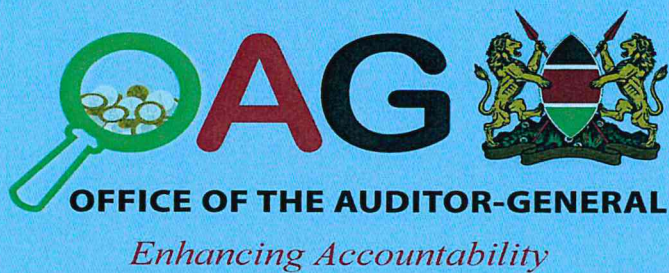


REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**RURAL ELECTRIFICATION AND  
RENEWABLE ENERGY CORPORATION**

**FOR THE YEAR ENDED  
30 JUNE, 2019**





Rural Electrification and Renewable Energy Corporation  
Reports and Financial Statements  
For the year ended June 30, 2019

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RURAL ELECTRIFICATION & RENEWABLE  
ENERGY CORPORATION

*(Formerly Rural Electrification Authority)*

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
**REGISTRY**

05 AUG 2021

**RECEIVED**

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Rural Electrification and Renewable Energy Corporation  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2019**

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

*Rural Electrification and Renewable Energy Corporation*  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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**I. KEY CORPORATION INFORMATION AND MANAGEMENT**

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**a) Background Information**

The Rural Electrification and Renewable Energy Corporation (REREC) is a State Corporation established under section 43 of the Energy Act, of 2019. It falls under the Ministry Of Energy and Petroleum (MOEP)

**b) Principal Activities**

**Vision & Mission**

**Vision:** "To be the leading provider of quality and affordable energy to all in the rural areas"

**Mission:** "To efficiently provide high quality and affordable energy service in all rural areas and achieve high standards of customer service through advancing community participation to ensure long term sustainability and social-economic development."

**Objectives**

- (i) Management of the Rural Electrification Programme Fund
- (ii) Development and updating of the rural electrification programme master plan.
- (iii) Implementing and sourcing of funds for the rural electrification programme.
- (iv) Promotion of use of renewable energy sources including but not limited to small hydro's, wind, solar, biomass, geothermal, hybrid systems and oil fired components taking into account specific needs of certain areas including the potential for using electricity for irrigation and in support of off-farm income generating activities.
- (v) Management of the delineation, tendering and award of contracts for licenses and permits for rural electrification.

**c) Key Management**

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

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

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**d) Fiduciary Management**

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

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1	Chief Executive Officer	CPA Peter K Mbugua
2	GM- Corporate Service	CS Dr. Rose Mkalama
3	GM-Technical Services	Eng. Esther Ruto
4	G.M-Research, Strategy & Planning	David Gitonga
5	Manager Finance &Administration	CPA Davis Cheruiyot
6	Manager Administration	Elizabeth Onoka
7	Manager Legal Department	Sharon Tugee
8	Manager ICT	Alex Kangethe
9	Manager Human Resources	Evelyne Koech
10	Manager Corporate Communications	Wangari Githii
11	Manager Supplies	Wilfred Oduor
12	Manager Procurement	Joel Omusebe
13	Manager Internal Audit	CPA Emmanuel Odera
14	Manager Design	Eng. David Rogoncho
15	Manager Renewable Energy	Eng James Muriithi
16	Ag Manager Construction	Eng Joni Anyango
17	Manager Data Management	Eric Jaoko
18	Manager Monitoring & Evaluation	CPA. Joan Ritho
19	Manager Strategy & Planning	CPA. Francis Mutua
20	Manager Research & Development	Eng. Ephantus Kamweru
21	Manager Business Development	Edward Gakunju
22	Ag. Corporate Secretary	Lucky Limo Rono



**e) Fiduciary Oversight Arrangements**

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

**Audit Committee**

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

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

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

**Finance Committee**

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

- (i) Develop and recommend to the Board the Corporation's Annual Budget;
- (ii) Develop, review and approve major changes in the Corporation's accounting policies;
- (iii) Oversee the preparation of year-end financial statements of the Corporation;
- (iv) Develop strategies aimed at achieving financial sustainability for the Corporation;
- (v) Consider and recommend to the Board Banking facilities and Corporation levels;

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**For the year ended June 30, 2019**

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- (vi) Ensure proper financial management systems are in place;
- (vii) Develop a financial monitoring system for the Organization

**Procurement Oversight Committee**

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

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

**f) Corporation's Headquarters**

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

**g) Corporation's contacts.**

Telephone: (254) 709 193 000  
E-mail: [info@rea.co.ke](mailto:info@rea.co.ke)  
Website: [www.rea.co.ke](http://www.rea.co.ke)

**h) Corporation's Bankers**

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

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

Standard Chartered Bank Kenya Ltd



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P.O Box 98683-80100  
Kenyatta Avenue Branch  
NAIROBI

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

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

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

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

**i) Independent Auditors**


The Auditor General  
Anniversary Towers  
P.O Box 30084-00100 GPO,  
NAIROBI.

**j) Principal Legal Adviser.**


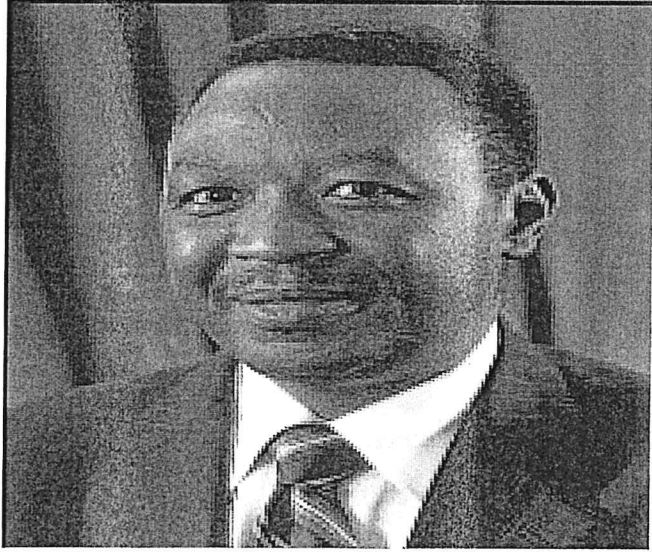
Office of Attorney General  
Sheria House  
P.O Box 40112-00100  
NAIROBI



## II. BOARD OF DIRECTORS

The Board Members who served during the Financial Year 2018/2019 were as follows;


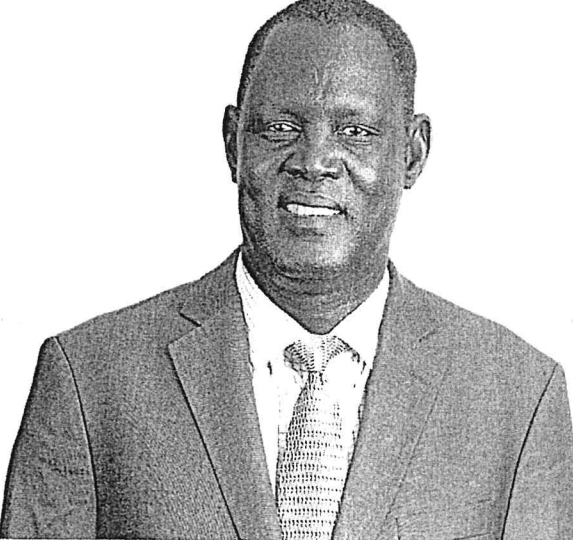
1.	 <p>Dr. Simon Gicharu (CBS) – Chairman of the Board Of Directors</p>	<p>Dr. Simon N. Gicharu was born in the year 1962.</p> <p>He was re-appointed as a non-executive chairman of the Corporation on 08/02/2019 for a period of three (3) years up to 07/02/2022.</p> <p>He holds a Bachelor of Education Science degree from Kenyatta University, and a postgraduate certificate in Managing Enterprise Development from Cranfield University, Britain. He is also a published author in Mathematics.</p> <p>He has previously served in the Government in a similar capacity at the Geothermal Development Company. He is a career educationist and entrepreneur, and is the founder and chairman of Mount Kenya University, which is Eastern and Central Africa's largest private institution of higher learning. Dr. Gicharu is also a board member of Thika Water and Sewerage Company and the patron of the Inter-Universities Root Moot Court by the Kenya National Scouts Association.</p>
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2.	 <p>Dr. Kamau Thugge (EBS, MBS) - Principal Secretary, The National Treasury</p>	<p>Dr. Kamau Thugge was born in the year 1958. He is the former Principal Secretary at The National Treasury. He has previously worked in the Ministry of Finance as Head of Fiscal and Monetary Affairs Department, Economic Secretary and as Senior Economic Advisor. Before joining the Ministry of Finance he worked with the International Monetary Fund (IMF) as Economist/Senior Economist and Deputy Division Chief.</p> <p>Dr. Thugge holds a Bachelor of Arts (Economics) from Colorado College, USA; a Masters in Economics from Johns Hopkins University, USA; and a Doctor of Philosophy in Economics, also from John Hopkins.</p>
3.	 <p>Dr. Eng. Joseph K. Njoroge (CBS) - Principal Secretary, Ministry of Energy</p>	<p>Dr. Eng. Joseph K. Njoroge was born in the year 1958.</p> <p>He is the Principal Secretary, Ministry of Energy &amp; Petroleum. Before joining the Ministry, he worked in Kenya Power as the Managing Director. He has wide range of experience in power engineering and management of the power sector, having joined Kenya Power in 1980 and serving in various senior positions prior to his appointment as the Principal Secretary, Ministry of Energy.</p> <p>Dr. Eng is a holder of a PhD in Business Administration and a BSC in electrical Engineering</p>


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



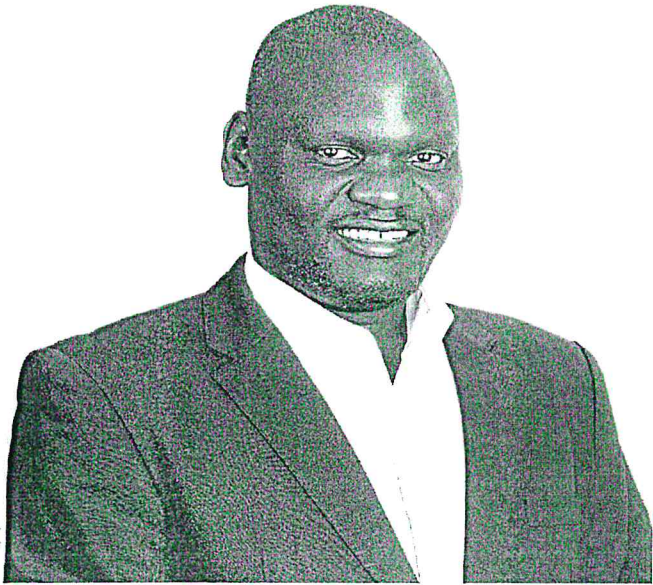
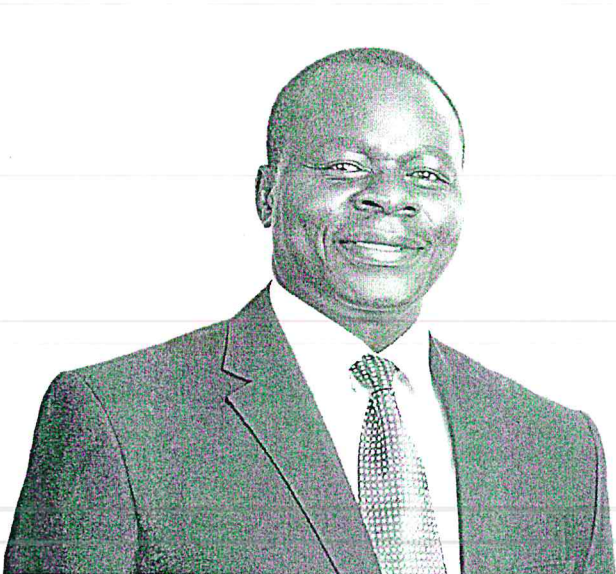
6	 <p>Mrs. Beatrice C. Kemei</p>	<p>Mr. Beatrice C. Kemei was born in the year 1969.</p> <p>She was appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years up to 07/02/2022.</p> <p>She holds an MBA Degree (Environmental Planning and Management) -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

8.	 <p data-bbox="229 1106 555 1133">Mrs. Josephine Waceke Muritu</p>	<p data-bbox="916 259 1474 344">Mrs. Josephine Waceke Muritu was born in the year 1974.</p> <p data-bbox="916 362 1474 497">She was re-appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years.</p> <p data-bbox="916 515 1474 645">She chairs the Finance committee of the board and is also a member of the Human Resource Committee.</p> <p data-bbox="916 663 1474 846">She is the Senior Legal Counsel, in charge of legislative drafting, Conveyancing and Contract negotiations in the County Government of Kiambu.</p> <p data-bbox="916 864 1474 1258">She holds Bachelor of laws degree (LLB) from University of Nairobi, Diploma in Laws from Kenya School of Law and she is currently pursuing a Master Degree in Organizational Leadership from Africa International University, Kenya. Mrs. Muritu is a member of the Law society of Kenya and an Advocate of the High Court of Kenya</p>
	 <p data-bbox="229 1823 421 1863">Hon. Bernard Bett</p>	<p data-bbox="916 1344 1474 1379">Hon. Bernard Bett was born in the year 1981.</p> <p data-bbox="916 1397 1474 1532">He was appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years up to 07/02/2019.</p> <p data-bbox="916 1599 1474 1787">He is currently Pursuing Master of Philosophy in Economics from Moi University, Eldoret and Bachelors of Education Degree from Moi University, Eldoret (2002-2006)</p>

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		He is the Chairman of the Audit Committee, a member of Finance Committee and Human Resource Committee of the Board.
10.	 <p>Mr. Ezekiel Weya</p>	<p>Mr. Ezekiel Weya was born in the year 1968. He was appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years up to 07/02/2022. He holds BSc. (Hons) Mechanical Engineering (UON) – 1984, and Bachelor of Commerce (Accounting) from University of Poona India in 1991. He also holds MBA (Finance Option) from University of Poona India in 1994;</p> <p>He is a member of both the Procurement Committee and the Strategy and Project Implementation Committee of the Board.</p>





11.	 <p>Hon. George Oner Ogalo</p>	<p>Hon. George Oner Ogalo was born in the year 1976.</p> <p>He was appointed to the Corporation's Board as an independent director on 08/02/2019 for a period of three (3) years up to 07/02/2022.</p> <p>He holds a BSc (Eng) Surveying - University of Nairobi - 1996-2001. Currently pursuing a MSc, Degree (Information Systems) University of Nairobi - June 2004 to Present;</p> <p>He is a member of both the Audit Committee and Strategy and Project Implementation Committee of the Board.</p>
12.	 <p>Mr. Elly Ongei {Alt. PS Treasury</p>	<p>Mr. Elly Ongei was born in the year 1965.</p> <p>He was appointed to the Corporation's Board as alternate director to CS National Treasury, on 08/02/2019 for a period of three (3) years up to 07/02/2022.</p> <p>He holds Bachelor of Arts in Economics (Second Class Upper Division) from Lucknow University (1989-1992), and Masters In Economics (Second Division Upper) from Lucknow University (1992-1994).</p> <p>He is a member of both the Strategy and Project Implementation Committee and the Finance Committee of the Board.</p>



### III. MANAGEMENT TEAM

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




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

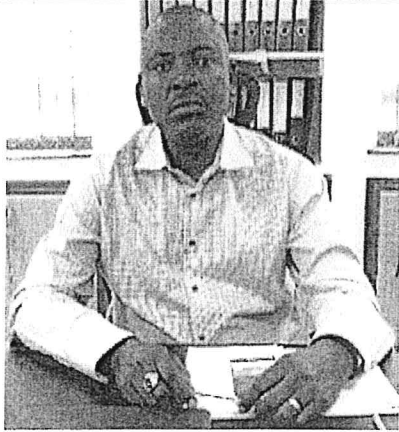


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5.	 <p>CPA Davis Cheruiyot Manager Finance &amp; Administration</p>	<p>CPA Davis Cheruiyot assumed the position of Finance and Administration manager in May 2018</p> <p>He is in charge of Finance, Administration and Security departments.</p> <p>He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



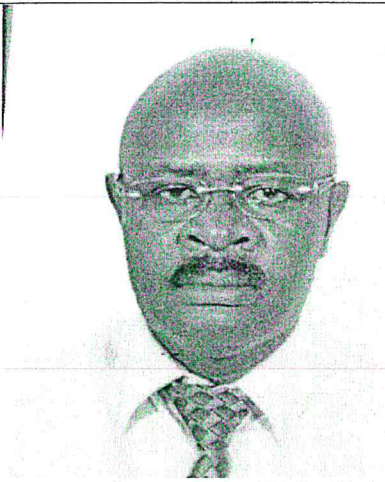


8.	 <p>Alex Kang'ethe Manager ICT</p>	<p>Alex Kang'ethe assumed the position Manager ICT on 14th May 2018. He holds Master's Degree in Computer Science from the University of Nairobi and Bachelor of Science in Information Technology (Hons) from the Jomo Kenyatta University of Agriculture and Technology. He is currently pursuing PhD in Information from Kibabii University. He is a Cisco Certified Network Associate. He is a registered member of Computer Society of Kenya.</p>
9.	 <p>Everlyn Chepkorir Koech Manager Human Resources</p>	<p>Everlyn Chepkorir Koech assumed the position of Manager, Human Resource in May 2018. She is a full member of the Institute of Human Resource Management (IHRM).</p> <p>She is in charge of the Corporation's Human Resource Management through HR planning recruitment and selection, employee welfare, training and development programs and employee retention strategies.</p> <p>She holds an MBA (HRM) from Kabarak University and a Bachelor's Degree in Human Resource Management from Kenya Methodist University. She also holds a Diploma in Human Resource Management from the Institute of Human Resource Management.</p>
10	 <p>Wangari Githii Manager Corporate Communications</p>	<p>Wangari Githii assumed the position of Manager Communications in 2008.</p> <p>She holds a BA (Hons) and a diploma in journalism.</p> <p>She is also a member of the Public Relations Society of Kenya.</p>



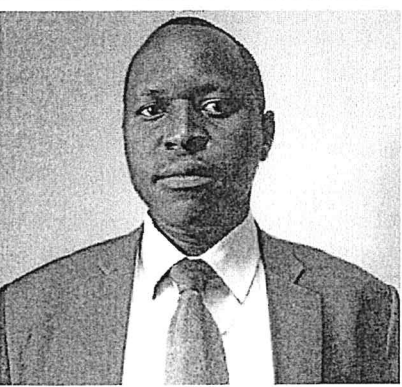


<p>11</p>	 <p>Wilfred Oduor Manager Supplies</p>	<p>Wilfred Oduor assumed office in 15<sup>th</sup> April 2008.</p> <p>He is head of Supplies Management. He holds a Bachelor of Commerce (B.COM-) Hons. From Kenyatta University and a member of chartered institute of purchasing and supply (CIPS)</p>
<p>12</p>	 <p>Joel Omusebe Manager Procurement</p>	<p>Joel Omusebe assumed office in April,2018</p> <p>He is the head of Procurement Department. He holds a Bachelor of Arts and an MBA from the University Of Nairobi, and a member of chartered institute of purchasing and supply (CIPS), He is currently Pursuing Doctor of Philosophy (PhD) in Business Administration at JKUAT</p>
<p>13</p>	 <p>CPA Emmanuel Odera Manager Internal Audit</p>	<p>CPA Emmanuel J. Odera assumed the position of Manager, Internal Audit on 7th May 2018.</p> <p>He is in charge of internal audit strategies, plans, policies and systems, and supervises periodic reviews of both financial and non-financial operations.</p> <p>He holds an MBA (Finance) from University of Nairobi, Bachelor of Commerce (B.COM) Hons- Accounting Option, Certified Process Professional- CPP (UK). A CPA (K), Emmanuel has been an active member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is also a member of The Institute of Internal Auditors (IIA) and ISACA. He is currently pursuing Doctor of Philosophy (PhD) in Business Administration at University of Nairobi</p>

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14	 <p>Eng. David Rogoncho Manager Design</p>	<p>Eng. David Rogoncho has held the position of Head of Design since July 2008.</p> <p>His main duties are to Design of all projects for REA in readiness for construction.</p> <p>He holds a Master's in Business Administration from Management Africa University, Bachelor of Science in Electrical Engineering (Power Option) and Registered Engineer with the Engineers Registration Board of Kenya.</p>
15	 <p>Eng. James Muriithi Manager Renewable energy</p>	<p>Eng. James Muriithi assumed the position of Manager Renewable Energy in July 2015. His responsibility is to formulate, develop and align Renewable Energy policies with the laws of Kenya and Corporate strategies &amp; policies, plan, coordinate and program the implementing of the renewable projects as approved by Board.</p> <p>He is a holder of Master of Science (Renewable Energy Technology), Kenyatta University, Bachelor of Science in Mechanical Engineering, University of Nairobi, Registered Engineer and Member of Institute of Engineers of Kenya</p>
16	 <p>Eng. Joni Anyango K'Ondiek Ag. Manager, Construction</p>	<p>Eng. Anyango K'Ondiek assumed the position of Ag. Manager Construction in the Corporation in July 2014.</p> <p>He is in charge of implementation and monitoring of all grid connected projects requiring electricity, and managing the resources within the construction department.</p> <p>He holds a Master of Business Administration (Strategic Management) from Maseno University and a Bachelor of Science degree in Electrical Engineering, from University of Nairobi, Kenya.</p>

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<p>17</p>	 <p>Eric E. Jaoko Manager Data Management</p>	<p>Eric Jaoko assumed office in 15<sup>th</sup> April 2008.</p> <p>He is in charge of developing and implementing ICT plans on data, policies and procedures that support operations in the Corporation. He holds a bachelor of science in Computer Engineering</p>
<p>18</p>	 <p>CPA Joan Riitho Manager Monitoring &amp; Evaluation</p>	<p>CPA Joan Riitho assumed the position of Manager Internal Audit in August 2008, thereafter moved to Monitoring &amp; Evaluation in August 2017</p> <p>She is in charge of monitoring and evaluation of implemented projects. She holds an MBA and a Bachelor of commerce (B.COM) Hons. From the University of Nairobi. A CPA (K), Joan has been an active member of the Institute of Certified Public Accountants of Kenya (ICPAK) for the last 12 years. He is a member of The Institute of Certified Public Secretaries of Kenya (ICPSK).</p>
<p>19</p>	 <p>CPA Francis Mutua Manager Corporate Planning &amp; Strategy</p>	<p>CPA, CS Francis Mutua assumed the position of Head of Corporate Planning &amp; Strategy in September 2016.</p> <p>He is in charge of updating the Rural Electrification Masterplan, implementation of the Corporation 5 Year Strategic Plan, Award of Construction contracts, data management and monitoring and evaluation of projects.</p> <p>He holds an MBA (Finance) and a Bachelor of Commerce (B.COM) Hons. From the University of Nairobi. Certified Public Accountant CPA (K), Certified Secretary of Kenya (ICPSK), a Graduate of the World class Advanced Management Program (AMP) Strathmore Business School. He is currently pursuing PhD Degree in Business Administration at JKUAT</p>



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20	 <p>Eng. Ephantus Kamweru  <b>Manager R &amp; D</b></p>	<p>Eng Ephantus Kamweru assumed the position of Head of Research &amp; Development in August 2015.</p> <p>He is in charge of Research &amp; Development. He has a wealth of experience in consultancy &amp; contracting in various sectors including Energy, GSM and Security among others.</p> <p>He holds a Master of Science Degree in Entrepreneurship from Jomo Kenyatta University of Agriculture &amp; Technology and Bachelor of Science degree in Electrical Engineering, from University of Nairobi, Kenya. He is a registered Engineer, member of Institute of Engineers of Kenya (IEK), Member of Kenya Renewable Energy Association (KEREa) and licensed Technician (A1) with ERC.</p>
21	 <p>Edward Gakunju  <b>Manager Business Development</b></p>	<p>Edward Gakunju, assumed the office of Manager Business Development in May 2018. His responsibility is to mobilize additional resources for project implementation, build strategic partnership with development partners, and execute signed financing agreement with development partners.</p> <p>He is a holder of a Masters of Degree in Economic Policy Management (EPM), Makerere University and a Bachelor of Degree in Economics, University of Nairobi.</p>
22		<p>Cs. Lucky Rono Limo is currently the Ag. Corporation Secretary. Before joining the Corporation, he worked at Kenya Power as the Principal Legal Officer. He has wide range of experience in the Energy Sector. He is widely trained in various areas of public sector management, development and implementation of public policy, general management, good corporate governance, project planning and management, contract preparation and management, negotiation skills, Public Private Partnerships (PPP's). He is a holder of a Bachelor of Commerce (B.com) Degree, Bachelor of Laws (LLB) degree and a Master's degree in Management and Leadership. Currently undertaking his PHD in Management and Leadership from Management University of Africa. He is a Certified Secretary (CS) by the Institute of Certified Secretaries of Kenya and also possess a post graduate Diploma from the Kenya School of Law. A Member of the Law Society of Kenya and the institute of Certified Secretaries of Kenya.</p>



#### **IV. CHAIRMAN'S STATEMENT**

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##### **Introduction**

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements for Rural Electrification and Renewable Energy Corporation (REREC) for the year ended 30<sup>th</sup> June 2019.

##### **Establishment of the Rural Electrification and Renewable Energy Corporation**

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

##### **Electrification of Public Facilities and the Last Mile Programme**

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

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

##### **Garissa 54.6 MW Solar Power Plant**

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

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**Financial Performance**

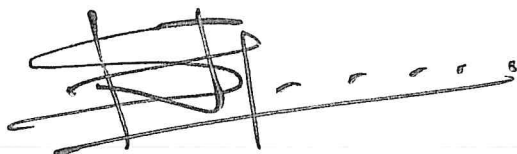
The Corporation received a total of Kshs. 8.5 Billion during the year under review out of which Ksh.7.3 Billion was funded by the GOK and the balance of Ksh.1.2 Billion was raised through donor funds, partnerships with counties, constituencies as well as generated internally. These receipts were used to fund the recurrent (9%) and development expenditure (91%).

**Future Prospects**

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

**Appreciation**

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



**Prof. SIMON GICHARU, CBS**  
**CHAIRMAN**

## **V. REPORT OF THE CHIEF EXECUTIVE OFFICER**

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### **Introduction**

#### **Electrification of Public Facilities and Development of Renewable Energy Sources**

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

#### **Last Mile project (Constituency Transformer project)**

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

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

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

#### **Garissa 54.6 MW Solar Power Plant**

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

### **Financial Performance**

The Corporation continues to pursue prudent financial management policies as attested to by the financial results herein. As highlighted by the Chairman, out of the total receipts of Kshs 8.5 Billion during the year, 96% was channeled to capital expenditure while 4 % was utilized on recurrent expenditures.

### **Customer Focus**

During the year, the Corporation continued its efforts towards ensuring the customer needs were continuously identified and met. The results of the internal ISO quality audits reflect positively on the Corporation's intent to

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ensure that its customers and other stakeholders are aware of the Corporation's procedures and systems and have access to the pre-defined mechanism of channeling their concerns.

**Our Employees**

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

**Future Outlook**

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

**Appreciation**

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



**CPA. PETER MBUGUA**

**CHIEF EXECUTIVE OFFICER**



## VI. CORPORATE GOVERNANCE STATEMENT

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### Introduction

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

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

- (q) Harness opportunities offered under clean development mechanism and other mechanisms including, but not limited to, carbon credit trading to promote the development and exploitation of renewable energy sources;
- (r) Promote the development of electricity generation through co-generation by sugar millers;
- (s) Provide technical and other capacity building support to County Governments in the discharge of the function of electricity reticulation and energy regulation; and
- (t) Undertake any other duty or perform such other function as may be necessary for the execution of its mandate under this Act.

### **Corporate Governance Practices**

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

### **Appointment of Directors**

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

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

### **Interfaces between the Corporation and Government**

The Corporation is a State Corporation pursuant to the State Corporations Act. It is a body corporate, governed by the principles of Corporate Governance but being a State Corporation established by an Act of Parliament, it does

not have shareholders as defined in the Companies Act, Chapter 486. The equivalent to shareholders is the Government, which under the State Corporations Act, has the ultimate legal authority over State Corporations. To ensure proper linkages with Government and proper information flow, the Permanent Secretary, Ministry of Finance and the Permanent Secretary, Ministry of Energy are Board members while the Inspector General (Corporations), Inspectorate of State Corporations, attends Board and Committees meetings on invitation. The three are able to give policy direction to the Board to ensure decisions made by the Board are in tandem with Government policy. The Board also, in keeping with Government policy, consults widely with Treasury and the State Corporations Advisory Committee (SCAC) through the parent ministry from time to time and is keen to implement guidelines that are issued by Government from time to time through circulars.

### **Board Manual, Board Charter and Code of Ethics**

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

### **Board Manual**

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

### **Board Charter**

The Charter seeks to facilitate the effectiveness of each Director's contribution, consistent with the standards of independent judgement, ethics and integrity that Directors are expected to observe as they provide leadership in achieving the Authority's mandate as articulated in Section 67 of the Energy Act, 2006. By abiding to the Charter and living the values of the Authority, the Board has committed that it will provide leadership and strategic direction



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to the staff in achieving the Vision and Mission of the Authority. In summary, the charter covers the following; that Directors shall always act in the interest of the Authority; have commitment to attend meetings and to meaningfully contribute to matters before the Board; uphold the core values of the Corporation; observe confidentiality; be committed to Board evaluation at the end of every year; be responsible to all stakeholders including staff and observe proper financial management of the public funds bestowed on them.

**Code of Ethics and Conduct for Directors and Staff**

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

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

**The Roles and Responsibilities of the Chairman**

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

### **The Roles and Responsibilities of the Board**

The functions of the Board are strategic in nature in that they provide overall leadership to management to ensure that the Corporation is at all times on course in achieving its mandate. The Board of the Corporation is mandated to exercise all the powers of the Corporation within the framework of the Energy Act and the laws and regulations that regulate State Corporations, in particular the State Corporations Act, Chapter 446. The main functions of the Board include;

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

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

### **The Roles and Responsibilities of the Chief Executive Officer**

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

and the staff; communicating Board decisions to staff and creating teamwork work among the staff and also between the Board and management.

#### **The Roles of the Authority Secretary**

CS Lucky Rono served as the Corporation secretary during the year under review. The duties of the Corporation secretary are enumerated in the Board manual as follows; in consultation with the CEO; provision of secretarial services to the Board and Board committees; Organizing Board and Board committee meetings ; advising management on content and organization of memoranda or presentations to the Board meetings; Circulating Board papers to directors in good time to ensure that directors have sufficient time to prepare for Board and Board committee meetings; ensuring that minutes are taken in all meetings and that the minute books are properly maintained; ensuring that that all Board committees are properly constituted and provided with clear terms of reference; ensuring that the Corporation is at all times compliant with all the Laws and Government policies issued from time to time; development and implementation of a schedule of Board and Board committee meetings and other board activities every year, and development and implementation of a capacity building programme for Directors.

#### **Board Meetings**

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



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**Committees of the Board**

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

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

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

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

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

**Audit Committee**

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

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

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

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

**Finance Committee**

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

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

**Strategy and Project Implementation Committee**

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

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

**Human Resources Committee**

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

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

#### **Procurement Oversight Committee**

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

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

#### **Directors Remuneration**

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



## **VII. MANAGEMENT DISCUSSION AND ANALYSIS**

During 2018/19 financial year, the Rural Electrification Authority (REA) transited to Rural Electrification and Renewable Energy Corporation (REREC) through the Energy Act of 2019. REREC's focus continued to be on electrification of the remaining public facilities, mainly secondary schools, polytechnics, health centers, trading centers, tea buying centers, coffee processing plants, water projects and administrative offices.

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

### **Other Achievements**

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

### **Electrification Off-grid areas;**

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

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

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

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**Garissa 54.6 MW Solar Power Plant**

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

## **VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

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Rural Electrification and Renewable Energy Corporation (REREC) recognizes CSR as a vital part of its corporate activity and is therefore committed to sustainable business practices as it works towards achieving its mandate. In implementing CSR activities, the Corporation will put more emphasis on communities where the Corporation is implementing its electrification projects

### **Community Empowerment**

The Corporation supports sustainable initiatives by the communities to develop their social, economic, and institutional development and contributes to the building of a prosperous and vibrant society by providing safe, high-quality products and services. We recognize that communities are not homogeneous because every community is unique. We therefore work with our community partners to ensure that our support matches their priorities. By doing this, we are able to maximize employment, business and economic opportunities for local communities in all our operations.

### **Stakeholder Engagement**

The Corporation will promote an ongoing dialogue and disclose information openly and transparently in order to maintain and develop a relationship of trust with stakeholders in the communities where we operate, and act responsibly towards them through various means of communication. The purpose of this interaction is to influence our stakeholders positively for the overall success of the projects being implemented.

### **Human Rights**

The Rural Electrification and Renewable Energy Corporation will conduct all its business in accordance with accepted standards in the protection and promotion of human rights based on the principles of fairness and sincerity and a high sense of corporate ethics. This will be done regardless of race, sex, nationality, ethnicity, language, religion, or any other status.

### **Environmental Conservation**

The Rural Electrification and Renewable Energy Corporation will strive to minimize environmental effects in its areas of operations and utilize its resources towards the development of a sustainable society that is in harmony with the environment. Environmental Impact Assessments (EIA) will be conducted to ensure that only projects that do not affect or have a positive impact on the environment are implemented.

### **Health and Education**

REREC supports both Health and Educational institutions through its CSR activities and electrification in order to improve the standard of services in the rural areas and therefore contribute towards the provision of skills to steer Kenya to the economic and social goals of Vision 2030. The Corporation will therefore make deliberate efforts to support activities that increase access to quality education and better health outcomes for Kenyans.

### **Preservation of Art, Culture and Sports**

We respect the cultural, historical perspectives and rights of the communities in our areas of operation. We will respect their way of life, especially the general customs and beliefs. The Corporation will preserve and encourage activities to promote local culture and sports for learning and posterity.

### **Responsible Partnerships**

The Rural Electrification and Renewable Energy Corporation will make every effort to promote fair and sound business practices among its partners by fostering a common awareness of social responsibility. We will ensure that any forms of partnership with stakeholders are beneficial to both parties in order to position the Corporation as a reliable trusted and respectable corporate citizen

### **Conformity with Laws and Regulations**

REREC will act in fidelity to the supreme law of the land and conformity with the laws and regulations that govern our operations. We will work in accordance with the Constitution of Kenya 2010 and follow regulations as laid out in the Energy Act of 2019 which led to the establishment of the Corporation. We will also adhere to relevant international conventions and incorporate respect for international standards.



## **IX. REPORT OF THE DIRECTORS**

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The Directors submit their report and audited financial statements for the year ended 30<sup>th</sup> June 2019 which disclose the state of affairs of the Authority.

### **Principal Activities**

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

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

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- (q) Harness opportunities offered under clean development mechanism and other mechanisms including, but not limited to, carbon credit trading to promote the development and exploitation of renewable energy sources;
- (r) Promote the development of electricity generation through co-generation by sugar millers;
- (s) Provide technical and other capacity building support to County Governments in the discharge of the function of electricity reticulation and energy regulation; and
- (t) Undertake any other duty or perform such other function as may be necessary for the execution of its mandate under this Act.

**Results for the year**

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

**Directors**

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

**Auditors**

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

By Order of the Board

  
CS. Lucky Rono

Ag. Corporation Secretary  
30<sup>th</sup> September 2019

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**X. STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

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

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2019, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The Corporations's financial statements were approved by the Board on 26/09/ 2019 and signed on its behalf by:



CPA. Peter K. Mbugua  
Chief Executive Officer



Josephine Muritu  
Board Member



Prof. Simon Gicharu, CBS  
Chairman.





# REPUBLIC OF KENYA

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*Enhancing Accountability*

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION FOR THE YEAR ENDED 30 JUNE, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Rural Electrification and Renewable Energy Corporation set out on pages 44 to 73, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Rural Electrification and Renewable Energy Corporation as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Energy Act, 2019.

#### **Basis for Qualified Opinion**

##### **Property Plant and Equipment - Work-In-Progress**

As disclosed in Note 17 to the financial statements, the statement of financial position reflects a balance of Kshs.86,269,267,000 under property, plant and equipment. Included in the balance was work-in-progress amounting to Kshs.9,445,589,000 which, as previously reported, included a transitional account balance of Kshs.786,287,175. According to Management, the balance related to projects which were in progress at the end of the financial year and the reconciliation of the transitional account was ongoing.

Under the circumstances, it has not been possible to confirm whether the work-in-progress balance of Kshs.9,445,589,000 was fairly stated.



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

### **Emphasis of Matter**

#### **Unrecovered Duty Paid to KRA on Behalf of Vendor**

As previously reported, the Corporation in the financial year 2014/2015 paid duty amounting to Kshs.31,894,000 to the Kenya Revenue Authority (KRA) on behalf of one of its vendors. Available information indicated that the payment was intended to preempt a KRA agency notice on the Corporation's bank account. However, in spite of the Corporation pursuing the vendor in court for recovery of the outstanding amount, the amount was yet to be recovered. Although Management has made a full provision for the outstanding amount in the financial statements, recoverability of the amount is doubtful.

### **Key Audit Matters**

Key audit matters are those matters which, in my professional judgement, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

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

### **Basis for Conclusion**

#### **1. Procurement of Distribution Transformers**

As previously reported, the Authority procured 200 transformers at a cost of USD503,966 (Kshs.54,428,328) from a Tanzanian Company through the direct method of procurement. Management explained that the procurement was urgent, outside its work plan and unforeseen. It was therefore, in line with Section 103(2) (b) of the Public Procurement and Asset Disposal Act, 2015 which provides for direct procurement when there is an urgent need for the goods, works or services,



and engaging in tendering proceedings or any other method of procurement would be impractical. However, the direct procurement of the transformers was not an emergency in nature but arose from inadequate planning on the part of Management.

In the circumstances the competitiveness of the procurement and value for money on the expenditure on the transformers was doubtful.

## **2. Enterprise Resource Planning Overhaul**

Audit revealed that Management had initiated plans to overhaul the Corporation's Enterprise Resource Planning (ERP) system at a budgeted cost of Kshs.200,000,000. However, the system whose overhaul was underway had not been put into optimal utilization with some of the modules yet to be activated. The system, for instance, had a comprehensive Human Resources module, yet the Corporation's payroll was processed manually. According to Management, the related mainstream vendor support for the system will lapse in December, 2025.

In the circumstances, the planned overhaul of the system at a cost of Kshs.200,000,000 and four years before the lapse of vendor support, may not be justified.

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, 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 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 International Public Sector Accounting Standards (Accrual Basis), and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements 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 Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of intention to terminate the Corporation or to cease operations.

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

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

Those charged with governance are responsible for overseeing the Corporation's financial reporting process, reviewing the effectiveness of Management's systems for monitoring 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 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 review is planned and performed to express a conclusion on 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 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 Corporation's 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 Corporation's ability to continue as a going

concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- 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 Corporation to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

**09 July, 2021**

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**XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2019**

Description	Note	2018-2019 Kshs.'000'	2017-2018 Kshs.'000'
<b>Revenue from Non-exchange transactions</b>			
GOK Grants	1	460,600	352,500
Levies	2	5,563,802	4,235,926
External Funding	3	56,707	12,385,252
Other income	4	277,315	168,280
		<b>6,358,425</b>	<b>17,141,959</b>
<b>Revenue from Exchange Transactions</b>			
Connection fees	5	648	62
Interest Income	5	525,471	320,376
Sale of Power	5	389,144	-
		<b>915,262</b>	<b>320,438</b>
<b>Total Revenue</b>		<b>7,273,687</b>	<b>17,462,397</b>
<b>Expenses</b>			
Employee Costs	6	440,143	432,021
Remuneration of Directors	7	20,782	25,006
Depreciation and amortization expense	8	1,147,208	743,053
Repairs and maintenance	9	2,344	2,011
Contracted services	10	67,785	50,342.47
General Expenses	11	177,723	205,776
Tax Expenses	12	1,375	21,866
<b>Total Expenses</b>		<b>1,857,360</b>	<b>1,480,076</b>
<b>Surplus for the Period</b>		<b>5,416,327</b>	<b>15,982,321</b>

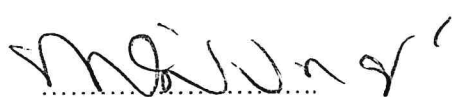
The notes set out on pages 44 to 48 form an integral part of these Financial Statements

Rural Electrification and Renewable Energy Corporation  
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For the year ended June 30, 2019

**XII. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>th</sup> JUNE 2019**

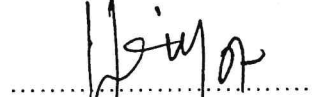
	Note	2018/2019 Kshs'000'	2017/2018 Kshs'000'
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	13	4,838,537	6,379,304
Receivables from Exchange Transactions	14	7,396,989	4,018,568
Receivables from Non-Exchange Transactions	15	310,598	212,192
Inventories	16	5,245,770	4,455,127
		<b>17,791,895</b>	<b>15,065,191</b>
<b>Non-Current Assets</b>			
Property Plant and Equipment	17	86,269,267	82,607,142
Intangible Assets	18	42,600	90,519
		<b>86,311,867</b>	<b>82,697,661</b>
<b>Total Assets</b>		<b>104,103,762</b>	<b>97,762,852</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	19	2,092,825	2,519,154
Refundable Deposits From Customers	20	200	200
Provisions	21	57,117	46,668
Deferred Income	22	280,000	280,000
Taxation	23	71,725	3,452
		<b>2,501,867</b>	<b>2,849,474</b>
<b>Non Current Liabilities</b>		-	-
<b>Total Liabilities</b>		<b>2,501,867</b>	<b>2,849,474</b>
<b>Reserves</b>	24	101,601,895	94,913,378
<b>Total Reserves and Liabilities</b>		<b>104,103,762</b>	<b>97,762,852</b>

The Financial Statements set out on pages 44 to 48 were signed on behalf of the Board of Directors by:



CPA Peter K. Mbugua  
Chief Executive Officer

Date  
05/06/2020



CPA Davis K. Cheruiyot  
Manager Finance  
ICPAK No. 1.9.351

Date 05/06/2020



Prof. Simon Gicharu CBS  
Chairman

Date  
05/06/2020



Rural Electrification and Renewable Energy Corporation  
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III. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

Description	Capital Reserves Kshs '000'	Development Reserves Kshs '000'	Accumulated Surplus Kshs '000'	Total Kshs '000'	
As at 1st July 2017	53,596	32,712,658	40,978,155	73,744,409	
Surplus for the Year			15,982,321	15,982,321	
Development Grant		5,148,079		5,148,079	
Adjustments			38,569	38,569	
As at 30th June 2018	53,596	37,860,737	56,999,045	94,913,378	
As at 1st July 2018	53,596	37,860,737	56,999,045	94,913,378	
Surplus for the period			5,416,327	5,416,327	
Development Grant		1,273,805		1,273,805	
Adjustment	25		1,615	1,615	
As at 30th June 2019	24	53,596	39,134,542	62,413,757	101,601,895

**Rural Electrification and Renewable Energy Corporation**  
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**XIV. STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2019**

	Note	<u>2018/2019 Kshs.'000'</u>	<u>2017/2018 Kshs.'000'</u>
<b>Cash Flow From Operating Activities</b>			
Surplus for the Period		5,416,327	15,982,321
Adjust for Depreciation		1,147,208	743,053
<b>Working Capital Changes</b>			
Decrease(Increase) in Inventory		(790,643)	56,241
Decrease(Increase) in Receivables		(3,476,827)	(2,281,822)
Increase (Decrease) in Payables		(347,607)	(749,696)
<b>Net Cash from Operating Activities</b>		<u>1,948,459</u>	<u>13,750,097</u>
<b>Investing Activities</b>			
Purchase of Fixed Assets		(4,763,030)	(17,676,449)
<b>Net Cash used in Investing Activities</b>		<u>(4,763,030)</u>	<u>(17,676,449)</u>
<b>Financing Activities</b>			
Development Fund Appropriation	25	1,273,805	5,148,079
<b>Net Cash from Financing Activities</b>		<u>1,273,805</u>	<u>5,148,079</u>
<b>Net Increase(Decrease) in Cash and Cash Equivalents</b>		<u>(1,540,766)</u>	<u>1,221,727</u>
Cash and Cash Equivalents 30.06.2018		6,379,304	5,157,575
<b>Cash and Cash Equivalents 30.06.2019</b>		<u>4,838,537</u>	<u>6,379,302</u>
<b>Cash &amp; Cash Equivalents as per Statement of Financial Position</b>		4,838,537	6,379,302
<b>Cash and Cash Equivalents 30.06.2019</b>	13	<u>4,838,537</u>	<u>6,379,302</u>

Rural Electrification and Renewable Energy Corporation  
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**XV STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2019**

Revenue	Annual Budget 2018-2019 '000'	Adjusted Budget '000'	Budget For The Year '000'	Actual on Comparable Basis 30th June 2019 '000'	Performance Difference '000'	Remarks
Exchequer Development	3,360,000	3,360,000	3,360,000	1,273,805	(2,086,195)	Delay in exchequer releases
Exchequer Recurrent	470,000	470,000	470,000	460,600	(9,400)	
Petroleum Devt Levy	687,000	687,000	687,000	687,000	-	
Kipevu Oil Storage	54,000	54,000	54,000	-	(54,000)	Delay in exchequer releases
REP Levy	2,300,000	2,300,000	2,300,000	4,876,802	2,576,802	Increase in customer base
China Exim Bank	500,000	100,000	100,000	30,075	(69,925)	Reduction of budget allocation in supplementary 2 thus could not accommodate the invoices
IDA-KOSAP	1,000,000	1,000,000	1,000,000	-	(1,000,000)	Delay in commencement of project
IDA-KEMP	621,000	321,000	321,000	-	(321,000)	Delay in procurement
BADEA	1,668,179	906,000	906,000	26,632	(879,368)	Delay in processing Special Commitment letters affecting delivery of materials
OFID	720,000	720,000	-	-	-	Delay in commencement of project
	11,380,179	9,198,000	9,198,000	7,354,915	(1,843,085)	
CDF/County Funding	150,000	37,500	112,500	242,305	129,805	Improved uptake of matching funds
Capital Contribution Customers	15,000	3,750	11,250	648	(10,602)	Due to last mile project by KPLC
Other Revenue-Licences	-	-	-	35,010	35,010	Revenue not budgeted for
Interest Income	-	30,928	23,196	525,471	502,275	Prudent cash management
	165,000	72,178	146,946	1,192,578	1,045,632	
<b>Sub-Total Revenue</b>	<b>11,545,179</b>	<b>9,270,178</b>	<b>9,344,946</b>	<b>8,547,492</b>	<b>(797,454)</b>	
Recurrent Expenditure	Annual Budget 2018-2019 '000'	Adjusted Budget '000'	Budget For The Year '000'	Actual on Comparable Basis 30th June 2019 '000'	Performance Difference '000'	
Salaries, Wages & Other Staff Costs	498,894	498,894	498,894	397,350	101,544	
Board Expenses	64,834	64,834	64,834	18,637	46,197	Reduced activities as there was no constituted board
Staff Training & Seminars	52,980	52,980	52,980	41,350	11,630	Delay in budget approvals
Postage & Telephone	13,464	13,464	13,464	12,014	1,450	Due to usage of electronic mails
General transport/Vehicle expenses	18,424	18,424	18,424	15,992	2,432	Low maintenance as vehicles were marked for disposal
Traveling- Local	35,000	35,000	35,000	41,369	(6,369)	
Traveling-Foreign	10,000	10,000	10,000	956	9,044	Delay in budget approvals
Hospitality Expenses	18,000	18,000	18,000	5,865	12,135	Delay in budget approvals
Office Cleaning Services	10,164	10,164	10,164	10,846	(682)	
Printing & Stationery	8,400	8,400	8,400	6,050	2,350	Delay in budget approvals
Advertising & Promotions	20,000	20,000	20,000	13,730	6,270	Delay in budget approvals
Computer Expenses	83,837	83,837	83,837	36,977	46,860	Delay in budget approvals
Audit fees	3,062	3,062	3,062	3,000	62	Had already been provided for in the previous year.
Consultancy and Professional Fees	24,000	24,000	24,000	1,936	22,064	Activities postponed to last quarter 2018/2019 fy
Bank Charges & Commissions	3,000	3,000	3,000	931	2,069	Prudent cash management
Corporate Social Responsibility	5,500	5,500	5,500	4,367	1,133	Activities postponed to next quarter 2018/2019 fy
Rent and Rates	10,534	10,534	10,534	6,637	3,897	
Repairs & Maintenance Expenses	16,400	16,400	16,400	2,299	14,101	Office renovations postponed to last quarter 2018/19
General Insurance	19,765	19,765	19,765	18,442	1,323	
Water & Electricity	11,680	11,680	11,680	13,126	(1,446)	
Security	26,079	26,079	26,079	25,910	169	
Subscriptions	7,104	7,104	7,104	1,483	5,621	Staff did not join professional bodies as intended.
Research & Development	21,100	21,100	21,100	5,811	15,289	Sensitization ongoing
Finance costs	1,000	1,000	1,000	-	1,000	Project postponed to next financial year
Legal Fees	21,728	21,728	21,728	14,886	6,842	Prudent cash management
						Delay in processing of court cases
Tender Evaluation	5,400	5,400	5,400		5,400	Procurement of service providers on going to be awarded in 2019/20 financial year.
<b>Total Recurrent Expenses</b>	<b>1,010,349</b>	<b>1,004,949</b>	<b>1,004,949</b>	<b>699,962</b>	<b>304,987</b>	
<b>Surplus</b>	<b>10,534,830</b>	<b>8,265,229</b>	<b>8,265,229</b>	<b>7,847,530</b>	<b>(1,102,441)</b>	

Note:

- The revisions were done by the treasury in the supplementary budget

## XVI. NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

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

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION – IPSAS 1

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Kshs 000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

### 3. ADOPTION OF NEW AND REVISED STANDARDS

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 39: Employee Benefits	<p><b>Applicable: 1<sup>st</sup> January 2018</b></p> <p>The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.</p> <p>(State the impact of the standard to the entity if relevant)</p>



ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

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

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2017.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### a) Revenue recognition

##### i) Revenue from non-exchange transactions – IPSAS 23

#### Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

##### ii) Revenue from exchange transactions – IPSAS 9

#### Connection fees

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

#### Interest income

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

#### b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

The original budget for FY 2018-2019 was approved by the National Assembly in April 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Kshs nil on the 2018-2019 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

### c) Taxes

#### Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### d) Property, plant and equipment – IPSAS 17

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Depreciation

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

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

### Distribution lines

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

### Work in Progress

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

### e)Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized

development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### f) Inventories

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

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

### g) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Contingent liabilities

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

### Contingent assets

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

### h) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. The development, capital and revenue reserves are used to finance the Rural Electrification projects.

### i) Employee benefits

#### Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis.

Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

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

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

Liaison Associates

-Administrator

#### **j) Foreign currency transactions**

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

#### **k) Related parties**

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

#### **l) 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Cash and Short term deposits comprise cash at banks and at hand. Short term deposits are those which are readily convertible to known amounts of cash with an original maturity of three months or less. For the purposes of the cash flow statement; cash and cash equivalents include short term deposits.

#### **m) Deferred Income –Escrow Account**

The Authority opened this account as a condition precedent for the Exim Bank Loan. The Kshs 280Million was deposited in the account to take care of any default in the repayment of the loan.

#### **n) Comparative figures**

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

#### **Deposit for Legal Case**

The Corporation was directed by court to deposit Kshs 50Million in the ongoing case between REA(Now REREC) and a supplier Patmose (K) Ltd until the case is determined.

#### **Estimates and assumptions**

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

#### **Useful lives and residual values**

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

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

#### **o) Provisions**

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

The said provisions are estimated as follows;

- Provision for gratuity is calculated at the rate of 31% of basic salary of the beneficiary.
- Provision for leave is estimated based on accrued leave days; where for 30 days leave is equivalent to an individual month's basic salary.
- Audit fees are estimated based on previous year's payment.
- Directors fees is based on government circular guidelines
- Provision for theft and pilferage is made based on the cost / book value of stolen materials

### **p) 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, 2019.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. BREAKDOWN OF FIGURES IN THE FINANCIAL STATEMENTS

	2018-2019	2017-2018
	Kshs'000'	Kshs'000'
<b>1 GOK Grants</b>		
Exchequer Recurrent	460,600	352,500
<b>TOTAL</b>	<b>460,600</b>	<b>352,500</b>
<b>2 Levies</b>	<b>2018-2019</b>	<b>2017-2018</b>
Revenue - Petroleum Devt Levy	687,000	687,000
Revenue - 5% REP Levy	4,876,802	3,548,926
<b>TOTAL</b>	<b>5,563,802</b>	<b>4,235,926</b>
<b>3 External Funding</b>	<b>2018-2019</b>	<b>2017-2018</b>
Revenue - Govt of BADEA	26,632	-
Revenue - China Exim Bank	30,075	12,385,252
<b>TOTAL</b>	<b>56,707</b>	<b>12,385,252</b>
<b>4 Other Income</b>	<b>2018-2019</b>	<b>2017-2018</b>
	Kshs'000'	Kshs'000'
Revenue - Const & County partnership	242,305	131,639
Revenue - Licences	35,010	29,381
Other Revenue - Insurance Refund	-	7,260
<b>TOTAL</b>	<b>277,315</b>	<b>168,280</b>
<b>5 Exchange Transactions</b>	<b>2018-2019</b>	<b>2017-2018</b>
	Kshs'000'	Kshs'000'
Connection fees	648	62
Interest Income	525,471	320,376
Sale of Scrap	389,144	-
<b>TOTAL</b>	<b>915,262</b>	<b>320,438</b>
<b>6 Employee Costs</b>	<b>2018-2019</b>	<b>2017-2018</b>
	Kshs'000'	Kshs'000'
Salaries and Wages	325,480	337,128
Gratuity	6,838	1,891
Other Staff Costs	65,093	60,964
Local Travelling	41,776	29,504
External Travelling	956	2,533
<b>TOTAL</b>	<b>440,143</b>	<b>432,021</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	Kshs '000'	Kshs '000'
<b>7 Directors Renumeration</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Honoraria	380	880
Director's Allowances	7,260	7,389
Director's fees	2,395	3,988
Other Expenses	10,747	12,749
<b>TOTAL</b>	<b>20,782</b>	<b>25,006</b>
<b>8 Depreciation and amortization expense</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Depreciation	1,147,208	743,053
<b>TOTAL</b>	<b>1,147,208</b>	<b>743,053</b>
<b>9 Repairs and maintenance</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Office repairs and mantainance	2,344	2,011
<b>TOTAL</b>	<b>2,344</b>	<b>2,011</b>
<b>10 Contracted services</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Office Refreshments	5,883	6,446
Office Cleaning	10,846	10,257
Security and surveillance	25,978	10,316
Insurance	18,442	16,812
Rent	6,637	6,511
<b>TOTAL</b>	<b>67,785</b>	<b>50,342</b>

Rural Electrification and Renewable Energy Corporation  
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Kshs '000'	Kshs '000'
	2018-2019	2017-2018
	Kshs'000'	Kshs'000'
<b>11 General Expenses</b>		
Computer Expenses	38,111	45,213
Vehicle Running Expenses	15,992	11,696
Advertisement and Promotions	14,044	13,689
Legal fees	14,886	17,248
Consulting and Professional fees	1,936	2,813
Audit fees	3,000	3,062
Bank Charges and commissions	931	1,338
Research and Development	5,865	-
Social Responsibility costs	4,454	3,326
Theft & Pilferages -Inventories	-	31,217
Training and seminars	42,401	45,480
Postage	168	167
Telephone	11,860	9,456
Printing and Stationery	3,459	8,360
Tender processing Costs	6,974	2,185
Electricity & Water	13,126	9,020
licences and subscriptions	517	1,504
<b>TOTAL</b>	<b>177,723</b>	<b>205,776</b>
<b>12 Tax Expenses</b>		
	2018-2019	2017-2018
	Kshs'000'	Kshs'000'
Withholding Tax	1,375	21,866
<b>TOTAL</b>	<b>1,375</b>	<b>21,866</b>

Rural Electrification and Renewable Energy Corporation  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	Kshs '000'	Kshs '000'
	2018-2019	2017-2018
<b>13 Cash and Bank Balances</b>		
<b>Call Deposits</b>	<b>Kshs'000'</b>	<b>Kshs'000'</b>
COOP Bank	900,000	2,600,000
KCB	3,000,000	1,700,000
Held with Cooperative Bank	90,774	314,033
Held With Standard Chartered	20	20
Held With CFC Stanbic	0	10,730
<b>Total</b>	<b>3,990,794</b>	<b>4,624,783</b>
<b>Current Accounts</b>		
Cooperative Bank	1,000	1,000
Standard Chartered	49,505	254,213
KCB Main	371,318	1,035,428
KCB Development	3	4
KCB Escrow Account	293,677	293,677
CFC Stanbic	7,639	4,080
Equity Bank	27,509	27,509
National Bank	9,489	9,490
Citi Bank	7,356	7,356
Current Account- KEEP	160	19,030
Current Account- KEMP	60,092	81,643
Current Account- KSSG	19,989	19,994
	<b>847,738</b>	<b>1,753,424</b>
Cash in Hand	-	897
Petty Cash	5	200
	<b>5</b>	<b>1,097</b>
<b>TOTAL</b>	<b>4,838,537</b>	<b>6,379,304</b>
<b>14 Receivables from Exchange Transactions</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
*Advance to vendors	845,431	845,883
Other Accrued Revenues	6,094,576	3,104,838
Prepayments- Others	1,300	1,300
Others( Output VAT-KRA)	413	421
Deposits- Rent	14,627	14,627
Deposits- Court Cases	50,000	50,000
Deposits- KPLC -Sale of Power	389,144	-
Other Receivables	1,500	1,500
<b>TOTAL</b>	<b>7,396,989</b>	<b>4,017,068</b>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

<b>15 Receivables from non-exchange Transactions</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Interest Receivables	303,689	202,051
Staff Advances	1,524	9,626
Other Receivables-Payroll Liabilities	5,384	0
<b>TOTAL</b>	<b>310,598</b>	<b>211,677</b>
<b>16 Inventory</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Poles	533,706	229,076
Insulators	289,828	259,589
Conductors, Stay Blocks and Wires	1,423,174	1,098,956
*Hardware line items	1,542,470	1,437,586
*Transformers	909,850	900,808
Surge Diverters Circuit Breakers and Isolators	535,878	519,355
Stationery	9,498	8,392
ICT	1,365	1,365
<b>TOTAL</b>	<b>5,245,770</b>	<b>4,455,127</b>
 *Transformers-Gross Amount	 1,016,958	 1,007,915
Less Provision for Obsolete Stock	(107,107)	(107,107)
<b>Transformers-Net Amount</b>	<b>909,850</b>	<b>900,808</b>
<b>17 Property-Plant and Equipment</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Land	83,967	83,967
Building	22,961	23,637
Plant and Machinery	37,625	51,744
Overheard Distribution Lines	76,363,367	63,810,506
Motor Vehicles	159,973	118,146
Furniture & Fittings	123,489	146,994
Office Equipment	3,981	6,367
Computer Equipment	27,677	26,210
Tools Implements & Testing Apparatus	639	617
WIP	9,445,589	18,338,953
<b>TOTAL</b>	<b>86,269,267</b>	<b>82,607,142</b>

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17. Property Plant and Equipment Schedule in Ksh.'000'

	Land	Building	Plant and Machinery	Overhead Distribution Lines	Motor Vehicles	Furniture & Fittings	Office Equipment	Computer Equipment	Tools & Implement	Apparatus	WIP	Total
Balance as at 1st July 2017	83,967	27,049	153,868	56,221,888	292,951	54,888	26,834	184,523	24,657		10,965,747	68,036,372
Additions	-	-	5,411	9,983,574	132,062	146,707	3,344	17,954	-		13,124,393	23,413,444
Disposals/Capitalization	-	-	-	-	-	-	-	-	-		(5,751,187)	(5,751,187)
Balance as at 30th June 2018	83,967	27,049	159,279	66,205,462	425,013	201,595	30,178	202,477	24,657		18,338,953	85,698,629
Depreciation												-
Accum depre as at 30th June 2017	-	2,736	93,018	1,782,356	285,176	30,286	21,386	165,235	22,541		-	2,402,734
Charge for the period	-	676	14,517	612,598	21,691	24,315	2,427	11,032	1,498			688,755
Total	-	3,412	107,535	2,394,954	306,867	54,601	23,813	176,267	24,039		-	3,091,489
Net book value												
Balance as at 30th June 2018	83,967	23,637	51,744	63,810,508	118,146	146,994	6,365	26,210	618		18,338,953	82,607,140
Balance as at 30th June 2017	83,967	24,313	60,850	54,439,532	7,775	24,602	5,448	19,288	2,116		10,965,747	68,036,372
Balance as at 1st July 2018	83,967	27,049	159,279	66,205,462	425,013	201,595	30,178	202,477	24,657		18,338,953	85,698,629
Additions	-	-	-	13,556,873	88,496	-	-	9,004	25		3,767,440	17,421,838
Disposals/Capitalization												
Balance as at 30th June 2019	83,967	27,049	159,279	79,762,335	513,509	201,595	30,178	211,481	24,682		9,445,589	90,459,663
Depreciation												
Accum depre as at 30th June 2018	-	3,412	107,535	2,394,954	306,867	54,601	23,813	176,267	24,039		-	3,091,489
Charge for the period	-	676	14,119	1,004,012	46,669	23,505	2,386	7,538	3			1,098,909
Total	-	4,088	121,654	3,398,967	353,537	78,107	26,199	183,804	24,043		-	4,190,398
Net book value												
Balance as at 30th June 2019	83,967	22,961	37,625	76,363,368	159,972	123,488	3,979	27,677	639		9,445,589	86,269,267
Balance as at 30th June 2018	83,967	24,313	60,850	54,442,531	7,775	24,601	5,449	19,288	2,115		12,496,784	67,969,361

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Kshs '000'	Kshs'000'
<b>18 Intangible Assets</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Opening Balance	366,574	313,814
Additions	380	52,760
<b>Value at Cost</b>	<b>366,955</b>	<b>366,574</b>
<b>Depreciation</b>		
Opening Balance: Acc'Depreciation	(276,055)	(221,757)
Charge for the Period	(48,299)	(54,298)
Disposals		
<b>Total Depreciation</b>	<b>(324,354)</b>	<b>(276,055)</b>
<b>Net Book Value</b>	<b>42,600</b>	<b>90,519</b>
<b>19 Trade and Other Payables</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Trade-Creditors invoiced	986,079	1,319,767
Trade-Creditors not invoiced	1,084,997	1,169,808
Trade-KPLC Metre Deposits	713	713
Refund to Vendors-VAT Deducted	16,637	-
	<b>2,088,426</b>	<b>2,490,289</b>
<b>Staff</b>		
Payroll Liabilities	4,398	12,228
Other claims		-
	<b>4,398</b>	<b>12,228</b>
<b>TOTAL</b>	<b>2,092,825</b>	<b>2,502,517</b>
<b>20 Trade-Refundable Deposits</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Customer deposits for bonded wares	200	200
<b>21 Provisions</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Gratuity	8,669	1,891
Accrued Leave Days	15,466	17,250
Audit Fees	6,062	3,062
Director's fees	22,689	20,294
Theft & Pilferage-Geowan	4,170	4,170
<b>TOTAL</b>	<b>57,117</b>	<b>46,668</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Kshs '000'	Kshs '000'
<b>22 Deffered Income</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
KCB Escrow Account	280,000	280,000
<b>23 Current Tax Payable</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Tax payable- Withheld Tax on Prof.fees	-	1,007
Tax payable- Withheld Vat	55,308	2,251
Tax payable- Withheld Tax 3% Agency	11,585	-
Tax payable- Withheld Tax 5% Prof.fees	4,832	194
<b>TOTAL</b>	<b>71,725</b>	<b>3,452</b>
<b>24 Reserves</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Capital Reserves	53,596	53,596
Development Reserves	39,134,542	37,860,737
Retained Earnings	62,413,758	56,999,046
<b>TOTAL</b>	<b>101,601,895</b>	<b>94,913,378</b>
<b>25 Adjustments on Reserves</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Write back of unpaid Leave days	17,250	38,569
Transfer of KEEP project funds to KPLC	(18,865)	-
<b>TOTAL</b>	<b>(1,615)</b>	<b>38,569</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 7. Financial Risk Management

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

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

#### (i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2019</b>				
Receivables from exchange transactions	7,396,989	7,396,989		
Receivables from non-exchange transactions	310,598	310,598		
Bank balances	4,838,537	4,838,547		
<b>Total</b>	<b>12,546,124</b>	<b>12,546,124</b>	<b>NIL</b>	<b>NIL</b>
<b>At 30 June 2018</b>				
Receivables from exchange transactions	4,018,568	4,018,568		
Receivables from non-exchange transactions	212,192	212,192		
Bank balances	6,379,304	6,379,304		
<b>Total</b>	<b>10,610,064</b>	<b>10,610,064</b>	<b>NIL</b>	<b>NIL</b>



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**(i) Credit risk (Continued)**

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

The entity has significant concentration of credit risk on amounts due from KPLC

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

**(ii) Liquidity risk management - confirm with Schedules**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2019</b>				
Trade payables	2,088,426			2,088,426
Current portion of borrowings				
Provisions	57,117			57,117
Deferred income			280,000	280,000
Employee benefit obligation				
<b>Total</b>	<b>2,145,543</b>		<b>280,000</b>	<b>2,425,543</b>
<b>At 30 June 2018</b>				
Trade payables	2,519,154			2,519,154
Current portion of borrowings				
Provisions	46,668			46,668
Deferred income			280,000	280,000
Employee benefit obligation				
<b>Total</b>	<b>2,265,822</b>		<b>280,000</b>	<b>2,845,822</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Financial Risk Management (Continued)

#### (iii) Market risk

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

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

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

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

#### a) Foreign currency risk

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

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

The entity manages foreign exchange risk from future commercial transactions and recognized assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Financial Risk Management (Continued)

#### Capital Risk Management

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

Description	2018/2019	2017/2018
Revaluation Reserve	-	-
Retained Earnings	62,413,758	56,999,046
Capital Reserve	39,188,137	37,914,332
<b>Total Funds</b>	<b>101,601,895</b>	<b>94,913,378</b>
Total Borrowings		
Less: Cash & Bank	4,838,537	6,379,304
<b>Net debt/Excess cash and cash equivalents</b>	<b>106,440,432</b>	<b>101,292,682</b>

### 8. Related Party Balances

#### a) Nature of related party relationships

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

The entity is related to

- i) The National Government;
- ii) The Parent Ministry.
- iii) Kenya Power.
- iv) Key management.
- v) Board of directors.

#### b) Related party transactions

	2019 Kshs	2018 Kshs
Transfers from related parties'	1,273,805	7,401,732

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Related Party Balances (continued)**

**c) Key management remuneration**

	2019 Kshs '000'	2018 Kshs'000'
Directors'	17,472	25,006
Key management compensation	140,335	86,222
	<u>111,228</u>	<u>111,228</u>

**d) Due from related parties**

Due from Ministry Of Energy	54,000	134,000
Due from KPLC	6,084,379	2,334,773
	<u>6,138,379</u>	<u>2,468,773</u>

**e) Due to related parties**

Due to Ministry Of Energy	-	-
Due to KPLC	713,716	716,716
	<u>713,716</u>	<u>716,716</u>

**9. Segment information**

The Authority does not operate in different geographical regions or in departments.

**10. Contingent assets and contingent liabilities**

The Authority did not have contingent assets or liabilities by the end of the financial year.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**11. Capital Commitments**

<b>Capital commitments</b>	<b>2018-2019</b>		<b>2017-2018</b>
	<b>Kshs</b>		<b>Kshs</b>
Authorized for			13,116,896
Authorized and contracted for	Nil		Nil
<b>Total</b>			<b>13,116,896</b>

**12. Events after the reporting period**

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

**13. Ultimate and Holding Entity**

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

**14. Currency**

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



## I. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Ref No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Qualification	Property Plant & Equipment	The capitalization and creation of projects in the system is a continuous process. It follows that there will always be figures in transition accounts and Work In Progress accounts representing the ongoing projects.	Eng. Esther Ruto General Manager Technical Services	Resolved	30.06.2019
Emphasis of matter	Unrecovered duty Paid to Kenya Revenue Authority (KRA) on Behalf of Vendors	The matter is in court and Apar Industries has instructed their advocate in Kenya to enter appearance. The court process is on course.	Sharon Tugee Manager Legal Department	Not resolved	30.12.2019
Lawfulness and effective use of Public Funds	Direct Procurement of Transformers	It was a direct procurement due to the urgency of the laptop project. The Authority relied on Sec 103(2) of PPDA 2015.	Dr. Joel Omusobe Manager Procurement	Resolved	30.06.2019

### Guidance Notes:

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

CPA. Peter K. Mbugua

Chief Executive Officer

Date: 05/06/20

Prof. Simon Gicharu (CBS)

Chairman of the Board

Date: 05/06/20

## **II. Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY**

### **Projects**

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

The list of donor funded projects is attached and reported separately.

### **Status of Projects completion**

The list of projects is hereby to be attached

I. Appendix 2: INTER-ENTITY TRANSFERS

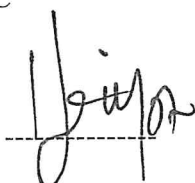
	ENTITY NAME:	RURAL ELECTRIFICATION AUTHORITY		
	Break down of Transfers from the Ministry of Energy			
	FY 2018/2019			
a	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		30 <sup>th</sup> October, 2018	117,500,000	2018/2019
		30 <sup>th</sup> January, 2019	112,800,000	2018/2019
		28 <sup>th</sup> March, 2019	112,800,000	2018/2019
		30 <sup>th</sup> June 2019	117,500,000	2018/2019
		Total	460,600,000	
	Petroleum Development Levy From The Ministry			
		03 <sup>rd</sup> April, 2019	687,000,000	2018/2019
		Total	687,000,000	
	REP LEVIES(From KPLC)			
		29 <sup>th</sup> October 2018	271,624,997.20	2018/2019
		05 <sup>th</sup> December, 2018	323,777,125.90	2018/2019
		15 <sup>th</sup> March, 2019	278,999,415.40	2018/2019
		Totals	874,401,538.50	
b	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		23 <sup>rd</sup> October, 2018	225,000,000.00	2018/2019
		23 <sup>rd</sup> October, 2018	15,000,000.00	2018/2019
		07 <sup>th</sup> January, 2019	225,000,000.00	2018/2019
		07 <sup>th</sup> January, 2019	15,000,000.00	2018/2019
		13 <sup>th</sup> March, 2019	15,000,000.00	2018/2019

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		13 <sup>th</sup> March, 2019	225,000,000.00	2018/2019
		13 <sup>th</sup> March, 2019	225,000,000.00	2018/2019
		24 <sup>th</sup> June 2019	113,805,000.00	
		30 <sup>th</sup> June 2019	15,000,000.00	
		30 <sup>th</sup> June 2019	75,000,000.00	
		30 <sup>th</sup> June 2019	125,000,000.00	
		<b>Total</b>	<b>1,273,805,000.00</b>	
		<b>Grand Total</b>	<b>3,295,806,538.50</b>	

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

Davis Cheruiyot  
 Manager Finance & Admin  
 REREC

Sign 

Head of Accounting Unit  
 Ministry Of Energy

Sign 

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**II. Appendix 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the Donor/MDA transferring funds	As per Bank statement	Nature: Recurrent/ Development Others	Total Amt (Ksh)	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others	Total Funds Transferred
Ministry of Energy	See Appendix 2 above	Recurrent	460,000,000	460,000,000					460,000,000
Ministry of Energy (Petroleum Levies)	See Appendix 2 above	Development	687,000,000	687,000,000					687,000,000
Ministry of Energy (Kipevu)									-
Ministry of Energy Development Funds	See Appendix 2 above	Development	1,273,805,000		1,273,805,000				1,273,805,273,000
<b>Total</b>			<b>2,429,805,000</b>	<b>1,147,000,000</b>	<b>1,273,805,000</b>				<b>2,429,805,000</b>