

REPORT

OF

THE AUDITOR-GENERAL

ON

**KENYA ELECTRICITY MODERNISATION
PROJECT (IDA CR.5587-KE)**

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

**RURAL ELECTRIFICATION AND
RENEWABLE ENERGY CORPORATION**


THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 18 FEB 2021 DAY: THURSDAY

TABLED BY: Majority Whip Hon. Wangwe

CLEARANCE: Anne Musandu



	
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DATE: 18 FEB 2021	
DAY: THURSDAY	
TABLED BY:	Lom
CLERK AT THE TABLE:	Anne Musandu

**KENYA ELECTRICITY MODERNIZATION PROJECT
(KEMP)**

RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION

PROJECT CREDIT NUMBER 55870KE

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)**

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: Kenya Electricity Modernization Project (KEMP)

Objective: The key objectives of the project are:

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 areas that are not likely to be connected to the grid in the medium and short term. The project involves development of 10 solar hybrid mini grid projects to connect households and public facilities in the selected 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 29 th June 2015
Project End Date:	The project end date is 30 th December 2021
Project Manager:	The project coordinator is Mr. Edward Gakunju
Project Sponsor:	The project sponsor is International Development Association, through the National Treasury

1.3 Project Overview

Line Ministry	The project is under the supervision of the Ministry Of Energy and Petroleum
Project number	The project number is IDA CREDIT NUMBER 55870KE
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 households in the selected Islands
Achievement of strategic goals	The project management aims to achieve the goals through the extension of electricity supply

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Other important background information of the project	The overall project has 2 components: 1. Consultancy 2. Construction of Solar Mini-grids
Current situation that the project was formed to intervene	The project was formed to intervene in the areas that cannot be connected to the grid in the medium and short term.
Project duration	The project started on 29 th June 2015 and is expected to run until 30 th December 2021

1.4 Bankers

The following are the bankers for the current year:

- a) Central Bank Of Kenya(Special Account),
Account No. 1000250682,
Nairobi.
- a) Co-operative Bank,
Nairobi Business Centre Branch,
Account No. 01136125016302,
Nairobi.

1.5 Auditors

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

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1.6 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 Coordinator	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
Festus Kasonzo 0722138880 fkasomzo@rea.co.ke	Procurement Specialist	Master's Degree in Procurement and Supplies	<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
Nicholas Muigai 0722269540 nmuigai@rea.co.ke	Project Engineer	Bsc in Electrical Engineering	<ul style="list-style-type: none"> • Review of project designs • Analyse all the Technical aspects of the project
World Bank and Government			<ul style="list-style-type: none"> • Project sponsors. • Review and approving the projects withdrawal applications, expenditure

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			<p>justifications, no objection requests, annual work plan and budget, expenditure category reallocation request.</p> <ul style="list-style-type: none"> • Participating in implementation support missions.
The Parent Ministry			<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.
The Auditor			<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

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			<p>Parliament.</p> <ul style="list-style-type: none"> Facilitate submission of the audited report to the project's sponsors by 31 December each year.
Project Coordinating Team (PCT)			<ul style="list-style-type: none"> Project management and Coordination functions. comprises of the Project Coordinator and a team of Technical Officers.
County Project Coordinating and Facilitation Committee (CPCFC)			<ul style="list-style-type: none"> Facilitate and harmonize the implementation of the Project at the county level. offering oversight in the implementation of the project
The project Steering Committee(PSC)			<ul style="list-style-type: none"> oversee the implementation of the Project approve the annual work plan and budget ensure that the activities are in compliance with the donor and government policies.

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1.7 Funding summary

The Project is for duration of Six (6) years from 2015 to December 2021 with an approved budget of US\$ 10M equivalent to Kshs 1,013,000,000 as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment		Amount received to date (30.06.2020)		Undrawn balance to date (30.06.2020)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
International Development Association	7,500,000	759,750,000	-	-	7,500,000	759,750,000
(ii) Loan						
International Development Association	2,500,000	253,250,000	1,274,400	129,083,976	1,225,600	124,166,024
Total	10,000,000	1,013,000,000	1,274,400	129,083,976	8,725,600	883,916,024

1.8 Summary of Overall Project Performance:

During the year under review, the Project received Kshs Nil with Kshs 10M expenditure during the period. The absorption rate to date is 12% with 0% absorption in the financial period. The Project did not receive any funds from IDA against a final budget of Kshs 350,000,000. The Project paid Kshs 10,468,020 against a final budget of Kshs 350,000,000. This represented utilisation of 3%.

1.9 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

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 2018-2022* plan are to:

To provide off-grid electrification solutions in areas whose connection to the national grid is not viable in the short and medium term.

Progress on attainment of Strategic development objectives

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

Project	Objective	Outcome	Indicator	Performance
Kenya Electricity Modernization Project (KEMP)	To connect public facilities in selected areas To connect households in the selected Islands	Public facilities and households connected	No of public facilities and households connected	In FY 19/20 we signed contract for construction and installation of minigrids and handed over the sites. Work will commence in the following financial year.

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

1. Sustainability strategy and profile -

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

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

2. Environmental performance

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

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

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

3. Employee welfare

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

- The Corporation is an equal opportunity employer and shall not in its recruitment and selection process, discriminate on the basis of gender, race, disability, religion, ethnicity or any other form of discrimination. The constitutional requirement on mainstreaming of gender and persons with disabilities as stipulated in Article 232 of the Constitution will be observed alongside any policies issued by the National Cohesion, Act 2012 (revised) and Integration Commission.
- On training, National cohesion values (Regional, Ethnic, Gender, Disability balance) shall be considered during the selection of trainees.
- The policy also provides flexi hours for staff. An expectant Employee is entitled to time off from work with full pay in order to attend antenatal clinic and any hospital appointments relating to her pregnancy. All time off must be agreed on with the supervisor beforehand. Breastfeeding mothers will be entitled to two (2) hours per day for three (3) months upon reporting from maternity leave for the purpose of nursing her child. On resumption of regular duties after maternity leave the employee will be exempted from night duty until the newborn is two years old.

4. Market place practices-

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

5. Community Engagements-

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

Education:

- The Corporation has constructed several classrooms in its project areas. Recent projects include Katulu primary school in Machakos County and Classrooms in the vicinity of the 50MW Garissa solar plant in Garissa county
- The Corporation has been working in collaboration with the Kenya Prisons to provide desks to various needy schools across the country. The partnership has supported the Kenya Prisons by providing an income generating activity and also supported the education efforts in the

various schools in our project areas. Recent beneficiaries include Kiambu, Marsabit and Samburu counties.

- The Corporation has donated textbooks sourced from the Kenya Literature Bureau to various needy schools across the country in project areas in rural Kenya. Recent beneficiaries have been Kisumu, Kericho, Machakos, Makueni and Bungoma counties.

Sports:

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

Health

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

Water & Sanitation

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

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

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

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer, Rural Electrification and Renewable Energy Corporation and the Project Manager, are responsible for preparing the project's financial statements, which give a true and fair view of the state of affairs of the project as at the end of the accounting period. This responsibility includes: maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and ensuring that they are free from material misstatements, whether due to fraud or error; safeguarding the assets of the Project; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Chief Executive Officer and the Project Manager for KEMP 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 the International Public Sector Accounting Standards (IPSAS).

The Chief Executive Officer and the Project Manager for KEMP project are of the opinion that the financial statements give a true and fair view of the state of the project financial position as at June 30, 2020. The Chief Executive Officer and the Project Manager KEMP project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon on the preparation of the Financial Statements as well as on the adequacy of the internal control systems.

The Chief Executive Officer and the Project Manager for KEMP project confirm that the Project has complied fully applicable Government Regulations the terms of the 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.



Chief Executive Officer
CPA Peter Mbugua



Project Manager
Edward Gakunju



Project Accountant
CPA Lucy Kinyanjui
ICPAK 4862

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY MODERNISATION PROJECT (IDA CREDIT 5587-KE) FOR THE YEAR ENDED 30 JUNE, 2020 – RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Electricity Modernization Project set out on pages 1 to 29, which comprise the statement of financial assets as at 30 June, 2020, and the statement of receipts and payments, statement of cash flow and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Electricity Modernization Project 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 Public Finance Management Act, 2012 and Financing Agreement No.5587-KE dated 29 June, 2015, between the International Development Association (IDA) and the Republic of Kenya.

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 the Kenya Electricity Modernization Project 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 judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budget Performance

The statement of comparative budget and actual amounts reflects final receipts budgeted and actuals on comparable basis amounting to Kshs.350,000,000 and Nil respectively, resulting in under-funding of Kshs.350,000,000 or 100% of the budget. As a result, the Project's activities in the year under review were limited as only Kshs.10,468,020 or 3% of the approved budget was spent. The funding shortfall constrained implementation of the Project's work plans and the quest to attain its objectives and purpose.

Management has explained that the under-expenditure resulted from delay in finalization of contracts on which the budgeted funds were to be spent.

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

Basis for Conclusion

Long Delay in Execution of the Project

As previously reported, the Project commenced on 29 June, 2015 and was set for completion on 30 December, 2021.

However, as at 30 June, 2020, the activities executed were valued at Kshs.78,234,961 or 8% of the total funds totaling US\$ 10million (Kshs.1,013,000,000) committed to the Project in the Financing Agreement. Management has indicated that a new implementation plan has been drawn to execute the pending works by 30 December, 2021.

In view of the long delay suffered previously, the Project's outputs are unlikely to be realized and its purpose achieved unless its execution timelines and operational systems are reset.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 the Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the ability of the Project to continue sustaining 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 entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Project 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 sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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 that 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 that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

31 December, 2020

Kenya Electricity Modernization Project
Reports and Financial Statements
For the financial year ended June 30, 2020

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

		2019-2020		2018-2019		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	
	Note	Kshs		Kshs		Kshs
RECEIPTS						
Transfer from Government entities	9.3					5,000
Proceeds from domestic and foreign grants	9.4					-
Loan from external development partners	9.5		-	-	-	129,083,976
Miscellaneous receipts	9.6		-	-	-	-
Total receipts		-		-		129,088,976
PAYMENTS						
Compensation of employees	9.7					
Purchase of goods and services	9.8					
Social security benefits	9.9					
Acquisition of non-financial assets	9.10	10,461,240	-	20,314,420	-	78,168,907
Transfers to other government entities	9.11	-		-		-
Other grants and transfers and payments	9.12	6,780	-	6,236	-	66,054
TOTAL PAYMENTS		10,468,020		20,320,656		78,234,961
SURPLUS/DEFICIT FOR THE YEAR		(10,468,020)		(20,320,656)		50,854,015

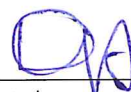
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



Chief Executive Officer
CPA Peter Mbugua



Project Manager
Edward Gakunju



Project Accountant
CPA Lucy Kinyanjui
ICPAK 4862

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7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020

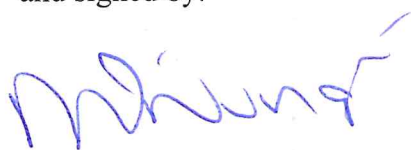
	Note	2019-2020 Kshs	2018-2019 Kshs
Cash and Cash Equivalents			
Bank Balances	9.13.A	50,854,016	61,322,035
Cash Balances	9.13.B	-	-
Cash Equivalents (short-term deposits)	9.13.C	-	-
Total Cash and Cash Equivalents		50,854,016	61,322,035
Accounts receivables – Imprest and Advances	9.14	-	-
TOTAL FINANCIAL ASSETS		50,854,016	61,322,035

REPRESENTED BY:

Cash and cash equivalents b/fwd	9.15	61,322,035	81,642,691
Prior year adjustments	9.16	-	-
Surplus/Deficit for the year		(10,468,020)	(20,320,656)

NET FINANCIAL POSITION		50,854,015	61,322,035
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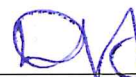
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on _____ 2020 and signed by:



Chief Executive Officer
CPA Peter Mbugua



Project Manager
Edward Gakunju




Project Accountant
CPA Lucy Kinyanjui
ICPAK 4862

Kenya Electricity Modernization Project
Reports and Financial Statements
For the financial year ended June 30, 2020


8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2019-2020 Kshs	2018-2019 Kshs
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfer from Government entities	9.3	-	-
Loan from external development partners	9.4	-	-
Miscellaneous Receipts	9.6	-	-
Payments from operating expenses			
Compensation of employees	9.7		
Purchase of goods and services	9.8		
Social security benefits	8.9	-	-
Transfers to other government entities	9.11		
	9.12	(6,780)	(6,236)
Adjustments during the year			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	9.17	-	-
Increase/(Decrease) in Accounts Payable: (deposits and retention)	9.18	-	-
Prior Year Adjustments	9.16	-	-
Net cash flow from operating activities		(6,780)	6,236
CASHFLOW FROM INVESTING ACTIVITIES			
Net cash flows from Investing Activities			
Acquisition of Assets	9.10	(10,461,240)	(20,314,420)
Net cash flows from Investing Activities		(10,461,240)	(20,314,420)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	9.5	-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		(10,468,020)	(20,320,656)
Cash and cash equivalent at BEGINNING of the year		61,322,035	81,642,691
Cash and cash equivalent at END of the year		50,854,015	61,322,035

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 _____ 2020 and signed by:


 Chief Executive Officer
 CPA Peter Mbugua


 Project Manager
 Edward Gakunju

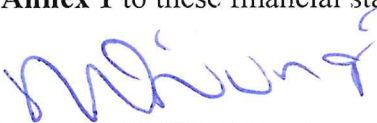

 Project Accountant
 CPA Lucy Kinyanjui
 ICPAK 4862


Kenya Electricity Modernization Project
Reports and Financial Statements
For the financial year ended June 30, 2020

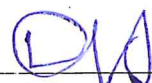
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Variance
	a	b	c=a+b	d	e=d-c	f=e/c %
Receipts	Kshs	Kshs	Kshs	Kshs	Kshs	
Transfer from Government entities-REA	-	-	-	-	-	-
Proceeds from domestic and foreign grants	-	-	-	-	-	-
Proceeds from borrowings	350,000,000	-	350,000,000	-	- 350,000,000	-100
Miscellaneous receipts	-	-	-	-	-	-
Total Receipts	350,000,000		350,000,000	-	- 350,000,000	
Payments						
Acquisition of non-financial assets	350,000,000	-	350,000,000	10,461,240	- 339,538,760	- 97
Transfers to other government entities	-	-	-	-	-	-
Other grants and transfers	-	-	-	-	-	-
Other payments	-			6,780	6,780	- 100
Total Payments	350,000,000	-	350,000,000	10,468,020	- 339,531,980	

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. NOTES TO THE FINANCIAL STATEMENTS

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

9.1. Basis of Preparation

9.1.1. 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.

9.1.2. Reporting entity

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

9.1.3. 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.

9.2. 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.

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.

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.

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 recognised 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.

• Interest on borrowing

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **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.

- **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.

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

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) 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 4** 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

g) Contingent Assets

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

h) 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.

i) 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.

j) 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 NIL billion being loan disbursements were received in form of direct payments from third parties.

k) 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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) 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.

m) 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, 2020.

n) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.3. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2019/20	2018/19	Cumulative
	KShs	KShs	to-date(from inception)
<i>Counterpart funding through Ministry Of Energy</i>			
Counterpart funds Quarter 1	-	-	-
Counterpart funds Quarter 2	-	-	-
Counterpart funds Quarter 3	-	-	-
Counterpart funds Quarter 4	-	-	-
	-	-	-
<i>Other transfers from government entities</i>	-	-	-
	-	-	-
Appropriations-in-Aid	-	-	-
Total	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.4. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30th June 2020 we received 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	
						2019/20	2018/19
			KShs	KShs	KShs	KShs	KShs
Grants Received from Bilateral Donors (Foreign Governments)			-	-	-	-	-
Insert name of foreign Government			-	-	-	-	-
Grants Received from Multilateral Donors (International Organisations)			-	-	-	-	-
Insert name of international organization			-	-	-	-	-
Grants Received from Local Individuals and organisations			-	-	-	-	-
Insert name of individual or local organization			-	-	-	-	-
Total			-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.5. 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	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs	
					FY 2019/20	FY 2018/19
			Kshs	Kshs	Kshs	Kshs
Loans Received from Bilateral Donors (Foreign Governments)						
Loans Received from Multilateral Donors (International Organisations)						
International Development Association (IDA)						-
DA-C		-	-	-	-	-
Total		-	-	-	-	-

9.6. MISCELLANEOUS RECEIPTS

	2019/20			2018/19	Cumulative to- date
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		(from inception)
	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	-	-	-	-	-
	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.7. COMPENSATION OF EMPLOYEES

	2019/20			2018/19	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	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)

9.8. PURCHASE OF GOODS AND SERVICES

	2019/20			2018/19	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	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 & services	-	-	-	-	-
Rentals of produced assets	-	-	-	-	-
Training payments	-	-	-	-	-
Hospitality supplies and services	-	-	-	-	-
Insurance costs	-	-	-	-	-
Specialised 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)

9.9. SOCIAL SECURITY BENEFITS

	2019/20			2018/19	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	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	-	-	-	-	-

9.10. ACQUISITION OF NON-FINANCIAL ASSETS

	2019/2020	2018/2019	Cumulative to date
	Kshs	Kshs	Kshs
Consultancy /Training	10,461,240	20,314,420	78,168,907
	10,461,240	20,314,420	78,168,907

9.11. TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30 June 2020, we transferred funds to reporting government entities as shown below:

	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Transfers to National Government entities					
Ministry ABC	-	-	-	-	-
Project XYZ	-	-	-	-	-
	-	-	-	-	-
Transfers to County Government					
County ABC	-	-	-	-	-
County XYZ	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
TOTAL	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.12. OTHER GRANTS AND TRANSFERS AND PAYMENTS

	2019/2020		2018/2019	Cumulative to date
	Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	
	Kshs		Kshs	Kshs
Bank Charges	6,780	-	6,236	66,055
Total	6,780	-	6,236	66,055

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.13. CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2019-2020	2018-2019
	Kshs	Kshs
Local Currency Accounts		
Bank accounts (Note 8.13A)	50,854,016	61,322,035
Cash in hand (Note 8. 13B)	-	-
Cash equivalents (short-term deposits) (Note 8.13C)	-	-
Total	50,854,016	61,322,035

The project has one number of project accounts spread within the project implementation area and one number of foreign currency designated accounts managed by the National Treasury as listed below:

9.13 A Bank Accounts

Project Bank Accounts

	2019/20	2018/19
	KShs	KShs
Foreign Currency Accounts	-	-
Local Currency Accounts		
Co-operative Bank of Kenya [A/c No011301250163]	50,854,016	61,322,035
Total local currency balances	50,854,016	61,322,035
Total bank account balances	50,854,016	61,322,035

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 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

	2019/20 Usd	2019/20 Kshs	2018/19 Usd	2018/19 Kshs
KEMP A/C 0128945650				
Opening Balance	80	8,103	80	8,103
Closing Balance	80	8,103	80	8,103

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

9.13B Cash In Hand

	2019/20	2018/19
	KShs	KShs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other locations (<i>specify</i>)	-	-
Total cash balances	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.13C Cash equivalents (short-term deposits)

	2019/20	2018/19
	KShs	KShs
Kenya Commercial Bank [A/C No.....]	-	-
Co-Operative Bank of Kenya [A/C No.....]	-	-
Others (<i>Specify</i>)	-	-
Total	-	-

9.14. OUTSTANDING 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 2020</i>	<i>Balance 2019</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	-	-	-	-	-

9.15. FUND BALANCE BROUGHT FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts	50,854,016	61,322,035
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	50,854,016	61,322,035

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.16. PRIOR YEAR ADJUSTMENT

	Balance b/f FY 2019/2020 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2018/2019
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	-	-	-
Cash in hand	-	-	-
Accounts Payables	-	-	-
Receivables	-	-	-
Others (<i>specify</i>)	-	-	-
	-	-	-

9.17. CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Outstanding Imprest as at 1 st July 2019 (A)	-	-
Imprest issued during the year (B)	-	-
Imprest surrendered during the Year (C)	-	-
Net changes in account receivables D= A+B-C	-	-

9.18. CHANGES IN ACCOUNTS PAYABLE – DEPOSITS AND RETENTIONS

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Deposit and Retentions as at 1 st July 2019 (A)	-	-
Deposit and Retentions held during the year (B)	-	-
Deposit and Retentions paid during the Year (C)	-	-
Net changes in account receivables D= A+B-C	-	-

Kenya Electricity Modernization Project
Reports and Financial Statements
For the financial year ended June 30, 2020

10. OTHER IMPORTANT DISCLOSURES

10.1 PENDING ACCOUNTS PAYABLE (See Annex 2A)

	Balance b/f FY 2018/2019	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	-	-	-	-
Construction of civil works	-	-	-	-
Supply of goods	-	-	-	-
Supply of services	1,358,592	120,712	1,358,592	120,712
Total	1,358,592	120,712	1,358,592	120,712

10.2 PENDING STAFF PAYABLES (See Annex 2B)

	Balance b/f FY 2018/2019	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs	Kshs	Kshs	Kshs
Senior management	-	-	-	-
Middle management	-	-	-	-
Unionisable employees	-	-	-	-
Others	-	-	-	-
Total	-	-	-	-

10.3 OTHER PENDING PAYABLES (See Annex 2C)

	Balance b/f FY 2018/2019	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	-	2,287,120	-	2,287,120
Amounts due to County Government entities	-	-	-	-
Amounts due to third parties	-	-	-	-
Total	-	2,287,120	-	2,287,120

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OTHER IMPORTANT DISCLOSURES (Continued)

10.4 External Assistance

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
External assistance received in cash	-	-
External assistance received as loans and grants	-	-
External assistance received in kind- as payment by third parties	-	-
Total	-	-

a) External assistance relating loans and grants

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
External assistance received as loans	-	-
External assistance received as grants	-	-
Total	-	-

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2019/2020	FY 2018/2019
Description		Kshs	Kshs
Undrawn external assistance - loans		-	-
Undrawn external assistance - grants		-	-
Total		-	-

c. Classes of providers of external assistance

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
Total	-	-

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OTHER IMPORTANT DISCLOSURES (Continued)

d. Non-monetary external assistance

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
Goods	-	-
Services	-	-
Total	-	-

e Purpose and use of external assistance

PAYMENTS MADE BY THIRD PARTIES	FY 2019/2020	FY 2018/2019
	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	-	-
Finance Costs, including Loan Interest	-	-
Repayment of principal on Domestic and Foreign borrowing	-	-
Other Payments	-	-
TOTAL	-	-

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OTHER IMPORTANT DISCLOSURES (Continued)

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

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
National government	-	-
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
Total	-	-

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

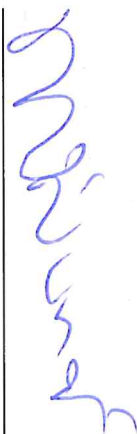
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Person to resolve the issue (Name and designation)	Status: (Resolve / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Delay In Project Implementation; The Project commenced on 29 June 2015 and its expected completion date is 30 December 2020. However, during the year under review the only activity implemented on the Project was acquisition of non-financial assets totalling Kshs.20, 314,420. The implementation of this Project is significantly delayed, considering that there is only one and half years to the expiry of the five-year project duration on 30 December 2020. The management, has not	<ul style="list-style-type: none"> • The project period was extended to December 2021. • Advance payment made to the contractor the first week of July 2020 • Contractor has submitted a report analysis the original BOQ and BOQ for Optimized designs. • A meeting with the contractor, World Bank, KPLC and REREC done on Friday 28th August to among others discuss the comparative report on the BoQ for the project. A final meeting is set for Monday 6th September 2020 to discuss on the approval of the report by contractor so that he can submit final designs for approval, then proceed with manufacture and delivery of materials to implement the mini grids. Activities undertaken earlier includes <ul style="list-style-type: none"> • Contract agreement for installation of mini grids was signed 9th October 2019. • Kick off meeting held on 19th December 	Project Manager	Not Resolved	31/12/2020

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point to person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	explained how it intends to complete the project within the remaining timeline.	<ul style="list-style-type: none"> Sites Handover for the mini grids done on 13-21st January 2020 			
2.	<p>Budget Control and Performance</p> <p>According to the statement of comparative budget and actual amounts, the Project's final budget for the year, was Kshs.321,000,000. However, no amount was advanced to the project resulting to minimal activities during the year under review amounting to Kshs 20,320,656 from past savings of Kshs 81,642,691. Under the circumstances, the objectives of this Project whose completion date is almost due, may not be achieved and the intended beneficiaries may not receive its benefits.</p>				

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Chief Executive Officer

22.12.2020

Date



Project Manager

22.12.2020

Date

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ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation Variance to	Comments on Variance
	a	b	c=a-b	d=c/a %	
	Kshs	Kshs	Kshs	Kshs	
RECEIPTS DURING THE YEAR/PERIOD					
External financing	350,000,000	-	350,000,000	100	Delay in procurement of construction contractor and Covid-19 pandemic
Miscellaneous receipts					
Total receipts	350,000,000	-	350,000,000		
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	350,000,000	10,461,240	339,538,760	3	Delay in procurement of construction contractors and acquisition of land titles. .
Other Payments		6,780	- 6,780	-100	Bank Charges incurred
Advances to government employees					
Total payments	350,000,000	10,468,020	339,531,980		

ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To Date	Outstanding Contract Balance		Pending invoices as at 30.06.2020	Outstanding Bills		Comments
				2020	2019		2020	2019	
	a	b	c	d=a-c	e				
	Kshs	Kshs	Kshs	Kshs	Kshs		Kshs		
Consultancy Services									
Joseph Kuraoka	1,426,800	21.04.2017	1,141,440.00	285,360	-	-	-	-	Awaiting NEMA certificates
Nyamori Steve Onserio	1,925,600	21.04.2017	1,925,600	-	-	-	-	-	
Innovation Energie	8,382,425	28.04.2017	8,382,425	-	-	-	-	-	
University Of Southampton	10,825,538	28.04.2017	10,825,538	-	-	-	-	-	
Trama Techno-Ambiental	5,243,795	28.04.2017	5,243,795	-	-	-	-	-	
Dancun Oyaro	3,337,416	28.04.2017	3,337,416	-	-	-	-	1,358,592	Awaiting NEMA certificates
CVK Solar PVT Ltd	57,156,767	28.04.2017	57,036,055	120,712	120,712	120,712	120,712		Awaiting KRA clearance
Grand Total	88,298,340		87,892,269	406,072	120,712	120,712	120,712	1,358,592	

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ANNEX 2B - ANALYSIS OF PENDING STAFF BILLS

Name of Staff	Job Group	Original Amount	Date Payable Contract ended	Amount Paid To-Date	Outstanding Balance 2020	Outstanding Balance 2019	Comments
		a	b	c	d=a-c		
Permanent Employees - Management							
1.							
2.							
3.							
Sub-Total							
Permanent Employees - Others							
4.							
5.							
6.							
Sub-Total							
Temporary employees							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

ANNEX 2C - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2020	Outstanding Balance 2019	Comments
Amounts due to National Govt Entities		a	b	c	d=a-c		
1. REREC	WHT paid from main account	-	-	-	2,287,120	-	Inter bank transfer to be done in 2020/21FY
Sub-Total							
Amounts due to County Govt Entities							
2.							
3.							
4.							
Sub-Total							
Amounts due to Third Parties							
5.							
6.							
7.							
Sub-Total							
Others (specify)							
8.							
9.							
10.							
Sub-Total					2,287,120		
Grand Total					2,287,120		

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ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2019/20	*Purchases/Additions in the Year (KShs) 2019/20	** Disposals in the Year (KShs) 2019/20	Transfers in/(out) Kshs 2019/20	Closing Cost (KShs) 2020 (e)= (a)+ (b)-(c)+(-)d
Land	(a)	(b)	(c)	(d)	
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					

ANNEX 4 CONTINGENT LIABILITIES REGISTER

	Nature of contingent liability	Payable to	Currency	Estimated Amount Kshs	Expected date of payment	Remarks
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						

APPENDICES

- i. Bank Reconciliations
- ii. Bank balance Certificate
- iii. Special Deposit Account(s) reconciliation statement(s)