation.

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Consultancy services to conduct Market test for clean cooking for Kwale county	On going	The Bank reverted with comments on the ToR. Discussions are underway to change the consultancy approach by facilitating the KFM to implement this activity as part of the evaluation of CCS RBF recipients for inclusion in KOSAP
Procurement of Supply and Installation of Geographical Information System (GIS) Software's, Hardware, Deployment of Geospatial Platform, Specialized Technical & Priority Support Services and Training Services	On- going	SPN and Bidding document ready and submitted to procurement for Publishing.
Develop virtual training proposal request for the PIU's, PCU and counties and share with the Bank for clearance	Complete	Proposal developed and will be shared with the Bank for clearance in the first quarter of FY2020/21
KOSAP Stakeholder Engagement	On going	<p>Following requests from Members of Parliament from Wajir, information on the distribution of mini-grids and public facilities per constituency was shared through the PS's Office.</p> <p>Following the restrictions arising from COVID-19, Project is exploring ways and means of facilitating the holding of virtual meetings especially County Working Groups and Technical Working Group.</p> <p>KOSAP bulletin was produced and shared with stakeholders to ensure that they were all well informed about the Project.</p>
Purchase of Project motor vehicles 17 in No. i.e.14 for the counties and 3 for the PCU	On-going	Addendum to PPSD to be prepared and submitted for approval before procurement Plan for activity is created and submitted accordingly.
Procurement of ICT equipment (Laptops for Consultants)	On-going	Bids received high in pricing. MOE procurement considers procuring in Bulk (alongside Ministry ICT requirements) for economies of scale
Carbon Finance Ci-Dev	On going	Draft Sub-ERPA on carbon development mechanism have been drafted by REREC and will be deliberated upon with the SHS companies before signing them

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Organise team building activities and dynamics	Ongoing	ToRs and justification finalized. Training plan has been amended to include team-building activities and will be submitted to World Bank for concurrence and approvals.
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Component 4 key achievements

During the reporting period the consumer education and citizen engagement consultant had finalized the situation analysis exercise covering the 6 lots. The situation analysis exercise was completed following a change of the methodology from face to face interviews to virtual interviews, as response to the COVID-19 health and travel restrictions. With the assistance of County Renewable Energy Officers, the Consultant was able to have virtual interviews with CEC and Directors of Energy in 8 Counties and undertake telephone interviews with Ward Administrators and potential customers. The CREOS were also deployed to undertake market reviews. The final Situation Analysis was submitted and accepted by MOE allowing the consultant to move to the next stage of developing the communication strategy. The branding manual for the Project was awaiting approval from MOE.

1.8.3 Comment on value-for-money achievements

Major consultancies have been concluded in the preparatory stage. Bidding documents have been delivered therefore publishing of the documents will set stage for implementing component 1. Component 2 has already begun and disbursement of r funds to the Solar Service Providers and Clean Cooking Stove Service Providers has begun. Component 3 it is still at the preparatory stage. Activities in component 4 are underway and are facilitating components 1,2 and 3. Measures are in place to ensure that value for money is achieved. This is through projects monitoring and evaluation strategy adopted by the Project Coordinating Unit (PCU).

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

The absorption rate for the year under review was 108% against the allocated budget of Kshs. 2,200,000,000.

1.8.5 List the implementation challenges and recommended way forward.

- 1) Delay in land acquisition due to the travel and health restrictions arising from COVID 19. Review of land acquisition methodology to include virtual meetings where possible.
- 2) The multi-tier framework study which was commissioned by the Bank and also provides insights on the sector was not approved for release by the Bank and therefore did not provide insights on KOSAP counties as was envisaged in the PAD. This poses a challenge in gaining baseline information on the status of clean cooking and solar adoption, which forms a basis for tracking project progress. The Bank needs to be impressed upon to release this study, as it will give valuable information for implementing KOSAP.
- 3) Insecurity in some areas may affect the construction and installation phase of the project; Project

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has developed a Security Plan and will avail resources to ensure that security is provided in all areas.

- 4) Delays in completion of boreholes investigation study will affect project completion dates. Project exploring the possibilities of collecting data that will guide the bidding process of the remaining 10 Counties using the County Renewable Officers (CREOS). Some preliminary studies of the boreholes will then become part of the procurement process.
- 5) The consumer education and communications consultancy is slightly behind schedule as situation analysis exercise was affected by the COVID-19- travel and health restrictions. Team reviewed the methodology of undertaking the situation analysis exercise and adopted mechanism that did not flout COVID-19 guidelines. To recoup time lost some of the activities such as communication tools development will be expedited.
- 6) Availability of staff in procurement documentation and evaluations: Since the Project relies on staff from the implementing entities, who are only partially available given their main organizational function line duties, there have been delays in undertaking procurement related activities.

1.8.6 Summary of Project Compliance:

In the year under review non –compliance with applicable laws and regulations, and essential external financing agreements was not experienced.

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2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

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 Objective of the project's 2018-2023 plan is to increase access to modern energy services in underserved counties of Kenya. This shall be achieved through the following: -

- i. Mini-grids for Community Facilities, Enterprises, and Households
- ii. Stand-alone Solar Systems and Clean Cooking Solutions for Households
- iii. Stand-alone Solar Systems and Solar Water Pumps for Community Facilities

Project Beneficiaries

The project beneficiaries are households, enterprises, and community and public facilities located in the 14 target counties. These beneficiaries will receive modern and climate-friendly infrastructure services such as electricity, improved water, and cooking solutions for the first time and replace consumption of alternative fuels and unimproved options.

The beneficiaries are located in counties deemed marginalized by the CRA and consist primarily of the relatively cash-poor, remote, indigenous, and pastoralist population. Many of these areas have also experienced significant security disruptions in recent years. Therefore, provision of infrastructure facilities, energy and water, could have a profound impact on these communities.

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Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objective to specific counties, the development objective was made specific, measurable, achievable, and 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 objective

Objective	Indicator	Performance
Mini-grids for Community Facilities, Enterprises, and Households	No. of people provided with new or improved electricity service	On going
	No. of enterprises provided with new or improved electricity service	On going
	No. of enterprises provided with new or improved electricity service, of which headed by women	On going
Stand-alone Solar Systems and Clean Cooking Solutions for Households	Households provided with new or improved electricity service	On going
	Households provided with new or improved electricity service, of which headed by women	On going
Stand-alone Solar Systems and Solar Water Pumps for Community Facilities	Community facilities provided with new or improved electricity service	On going

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Kenya's journey towards widespread prosperity also involves the building of a just and cohesive society that enjoys equitable social development in a clean and secure environment. This social pillar aims to improve the quality of life for all Kenyans by targeting a cross-section of human and social welfare projects and programmes.

The Kenya Off-grid Solar Access project will be implemented in 14 counties in the north and northeastern parts of Kenya. They are Garissa, Isiolo, Kilifi, Kwale, Lamu, Mandera, Marsabit, Narok, Samburu, Taita Taveta, Tana River, Turkana, Wajir, and West Pokot. These counties have been defined as 'marginalized areas' by the CRA. The CRA defines these as "communities that have been excluded from social and economic life of Kenya for different reasons" and "geographic locations (county or sub-county) where significant populations of underserved communities live" (CRA 2013¹). Four of these counties (Kwale, Kilifi, Narok, and Taita Taveta) are not part of NEDI.

The 14 underserved counties collectively represent 72 percent of the country's total land area and 20 percent of the country's population, including historically nomadic societies that even today continue to rely on pastoralism. Their population is highly dispersed; at a density four times lower than the national average. They present profound infrastructure deficits, including lack of access to roads, electricity, water, and social services. There is also significant insecurity in certain areas, giving rise to substantial numbers of displaced persons and livelihood adaptations that further undermine economic prosperity.

The GoK has embraced electrification as a flagship endeavor with a focus on the distribution sector reaching all Kenyans with energy services by 2020. Kenya has emerged as a star in achieving progress on electrification, growing from 23 percent in 2009 to about 50 percent in 2016, underpinned by huge investments across the sector value chain. Today, there are about 5 million KPLC consumers, as more than 1 million consumers have been added annually in the past two years. The GoK has adopted the Last Mile Connectivity Program (LMCP) as the primary grid densification vehicle—to connect all consumers within 600 m of a transformer—and assembled close to US\$700 million in donor resources (including the World Bank-financed Kenya Electricity Modernization Project [KEMP] to speed up access in grid-connected areas. Since Kenya's grid is almost exclusively concentrated in the central corridor where there is the highest population density, this approach is considered the least-cost way of harnessing economies of scale in network design with a potential of reaching about 70–80 percent of consumers.

1. Sustainability strategy and profile

The Government of Kenya (GoK) Vision 2030 aims to transform "Kenya into a newly industrializing, middle-income country providing a high quality of life to all its citizens." Promoting equal opportunities across the entire Kenyan territory is key to realizing this vision. Energy is identified as one of the key sectors that form the foundation for socio-political and economic growth. Access to competitively priced, reliable, quality, safe, and sustainable energy is essential for achievement of the vision.

Kenya's generation capacity currently stands at a comfortable 2,300 MW while peak demand reached 1,636 MW. Installed capacity grew by about 800 MW between 2010 and 2015, and the

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recent commissioning of 280 MW of new geothermal power in Olkaria fields expanded the contribution of renewable energy to 49 percent of total electricity generation, displacing conventional thermal generation and propelling Kenya as a global leader in renewable-based generation. Several high-voltage and medium-voltage transmission projects were recently completed or are ongoing to ensure proper evacuation of new generation projects as well as to extend power service to unconnected areas of the country. However, transmission capacity needs to be scaled up substantially to ensure quality of service delivery to the rapidly growing consumer base and to support income generation and productive growth.

2. Environmental performance

- a) The proposed project was screened by World Bank and assigned an Environmental Category B Partial Assessment, on the assumption that no major civil works will be funded and no major physical or economic displacement will take place. Four safeguard policies have been triggered for the project. They include (a) OP/BP 4.01 (Environmental Assessment); (b) OP/BP 4.04 (Natural Habitats); (c) OP/BP 4.10, (Indigenous Peoples); and (d) OP/BP 4.12 (Involuntary Resettlement).
- b) The World Bank operational policy on Environmental Assessment (OP/BP 4.01) has been triggered, due to the implementation of the activities outlined under Components 1–3. The main potential environmental impacts anticipated for the project are (a) civil works that would be limited to construction of the mini-grids in remote areas (Component 1), installation of stand-alone systems for households (Component 2), installation of solar PV for water pumping (Component 3), and construction of distribution lines to connect new customers and (b) environmental, health, and safety concerns are likely to be associated with recycling and disposal of spent batteries at the end of their useful lives, which is usually 3–5 years after deployment. Rechargeable batteries for storing solar energy may run on nickel-cadmium (Ni-Cad), nickel metal hydride (NiMH), lithium-ion (Li-ion), lead-acid (Pb-A), or lead-gel (Pb-gel). These batteries should not be disposed in standard landfills because they can create long-lasting environmental and human health impacts (for example, headaches, abdominal discomfort, seizures and comas, cancers, irritation of skin and respiratory system, burns and damage to skin and eyes, and corrosion) due largely to the heavy metals such as mercury, lead, cadmium, and nickel and acids. The entire management processes including de-manufacturing, collection, storage, recycling, transport, and disposal may present a challenge to this project and, given the scope of this World Bank operation, could result in environmental and social risks and impacts, although these impacts are reversible and localized and can be easily and cost-effectively mitigated.
- c) The operational policy on Natural Habitats (OP/BP 4.04) has been triggered, on the assumptions that the project activities under Components 1 and 3 are likely to affect the natural habitats through erection of poles, construction of the mini-grids, and the installation of the solar water pumping equipment.

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3. Employee welfare

S/No	AREA	POLICY GUIDING	REMARKS
1	Hiring of staff	<ul style="list-style-type: none"> • PSC Recruitment and Selection Policy • Delegation of PSC HRM Functions to the Cabinet Secretary ,July,2018 • Framework for Short Term Employment in the Public Service, May,2019 • Human Resources Policies and Procedure Manual for the Public Service,May,2016 	<ul style="list-style-type: none"> • The Ministry is committed to the constitutional requirement on gender balance in hiring of staff • Most hiring done by PSC especially new entry • Ministry promotes common cadre under the delegated powers as guided by the policy • The Ministry advertises for vacant posts in newspapers and web site for all citizens to access
2	Skills improvement and career Progress for staff	<ul style="list-style-type: none"> • Human Resource Development Policy for the Public Service, June,2015 • Guidelines on Managing Training in the Public Service 	<ul style="list-style-type: none"> • The Ministry conduct Training Needs Assessment, Skills and Competence gaps and Training Evaluation /Impact assessment as stipulated in the training policy • Priority is normally given to the training programmes required for career progression/promotion and those required in the Schemes of Service for various cadres. • Group trainings are organized for all cadres for skills and competence improvement
3	Appraisal and Reward system	<ul style="list-style-type: none"> • Guidelines for Implementation for Implementation of Performance Reward s and Sanctions in the Public Service • Performance Rewards and Sanctions framework 	<ul style="list-style-type: none"> • The Ministry ensures that all staff is put on Performance Appraisal System(PAS) • The Ministerial Performance Management Committee(MPMC) meets on quarterly basis to deliberate on staff performance, rewards and sanctions
4	Policy on safety and compliance with OSH Act ,2007	<ul style="list-style-type: none"> • The Ministry has developed its own Occupational Safety and Health Policy • Reference is made Occupational Safety and Health, ACT of 2007 	<ul style="list-style-type: none"> • A Ministerial Committee Occupational Safety and Health is in place as requirement in the ACT. • Its mandated to oversee Ministry's compliance to OSHA ,2007 • Provision of fire assembly points • Rumps provided for physically challenged • Fire escape routes are conspicuously marked • Fire extinguishers are in place • Sensitization forums on Occupational Safety and Health are organized are organized for the staff

4. Market place practices-

- a) **Responsible competition practice.** (Strict adherence to Annex IV of World Bank Regulations on Banks Anti-corruption guidelines)
- b) **Responsible Supply chain and supplier relations-** Procurement undertaken in compliance with WB Procurement Regulations as per Section 3.7 of the regulations are as follows;
 - a. Provide timely and sufficient information to Bidders/Proposers/Consultants, including through the Notification of Intention to Award and debriefing, so that Bidders/Proposers/Consultants can both understand the basis for the Borrower's decision and make an informed decision on whether to lodge a Complaint challenging that decision.
 - b. Promptly acknowledge Complaints received;
 - c. Resolve Complaints promptly and fairly;
 - d. Preserve the confidentiality and proprietary information of other Applicants/ Bidders/Proposers/Consultants, including commercial and financial information and trade secrets as requested by the Bidders/Proposers/Consultants in their Bids/Proposals;
 - d. Maintain complete records of all debriefings and Complaints and their resolution;
 - e. For contracts subject to prior review, inform the Bank promptly of any Complaint submitted and provide the Bank a copy of all relevant documents and information; and
 - f. For contracts subject to prior review, The Client consult with the Bank promptly and forthrightly throughout the Complaint review and resolution process.
- c) **Responsible marketing and advertisement:-**
Ensuring suppliers are given sufficient time to respond. Provide extensions in even of clarifications lead to substantial changes to bidding documents
- d) **Product stewardship-;** we have to ensure adherence to NEMA in project implementation is undertaken and well as pursuing "green procurement "to ensure that suppliers who value the environment are encouraged.

5. Community Engagements

Under KOSAP, Community Engagement exercises have been ongoing since project inception. NRECA-A consultant hired by the Ministry of Energy undertook community engagement exercise in the 151 Mini-grid sites. Currently, the project is undertaking community engagement exercise in support of land acquisition in the 14 underserved counties. Locational Grievance Redress Committees have been formed in various Mini-grid sites. Environmental and Social Screening, Vulnerable and Marginalized Group screening are complete in some Mini-grid site.

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4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the Ministry of Energy and the Project Coordinator for Kenya Off-Grid Solar Access 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 ended on June 30, 2020. 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.

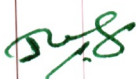
The Principal Secretary for the Ministry of Energy and the Project Coordinator for Kenya Off Grid Solar Access Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Principal Secretary for the Ministry of Energy and the Project Coordinator for Kenya Off Grid Solar Access 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, 2020, and of the Project's financial position as at that date. The Principal Secretary for the Ministry of Energy and the Project Coordinator for Kenya Off Grid Solar Access Project 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 Principal Secretary for the Ministry of Energy and the Project Coordinator for Kenya Off Grid Solar Access 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 Principal Secretary for the Ministry of Energy and the Project Coordinator for Kenya Off Grid Solar Access Project on 21-9- 2020 and signed by them.



Principal Secretary
Dr. Eng. Joseph Njoroge, CBS



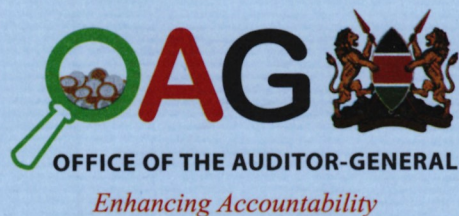
Project Coordinator
Rodney Sultani



Head of Accounting Unit
Moses Gitari

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON KENYA OFF-GRID SOLAR ACCESS PROJECT FOR UNDERSERVED COUNTIES (IDA CR. NO. 6135-KE) FOR THE YEAR ENDED 30 JUNE, 2020 - MINISTRY OF ENERGY

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Off-Grid Solar Access Project for Underserved Counties set out on pages 1 to 13, which comprise of the statement of financial assets as at 30 June, 2020, 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 Off-Grid Solar Access Project for Underserved Counties as at 30 June, 2020, 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. 6135-KE dated 5 September, 2017, between the International Development Association (IDA) 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 Off-Grid Solar Access Project for Underserved Counties 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 Matters

Budgetary Performance and Control

The statement of comparative budget and actual amounts reflects receipts budget and actual amounts on comparable basis of Kshs.2,200,000,000 and Kshs.2,327,448,361 respectively resulting to a surplus of Kshs.127,448,361 or 6% of the budget. Similarly, the Project spent an amount of Kshs.2,386,198,802 against the approved budget of Kshs.2,200,000,000 resulting to an over absorption of Kshs.186,198,802 or 8% over the approved budget. Management has attributed the absorption to the reduction of the budget through the supplementary budget when the project had already expended the amounts in procurement of goods and services.

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, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the use of public resources, section of my report, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Unauthorised Expenditure

The statement of comparison between the budget and actual amounts reflects a final budget of Kshs.2,200,000,000 against actual expenditure of Kshs.2,386,198,802 resulting to an overall absorption of Kshs.186,198,802 or 108%. Similarly, the statement reflects a final budget of Kshs.1,200,000,000 under other grants and transfers and payments against actual expenditure of Kshs.2,223,466,000 resulting to over expenditure of Kshs.1,023,466,000 or 185% of the budget for the year under review. This is contrary to the Appropriation Act, 2018, the Supplementary Appropriation Act, 2018 and Section 43(b) of Public Finance Management Regulations, 2015 which provides that the Accounting Officer shall ensure that public funds entrusted to their care are applied for purposes for which they were intended as appropriated by the National Assembly.

Consequently, the Management is therefore in breach of the Law

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 going concern basis of accounting unless Management is aware of the intention to liquidate 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:

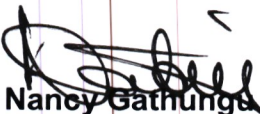
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 going concern 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.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi


23 December, 2020

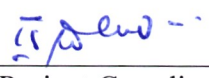
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6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020

	Note	2019/2020	2018/2019	Cumulative to-date (From inception)
		KShs	KShs	KShs
RECEIPTS				
Loan from external development partners	10.3	2,327,448,361	-	2,927,124,062
TOTAL RECEIPTS		2,327,448,361	-	2,927,124,062
PAYMENTS				
Purchase of goods and services	10.4	155,565,393	152,592,330	314,891,072
Acquisition of non-financial assets	10.5	7,167,409	13,965,849	21,133,258
Other grants and transfers and payments	10.6	2,223,466,000	-	2,223,466,000
TOTAL PAYMENTS		2,386,198,802	166,558,179	2,559,490,330
(DEFICIT)/SURPLUS		-58,750,441	- 166,558,179	367,633,732

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


Principal Secretary
Dr. Eng. Joseph Njoroge, CBS


Project Coordinator
Rodney Sultani


Head of Accounting Unit
Moses Gitari

Kenya Off-Grid Solar Access Project (IDA CR. NO. 6135-KE)
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7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	10.7	45,153,512	99,655,682
Cash Balances		-	520,900
Total Cash and Cash Equivalents		45,153,512	100,176,582
Accounts receivables – Imprest and Advances		-	2,186,560
TOTAL FINANCIAL ASSETS		45,153,512	102,363,082
REPRESENTED BY			
Fund balance b/fwd	10.8	102,363,082	268,921,262
(Deficit)/Surplus for the year		(58,750,442)	(166,558,180)
Prior Year adjustment	10.9	1,540,872	-
NET FINANCIAL POSITION		45,153,512	102,363,082

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 21-9-2020 and signed by:



Principal Secretary
Dr. Eng. Joseph Njoroge, CBS



Project Coordinator
Rodney Sultani




Head of Accounting Unit
Moses Gitari

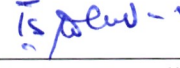
Kenya Off-Grid Solar Access Project (IDA CR. NO. 6135-KE)
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8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020

		2019-2020	2018-2019
	Note	KShs	KShs
Payments for operating activities			
Purchase of goods and services	10.4	(155,565,393)	(152,592,330)
Other grants and transfers and payments	10.6	(2,223,466,000)	-
Decrease/(Increase) in accounts Receivables		2,186,500	(2,186,500)
Prior adjustment	10.9	1,540,872	-
Net cash flow used in operating activities		(2,375,304,021)	(154,778,830)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	10.5	(7,167,409)	(13,965,849)
Net cash flows used in Investing Activities		(7,167,409)	(13,965,849)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	10.3	2,327,448,361	-
Net cash flow from financing activities		2,327,448,361	-
Net Increase in Cash and Cash Equivalent		(55,023,070)	(168,744,680)
Cash and cash equivalent at BEGINNING of the year		100,176,582	268,921,262
Cash and cash equivalent at END of the year	10.7	45,153,512	100,176,582

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 21-9-2020 and signed by:


Principal Secretary
Dr. Eng. Joseph Njoroge, CBS


Project Coordinator
Rodney Sultani


Head of Accounting Unit
Moses Gitari



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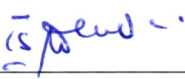
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9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Proceeds from borrowings	3,000,000,000	-800,000,000	2,200,000,000	2,327,448,361	-127,448,361	106%
Total Receipts	3,000,000,000	800,000,000	2,200,000,000	2,327,448,361	-127,448,361	106%
Payments						
Purchase of goods and services	908,039,000		908,039,000	155,565,393	752,473,607	17%
Acquisition of non-financial assets	91,961,000		91,961,000	7,167,409	84,793,591	8%
Other grants and transfers and payments	2,000,000,000	-800,000,000	1,200,000,000	2,223,466,000	-1,023,466,000	185%
Total Payments	3,000,000,000	800,000,000	2,200,000,000	2,386,198,802	-186,198,802	108%

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


Principal Secretary
Dr. Eng. Joseph Njoroge, CBS


Project Coordinator
Rodney Sultani


Head of Accounting Unit
Moses Gitari

10. NOTES TO THE FINANCIAL STATEMENTS

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

10.1 BASIS OF PREPARATION

10.1.1 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.

10.1.2 Reporting entity

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

10.1.3 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.

10.2 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.

• 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.

• External Assistance

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

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Significant Accounting Policies (Continued)

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.

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

• **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) Recognition of payments

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

• **Compensation of employees**

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

• **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.

• **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.

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Significant Accounting Policies (Continued)

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.

c) 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.

d) 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

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Significant Accounting Policies (Continued)

e) 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.

f) 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.

g) 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.

h) 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 party's column in the statement of receipts and payments.

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During the year nil loan disbursements were received in form of direct payments from third parties.

Significant Accounting Policies (Continued)

i) 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 recognized in the statements of receipts and payments.

j) Comparative figures

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

k) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

l) 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.3 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2020 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	Amount in loan currency	Loans received in cash	Total amount in KShs		Cumulative to- date
			2019/20	2018/19	
	EUR	KShs			KShs
International Development Association	935,318	103,982,361	103,982,361	-	703,658,062
International Development Association	20,000,000	2,223,466,000	2,223,466,000	-	2,223,466,000
Total	20,935,318	2,327,448,361	2,327,448,361	-	2,927,124,062

10.4 PURCHASE OF GOODS AND SERVICES

	2019/20	2018/19	Cumulative to- date
	Kshs	Kshs	KShs
Domestic travel and subsistence	13,747,855	23,830,756	37,578,611
Printing, advertising and – information supplies & services	-	149,676	149,676
Training payments	786,692	32,863,226	40,383,267
Hospitality supplies and services	-	9,591,872	9,591,872
Other operating payments	141,030,846	86,156,800	227,187,646
Total	155,565,393	152,592,330	314,891,072

10.5 ACQUISITION OF NON-FINANCIAL ASSETS

	2019/20	2018/19	Cumulative to-date
	KShs	KShs	KShs
Purchase of office furniture & general equipment	4,275,275	5,591,947	9,867,222
Research, studies, project preparation, design & supervision	2,892,134	8,373,901	11,266,035
Total	7,167,409	13,965,848	21,133,257

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.6 OTHER GRANTS AND TRANSFERS AND PAYMENTS

	2019/20	2018/19	Cumulative to- date
	KShs	KShs	KShs
SNV Netherlands Development Organization-Kenya	2,223,466,000	-	2,223,466,000
Total	2,223,466,000	-	2,223,466,000

10.7 BANK BALANCES

10.7.1 Project Bank Accounts

	2019/20	2018/19
	KShs	KShs
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No 1000390824]	45,153,512	99,655,682
Total bank account balances	45,153,512	99,655,682

10.7.2 Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2020 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 are 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

	2019/20	2018/19
	KShs	KShs
(i) A/C Name [A/c No. 1000360739]		
Opening balance	234,827,679	183,135,814
Total amount deposited in the account	236,041,943	51,691,865
Total amount withdrawn	(103,982,080)	-
Closing balance	<u>366,887,542</u>	<u>234,827,679</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019/20	2018/19
	KShs	KShs
(ii) A/C Name [A/c No. 1000356685]		
Opening balance	2,343,460,000	-
Total amount deposited in the account	-	2,343,460,000
Total amount withdrawn	(2,223,466,000)	
Unrealised Exchange rate between deposit and withdrawals	(119,994,000)	
Closing balance	=	<u>2,343,460,000</u>

10.8 FUND BALANCE BROUGHT FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts	99,615,681	268,921,262
Cash in hand	520,900	-
Outstanding imprests and advances	2,186,500	-
Total	102,363,081	268,921,262

10.9 PRIOR YEAR ADJUSTMENT

	Balance b/f FY 2018/2019 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2019/2020
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	-	1,541,772	1,541,772
Receivables	-	(900)	(900)
	-	1,540,872	1,540,872

The prior year adjustments include Kshs. 1,541,772 amount included in FY 2018/19 cashbook which became stale and bank charges of Kshs. 900, which was not charged in the last financial year but not yet refunded to the International Development Association (IDA).

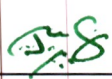
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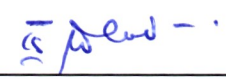
11. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

Reference No. on the external audit Report	Issue from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
Budget Performance and Control.	The summary statement of comparative budget and actual amounts reflects final receipts of budget and actual on comparable basis of Kshs.300,000,000 and nil respectively, resulting to an underfunding of Kshs.300,000,000 or 100% of the budget. As a result, the project utilized the previous years balance savings to finance current activities amounting to Kshs.163,558,180 The underfunding may affect the planned activities and projects which will impact negatively on service delivery for the public.	The Management resolved to strictly continue monitoring the budget to ensure fully implementation.	CPA Geoffrey Tsalwa Imbayi Financial Management Specialist	Resolved	30/12/2020



Principal Secretary
 21-9-20

Date



Project Coordinator
 21-9-20

Date

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ANNEX 1 - VARIANCE EXPLANATIONS - 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=c-d	f=d/c %
Receipts						
Proceeds from borrowings	3,000,000,000	-800,000,000	2,200,000,000	2,327,448,361	-127,448,361	106%
Total Receipts	3,000,000,000	- 800,000,000	2,200,000,000	2,327,448,361	-127,448,361	106%
Payments						
Purchase of goods and services	908,039,000		908,039,000	155,565,393	752,473,607	17%
Acquisition of non-financial assets	91,961,000		91,961,000	7,167,409	84,793,591	8%
Other grants and transfers and payments	2,000,000,000	- 800,000,000	1,200,000,000	2,223,466,000	- 1,023,466,000	185%
Total Payments	3,000,000,000	- 800,000,000	2,200,000,000	2,386,198,802	-186,198,802	108%

- (i) 106% - There was enough allocation from the Supplementary I Budget estimates which facilitated the expenditure as indicated above. The budget was reduced during Supplementary II budget estimates hence the over utilization.
- (ii) 17% - The procurement process took long, in addition, the COVID-19 affected some planned activities like training and community engagement in the target countries, which experience the effects of social distancing and lockdowns as per the Ministry of Health guideline. These led to low absorption.
- (iii) 8% - The procurement process took long hence the low absorption.
- (iv) 185% - There was enough allocation from the Supplementary I Budget estimates in the period under review which facilitated the expenditure as indicated above. The budget was reduced during Supplementary II budget estimates which affected the budget item hence the over utilization.

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ANNEX 2- ANALYSIS OF ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To- Date	Outstanding Balance 2020	Outstanding Balance 2019	Comments
	a	b	c	d=a-c		
Supply of services						
1. NRECA	56,500,000		32,587,024	23,912,976	42,685,705	Completed
2. Osman Hassan	200,000		200,000	-	200,000	Ongoing contract
3. Strathmore University	772,949		772,949	-	772,949	Completed
Total	57,472,949		33,559,973	23,912,976	43,658,654	

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ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost	*Purchases/Additions in the Year	** Disposals in the Year	Transfers in/(out)	Closing Cost
	(KShs) 2018/19	(KShs) 2019/20	(KShs) 2019/20	Kshs 2019/20	(KShs) 2019/20
	(a)	(b)	(c)	(d)	(e)= (a)+ (b)-(c)+(-)d
Office equipment, furniture and fittings	4,974,000	2,980,199	-	-	7,954,199
ICT Equipment,	617,947	1,295,076	-	-	1,913,023
Work in Progress	8,373,902	2,892,134	-	-	11,266,035
Total	13,965,849	7,167,409	-	-	21,133,258