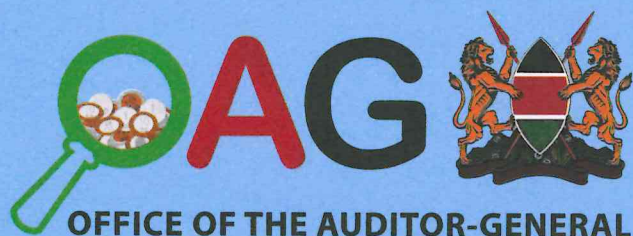


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**RURAL ELECTRIFICATION AND
RENEWABLE ENERGY CORPORATION**

**FOR THE YEAR ENDED
30 JUNE, 2023**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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Rural Electrification and Renewable Energy Corporation

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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

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**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

Table of Contents.....	Page
1. Acronyms, Abbreviations and Glossary of Terms.....	iii
2. Key Entity Information and Management.....	iv
3. The Board of Directors/Council	x
4. Chairman’s Statement.....	xxiii
5. Report of the Chief Executive Officer.....	xxv
6. Statement of Performance against Predetermined Objectives for FY 2022/2023.....	xxvii
7. Corporate Governance Statement.....	xxxi
8. Statement of Directors Responsibilities.....	xli
9. Report of the Independent Auditor for the Financial Statements of Rural Electrification and Renewable Energy Corporation.....	xlii
10. Statement of Financial Performance for the year ended 30 June 2023.....	1
11. Statement of Financial Position as at 30 June 2023.....	2
12. Statement of Changes in Net Assets for the year ended 30 June 2023	3
13. Statement of Cash Flows for the year ended 30 June 2023	4
14. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023.....	5
15. Notes to the Financial Statements	7
1. APPENDICES	51
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	51
APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY	53
APPENDIX III: INTER-ENTITY TRANSFERS.....	54
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES	55

1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
WB	World Bank
REREC	Rural Electrification and Renewable Energy Corporation
PSC	Public Service Commission
MoE	Ministry of Energy
KEMP	Kenya Electricity Modernisation Project
GOK	Government of Kenya
SCAC	State Corporation Advisory Committee

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year- Means the prior period.

2. Key Entity Information and Management

(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. The Corporation as established shall be the successor to the Rural Electrification Authority established under section 66 of the Energy Act No. 12 of 2006 (now repealed) and subject to this Act, all rights, duties, obligations, assets and liabilities of the Rural Electrification Authority existing at the commencement of this Act shall be automatically and fully transferred to the Corporation and any reference to the Rural Electrification Authority in any contract or document shall, for all purposes, be deemed to be a reference to the Corporation established under the Act.

(b) Principal Activities

Vision & Mission

Vision: “A green energy driven nation”.

Mission: “To provide sustainable energy solutions for all through rural electrification and renewable energy for social economic transformation.”

Mandate of Rural Electrification & Renewable Energy Corporation

- 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;

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

- 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 bio-digesters, 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.

(c) Key Management

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

- 1. Board of Directors
- 2. Chief Executive Officer
- 3. General Managers
- 4. Managers.

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	CPA Peter K Mbugua
2.	General Manager, Corporate Services	CS Dr. Rose Mkalama
3.	General Manager, Renewable Energy and Research	Eng. Fred Tom Ishugah
4.	General Manager, Power Distribution and Regional Coordination.	Eng. Dr. James Muriuki
5.	General Manager, Strategy and Business Development	Dr. David Gitonga
6.	General Manager, Internal Audit	CPA Hassan Yusuf Haji
7.	General Manager, Human Resource & Administration	CHRP Sophia Githuku
8.	General Manager, Finance & ICT	CPA Davis Cheruiyot
9.	Acting, Manager, Finance and Accounts	CPA Fredrick Gicharu
10.	Manager, Administration	Beatrice Njuguna
11.	Corporation Secretary & Manager, Legal Services	Sharon Tugee
12.	Manager, ICT	Alex Kangethe
13.	Manager, Human Resource	CHRP Everlyn Koech
14.	Manager, Advocacy, Public Education & Awareness.	Wangari Githii
15.	Manager, Research, Monitoring & Evaluation	Joel Omusebe
16.	Manager, Supply Chain Management	Wilfred Oduor
17.	Manager, Process Audit	CPA Emmanuel Odero
18.	Manager, Research, Monitoring & Evaluation	Eng Jonathan Mbutu
19.	Manager, Systems and Forensic Audit	Eric Jaoko
20.	Manager, Strategy Planning	CPA. Francis Mutua
21.	Manager Renewable Energy, Research & Innovation/ Manager, Biomass Energy	Eng. Ephantus Kamweru
22.	Manager Business Development	Edward Gakunju
23.	Manager Corporate Communication	Christine Mwendwa Ndwiga
24.	Manager Operation and Maintenance	Derek Okova Wangaki
25.	Manager, Design	Eng. Terry Lumbasi
26.	Manager Quality and Risk Management	Gilbert Mutai
27.	Manager Energy Centers	Isaiah Kase Okuthe
28.	Security	Jillo Qonde
29.	Manager, Alternative Energy	Eng. Ronald Kipkoech Ketter
30.	Manager, Geospatial	Wycliffe Onyango Abiero
31.	Manager, Coast Regional Coordination	Jackbed Turi Njangu
32.	Manager , West Kenya Regional Coordination	Michael Alfred Osewe Apudo
33.	Manager , North Rift Regional Coordination	Eng. Jonah Kosgei
34.	Manager, Central Rift Regional Coordination	Eng. Gideon Gitonga Rwamba
35.	Manager, South Nyanza Regional Coordination	Nicholas Kiprono Langat
36.	Manager , Mount Kenya Regional Coordination- Mount Kenya	Fredrick Nyamai
37.	Manager , Eastern, Nairobi , Regional Coordination	Eng. Nicholas Musembi Maundu

Key Entity Information and Management (continued)

(e) Fiduciary Oversight Arrangements

The oversight for financial management is vested in the two 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. Consider the effectiveness of the REREC internal control systems established by management to ensure compliance with policies, laws and regulations;
- iv. Review and approve the internal audit plan, charter and manual.

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 strategies aimed at achieving financial sustainability for the Corporation;
- iii. Consider and recommend to the Board Banking facilities and Corporation levels;
- iv. Ensure proper financial management systems are in place;

(f) Entity Headquarters

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

(g) Entity Contacts

Telephone: (254) 709 193 000
E-mail: info@rerec.co.ke
Website: www.rerec.co.ke

(h) Entity Bankers

1. The Co-operative Bank of Kenya Ltd
P.O. Box 48231 – 00100
Nairobi Business Centre
NAIROBI
2. Kenya Commercial Bank of Kenya Ltd
P.O Box 69695-00400
Milimani Branch
NAIROBI
3. Standard Chartered Bank Kenya Ltd
P.O Box 98683-80100
Kenyatta Avenue Branch
NAIROBI
4. CFC Stanbic Bank Kenya Ltd.
P.O Box, 72833-00200
Upper Hill Branch
NAIROBI
5. Equity Bank Kenya Ltd
P.O Box 75104-00200
Equity Centre Branch
NAIROBI
6. National Bank of Kenya Ltd
P.O Box 38645-00100
South C-Red Cross Branch
NAIROBI
7. Citi Bank N.A Kenya
P.O Box 30711-00100
Citibank House
NAIROBI

Key Entity Information and Management (continued)



(i) Independent Auditor

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

(j) Principal Legal Adviser


The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3. The Board of Directors/Council



<p>1.</p>	 <p>Mr. Godfrey Lemiso- Chairperson of the Board of Directors</p>	<p>Mr. Godfrey Lemiso was born in the year 1969.</p> <p>He was appointed as a non-executive chairperson of the Corporation on 20/04/2023.</p> <p>He holds Master of Arts (MA) in Peace and Justice from the University of San Diego – California, United States of America (2004 – 2005) and a Bachelor of Arts Degree (Geography and History) from Kenyatta University (1990 – 1995).</p> <p>Mr. Lemiso has an extensive work experience in the public sector with lead roles in the Athi Works Development Agency Board. He has also worked at the Independent Electoral and Boundaries Commission (IEBC) as well as the United Nation Development Program (UNDP) and several Non-Governmental Organisations discharging various roles.</p>
<p>2.</p>	 <p>Ms. Wacuka Ikua- Chairperson of the Board of Directors</p>	<p>Ms. Wacuka Ikua was born in the year 1953.</p> <p>She was appointed as a non-executive chairperson of the Corporation from 14/04/2022-20/04/23.</p> <p>She holds MA in Public Administration from The Kennedy school of Government, Harvard University, U.S.A. - 1993-1994 and BA in Government and Sociology) from the University of Nairobi, Kenya - 1973-1976.</p> <p>She has over 35 years of experience working in the public sector and at the World Bank with lead roles in designing, budgeting, co-ordinating and implementing development programs. Capacity development, long and short-term technical assistance, consultancies, reviews, studies, audits, procurement and payments processes.</p>

<p>3.</p>	 <p>Dr. Chris Kiptoo- Principal Secretary, The National Treasury</p>	<p>Dr. Chris Kiptoo is the Principal Secretary, National Treasury. He was appointed Principal Secretary on 1st December 2022. Dr. Kiptoo is the immediate former Principal Secretary, Ministry of Environment and Forestry. Before that, he also served as a Principal Secretary at the State Department of Trade, Ministry of Industry, and Trade & Cooperatives. In his working career, Dr. Kiptoo has acquired a rich wealth of experience in economic policy analysis, mainly gained at the Central Bank of Kenya, Capital Market Authority and the International Monetary Fund, where he has served in various capacities. His expertise especially relates to the design and implementation of monetary policy; balance of payments and exchange rates; fiscal operations and policy; financial sector matters including capital markets; national accounts/real sector and macroeconomic accounting, and modelling and forecasting.</p>
<p>4.</p>	 <p>Dr. Julius Muia - Principal Secretary, The National Treasury</p>	<p>Dr. Julius Muia is the Principal Secretary at The National Treasury. Prior to this, he was the Principal Secretary at the State Department for Planning - The National Treasury and Planning. Before his appointment as PS Planning, he was the Director General, Vision 2030 Delivery Secretariat which operated under the Office of the President, Republic of Kenya to facilitate the implementation of Vision 2030. School of Business, Dr Julius Muia graduated with a First Class Honours Degree in Accounting; Master's Degree and PhD in Finance from the same university. His professional qualifications include: Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach.</p>




**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

<p>5.</p>	 <p>Mr. Alex Kamau Wachira Principal Secretary, State Department for Energy</p>	<p>Mr. Alex K. Wachira joins the State Department for Energy as the Principal Secretary with a wealth of experience from the private sector where he worked variously as an investment banker. Prior to his appointment, he worked with Faida Investment Bank where he traded and structured Treasury bonds and Corporate bonds at the Nairobi Stock Exchange (NSE). His other assignments include working with Dyer & Blair Investment Bank and Genghis Capital limited in the same capacity. PS Wachira has served in various leadership positions right from his university days. He was a founding member of the Bonds Market Association as well as a member of the Steering Committee of the Kenya Association of Stock Brokers and Investment Bankers (KASIB). His contribution to the Bond's market saw him being appointed to the Central Depository Project at the Central Bank of Kenya (CBK). In 2021, the project dealt in government securities worth 900 billion, the highest turnover ever in Kenya.</p>
<p>6.</p>	 <p>Maj. Gen (Rtd) Dr. Gordon.O. Kihalangwa, CBS Principal Secretary, Ministry of Energy</p>	<p>Maj. Gen (Rtd) Dr. Gordon.O. Kihalangwa, CBS was born in the year 1956. He is the Principal Secretary, Ministry of Energy & Petroleum. Before joining the Ministry, he served as the Director for Immigration services from 2014 until March 2018 when he was appointed as the Principal Secretary, State Department for Immigration and Citizen Services, in the Ministry of Interior and Coordination of National Government. He also had a short stint as Principal Secretary, Ministry of Defence in August 2019 and was reassigned in the same capacity to the State Department for Public Works in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works in 2019.</p> <p>He is an Alumni of the National Defence College (K), National Defence College 'ensp' (RSA) and Defence Staff College (K). He holds a PhD and a Master's degree in International Studies and Diplomacy from Washington International University (WIU)-United States of America. Diploma in Strategic Studies and a Diploma in International Studies both from the University of Nairobi (UoN).</p>



**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

<p>7.</p>	 <p>Dr. Stephen Ikikii, Ph.D Alternate to Cabinet Secretary, National Treasury & Planning</p>	<p>Dr. Stephen Ikikii, Ph.D. born in the year 1978.</p> <p>He was appointed to the Corporation’s Board on 20/05/2022.</p> <p>He holds a Ph.D in Economics from Hacettepe University. Master’s Degree (MSc.) in Financial Economics from Jomo Kenyatta University of Agriculture & Technology and a BSc (Mathematics) from Moi University.</p> <p>He is a full member of Institute of Certified Investment and Financial Analysts (ICIFA). He is a Deputy Director Investments with over 17 years’ experience at the National Treasury. He is highly skilled in Policy Analysis, Analytical Skills, Economic Research and Strategic Planning. He has represented the Cabinet Secretary to the National Treasury in over 10 different Boards of State Corporations.</p> <p>He is a member of the Finance & Administration and Audit Committees of the Board.</p>
<p>8.</p>	 <p>Mr. Peter N. Ngumi Alternate Director Alternate PS State Department for Energy</p>	<p>Mr. Peter N. Ngumi was born in the year 1987.</p> <p>He was appointed to the Corporation’s Board on 20/12/2022.</p> <p>He is currently pursuing a Masters in International Anti-Corruption Compliance and Collective Action from the International Anti-Corruption Academy, Austria. He is an Advocate of the High Court of Kenya with a Bachelor of Laws Degree from Catholic University of East Africa and a post graduate Diploma from the Kenya School of Law. He has over 10 years’ experience in Civil, Commercial, Conveyance and Intellectual matters. He has been providing legal advice and opinions to the Ministry and SAGAs in the energy sector; and ensuring compliance with regional and international instruments.</p> <p>He is a Member of the Finance & Administration Committee, the Human Resource Committee and the Strategy & Project Implementation Committee of the Board.</p>


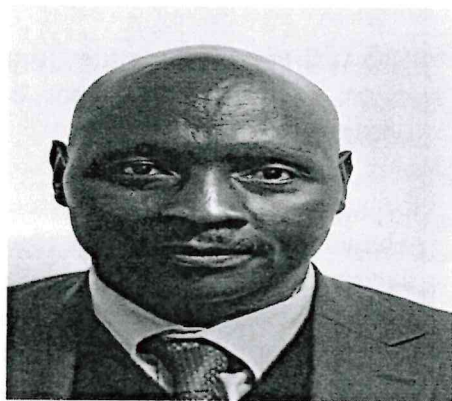
**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

<p>9.</p>	 <p>Mr. Sammy K. Choge</p>	<p>Mr. Sammy Choge was born in the year 1952.</p> <p>He is a Member of the Human Resource Committee.</p>
<p>10.</p>	 <p>Mr. Peter Kenneth Kimani</p>	<p>Mr. Peter Kenneth Kimani was born in the year 1965.</p> <p>He was appointed to the Corporation's Board on 24/02/2023.</p> <p>He holds a Bachelor of Commerce Degree (BCom) from Inoorero University, Nairobi. Additionally, he also holds a BTEC, National Diploma, Business and Finance from Woodwich College. He is a full member of Institute of Certified Investment and Financial Analysts (ICIFA).</p> <p>He has over 25 years' experience working in National and International institutions.</p> <p>He is the Chairperson of the Finance & Administration Committee and a Member of the Human Resource Committee of the Board.</p>
<p>11.</p>	 <p>Mr. Mark Nderitu Muturi</p>	<p>Mr. Mark Nderitu Muturi was born in the year 1987.</p> <p>He was appointed to the Corporation's Board on 24/02/2023.</p> <p>He holds a Bachelors of Purchasing and supplies Management from Jomo Kenyatta University of and Technology. He also holds a Diploma in Purchasing and Supplies Management, Jomo Kenyatta University of Agriculture and technology. He has extensive experience in strategy, business development, business process improvement, financial leadership and strategy, people leadership, offshoring, controllership & compliance,</p>

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

		<p>business start-ups, process design and Financial Planning & Analysis.</p> <p>He is the Chairperson of the Human Resource Committee and a Member of the Finance & Administration Committee of the Board.</p>
12.	 <p>Mr. Milton Lucheri</p>	<p>Mr. Milton Lucheri was born in the year 1986.</p> <p>He was appointed to the Corporation's Board on 24/02/2023.</p> <p>He holds a Masters Arts in International Relations and a Bachelor of Commerce Degree in Finance from Kenyatta University. He has extensive experience in Information Technology which include web-based accounting systems like Oracle, use of microcomputers such as excel and other software packages. He has been able to engage in financial risks mitigation measures including internal controls and Anti-Money Laundering (AML) procedures.</p> <p>He is the Chairperson of the Strategy & Project Implementation Committee and a Member of the Audit Committee.</p>
13.	 <p>Mr. Samuel Mugo Kimani</p>	<p>Mr. Samuel Mugo Kimani was born in the year 1970.</p> <p>He was appointed to the Corporation's Board as an independent director on 13/05/2022-14/7/23.</p> <p>He holds Master's Degree in Construction/Project Management from the University of Nairobi and a Bachelor of Science (B.Sc) in Civil Engineering from the University of Nairobi.</p> <p>He was the Chairman of the Strategy and Project Implementation Committee of the Board.</p>




**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

<p>14.</p>	 <p>Ms. Eva Chebet Sawe</p>	<p>Ms. Eva Chebet Sawe was born in the year 1988.</p> <p>She was appointed to the Corporation’s Board as an independent director on 13/05/2022-14/7/23.</p> <p>She holds a Master’s Degree Women Leadership and Governance in Africa (Gender Option) from the University of Nairobi; Bachelor of Laws (LLB) from Moi University and a Post Graduate Diploma in Law from the Kenya School of Law. She is Currently Pursuing a Master’s Degree in Constitutional and International Law (Distance Learning) at the University Of South Africa (UNISA).</p> <p>She was the Chairperson of the Audit Committee and a member of the Strategy and Project Implementation Committee.</p>
<p>15.</p>	 <p>Mr. John Karamunya Limakamar</p>	<p>Mr. John Karamunya Limakamar was born in the year 1962.</p> <p>He was appointed to the Corporation’s Board as an independent director on 13/05/2022-14/07/23.</p> <p>He holds MA in Project Planning and Management from the University of Nairobi; Bachelors Degree in Project Planning and Management from the University of Nairobi; Diploma in Mechanical Engineering from Jomo Kenyatta University of Agriculture and technology. He is Currently pursuing a PhD in Project Planning and Management at the University of Nairobi.</p> <p>He was a member of the Strategy and Project Implementation Committee and the Human Resource Committee of the Board.</p>

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**



<p>16.</p>	 <p>Ms. Rhodah Wanjiku Njuguna</p>	<p>Ms. Rhodah Wanjiku Njuguna was born in the year 1965.</p> <p>She was appointed to the Corporation’s Board as an independent director on 14/04/2022 – 24/02/23.</p> <p>She holds an MA in International Economics and African Studies; Bachelor of Business Administration in Government and Philosophy and a Diploma in International Relations.</p> <p>She has a wide experience in Planning and Development, Strategic Planning and Policy Analysis.</p> <p>She was the Chairperson of the Finance and Administration Committee and a member of the Strategy and Project Implementation Committee of the Board.</p>
<p>17.</p>	 <p>Ms. Mary Kanana Mwiti</p>	<p>Ms. Mary Kanana Mwiti was born in the year 1974.</p> <p>She was appointed to the Corporation’s Board as an independent director on 13/05/2022 - 24/02/23.</p> <p>She holds a Master of Science (MSc.) in Human Resource Management from Jomo Kenyatta University of Agriculture & Technology; Bachelor of Business Administration in Human Resource Management from Kenya Methodist University and a Diploma in Management Studies from St. Mary’s College.</p> <p>She was a member of the Human Resource and Finance and Administration Committees of the Board.</p>

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**



18.	 <p>Professor Isaac Meroka Mbeche</p>	<p>Professor Issac Moreka Mbeche was born in the year 1952. He was appointed to the Corporation's Board as an independent director on 14/04/2022 – 5/8/2022. He holds a Ph.D. from the University of Lancaster, U.K.; Masters of Art (M.A) from the University of Nairobi; Bachelor of Education (Science) - B.Ed. (Science) from the University of Nairobi.</p> <p>He has a wide experience in Strategic Management. He is currently the Deputy Vice-Chancellor, Student Affairs, University of Nairobi and a Professor of Management Science, University of Nairobi. He was the Chairman of the Human Resource Committee and a member of the Audit Committees of the Board.</p>
19.	 <p>Brig. (Rtd) Ibrahim Hassan Sora</p>	<p>Brig. (Rtd) Ibrahim Hassan Sora was born in the year 1960.</p> <p>He was appointed to the Corporation's Board as an independent director on 14/04/2022- 24/02/23. He holds a Bachelor of Business Administration Diploma in International Studies and a Diploma in Purchase and Supplies. He has a wide experience in Business Processes and Warehousing. He worked in Military Service for 38 years. He was a member of the Human Resource Committee and the Finance and Administration Committee.</p>
20.	 <p>Mrs. Kula Halkano Hache Alternate Principal Secretary, Ministry of Energy</p>	<p>Mrs. Kula Halkano Hache was born in the year 1969. She was appointed to the Corporation's Board on 17/02/2022- 20/12/22. She holds Master's Degree (Peace Building & Conflict from Management) from Kenyatta University and Bachelor of Education Degree (Arts) from Kenyatta University. She was a member of the Audit and the Human Resource Committees of the Board.</p>

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**


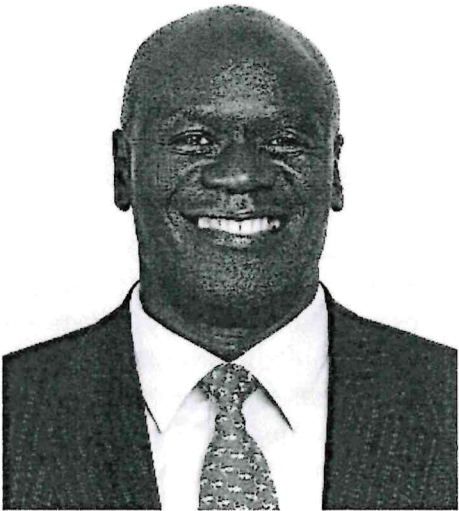
Key Management Team

	Management	Details
1.	 <p>CPA Peter Mbugua Chief Executive Officer</p>	<p>CPA Peter Mbugua assumed the position of CEO on 20th December 2017. Prior to that, he was the Manager Finance.</p> <p>He holds an MBA (Finance) and a Bachelor of Commerce (B.COM) Hons from University of Nairobi.</p> <p>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).</p> <p>He is also a finalist of Certified Public Secretaries of Kenya (ICPSK).</p>
2.	 <p>CS. Dr. Rose N. Mkalama General Manager, Information Education & Communication</p>	<p>CPS Dr. Rose Mkalama assumed the position of the General Manager Information, Education and Communication in February 2021.</p> <p>She is responsible for the communication and publicity of the Corporation mandate across all stakeholder groups and undertaking advocacy programs to ensure that the Corporation gets strategic partnerships in project implementation.</p> <p>Dr. Mkalama holds a doctorate in Business Administration (PhD), a Master of Business Administration (MBA), and a Bachelor's degree in Laws (LLB) all from the University of Nairobi. Additionally, she hold a Master of Laws in oil and gas (LLM, oil and Gas) from Strathmore University. She is also a Certified Utility Management Specialist having qualified from the Institute of Public –Private Partnerships and the Water Engineering and Development Centre of Loughborough University- Washington DC.</p> <p>Dr. Mkalama is an Advocate of the High Court of Kenya and a Certified Secretary of Kenya (ICPSK).</p>



**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

<p>3.</p>	 <p>Eng. Tom Fred Ishuga General Manager Renewable Energy Research and Development</p>	<p>Fred Ishugah assumed the position of General Manager Renewable Energy Research and Development in April 2022.</p> <p>He is responsible for the strategic and operational leadership of the corporations Renewable and Alternative Energy mandates.</p> <p>He holds a Master’s of Science in Engineering, Shanghai Jiao Tong University and Bachelor of Science (Energy Engineering).</p> <p>He is a Certified Energy Manager, from the Association of Energy Engineers. Registered Environmental Impact Assessment Expert, NEMA. Member of, Association of Energy Professionals Eastern Africa. Member of IETTK</p>
<p>4.</p>	 <p>Dr. David Gitonga General Manager, Strategy and Business Development</p>	<p>Dr David Gitonga, assumed the position of General Manager, Strategy and Business Development in May 2018.</p> <p>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> <p>He holds a Bachelor of Science in Civil Engineering (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 Doctor of Philosophy (PHD) in Disaster Management and Humanitarian Assistance at Masinde Muliro University of Technology (MMUST)</p>

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

<p>5.</p>	 <p>Sophia Githuku General Manager, HR/Admin</p>	<p>Ms. Sophia Githuku assumed the position of General Manager, HR/Admin in April 2022.</p> <p>She is in charge of the Human Resource and Administration Directorate. She is in charge of employee welfare and development.</p> <p>She holds a Bachelor of Arts; sociology; Master degree in Business Administration.</p> <p>She is also a member Institute of Human Resources Management member.</p>
<p>6.</p>	 <p>CPA Hassan Alhaji Yusuf Suleiman General Manager Internal Audit</p>	<p>CPA Hassan Yusuf assumed the position of General Manager Internal Audit in April 2022.</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 is also a Lead Auditor in both Quality Management systems and Information Security Management Systems ISO/IEC. He is a professional accountant with experience in Auditing, Risk Management, Accounting, and Finance. He was previously engaged with public institutions like the now-defunct Kenya Post and Telecommunication and Lake Victoria North Water Works Agency.</p> <p>He is a member of the Institute of Internal Auditors [IIA], Institute of Certified Public Accountants of Kenya [ICPAK], and most recently an affiliated member of the Institute of Risk Management [IRM].</p>

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

<p>7.</p>	 <p>Dr. Eng. James Muriuki GM, PDRC/ Manager, Construction</p>	<p>Dr Eng. James Muriuki joined the corporation on October 2020.</p> <p>He is currently the General Manager of power distribution and regional coordination. He ensures that projects identified are designed and implemented on time and in compliance with acceptable quality design.</p> <p>D. Eng. Muriuki holds a Ph.D. in Electrical Engineering, Master of Science in Electrical Engineering, Master of Science in project management from JKUAT and a Bachelor of Science degree in Electrical & Electronic Engineering from the same institution.</p> <p>He is a certified Professional Engineer and a member of EBK, a corporate member of IEK, and a licensed Electrician by EPRA with class A1.</p>
<p>8.</p>	 <p>CPA Davis Cheruiyot General Manager Finance and ICT</p>	<p>CPA Davis Cheruiyot, assumed the position of General Manager Finance and ICT In August 2023.</p> <p>He is in charge of Finance, and ICT departments. Previously he was the Manager Finance and accounts and Manager, Finance and administration since May 2018 when he joined the organisation.</p> <p>He holds a Master of Science in Finance and Investment (MSFI), Bachelor of Business Administration -Finance & Accounting both from Kenya Methodist University (KEMU).</p> <p>He is a Certified Public Accountant and member of ICPAK</p>

5. Report of the Chief Executive Officer

Introduction

Electrification of Public Facilities and Development of Renewable Energy Sources

The Corporation received a total of Ksh. 4.04billion in FY 2022/23 out of which Ksh.3.9billion was for development expenditure and Ksh.0.5billion was for recurrent. During the year, REREC managed to commission a total of 854 Public Facilities projects in the Country which included Trading Centres, Markets, Villages, Health Centres, Administration offices, public Primary and Secondary Schools among others. From these, there were 92 projects commissioned under development partner-funded BADEA programme. A total of 135 Primary Schools earlier installed with Solar systems under the Digital Learning Programme were also scoped and maintained and connections done.

Last Mile Constituency Transformer project

In 2022/23 REREC was allocated Kshs 500 Million to maximize transformers in Constituencies. The total number of projects commissioned under the Transformer Maximization Programme were 147 identified and carried forward from previous years. REREC managed to connect 52,319 new customers/households from all commissioned projects. This was 6,000 more than what was connected the previous year.

Olderkesi and Buna Solar Solar Power Plants

The Olderkesi mini-grid power plant was officially commissioned on Friday, October 7th 2022. The mini grid is located at Olderkesi shopping centre in Narok West Constituency. The project provides the community with clean and sustainable energy. It comprises of a 12 KWp Solar PV system and was funded by the German Academic Exchange Service (DAAD) and supported by the Technical University of Munich. The project was jointly implemented by JKUAT and Rural Electrification and Renewable Energy Corporation (REREC).

Buna Solar PV Power Mini Grid was also completed and commissioned during the period. The modern 300KW (AC) Power Plant is supported by 80kVA backup diesel generator, 0.6MVA 0.415/11kV Step Up Sub Station with a remote monitoring system. It provides an independent power supply system to the fast growing centre, which lies 150kms from Wajir Town. The project has five (5) transformers serving 400 beneficiaries in both Buna and Malkagufu centres besides the public facilities within the area.

Board changes

In the third quarter of the year, the Cabinet Secretary for Energy and Petroleum appointed four (4) new members to join the REREC Board of Directors. These included Peter Kenneth Kamau, Sammy Choge, Milton Luchiri and Mark Nderitu Muturi.

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 4.04 Billion during the year, 78% was channelled to capital expenditure while 22 % was utilized on recurrent expenditures.

Other important activities

During the year, the Corporation undertook a number of defining activities. This included Signing of a partnership framework/MOU with Bungoma, Busia, Homa Bay, Kisumu and Makeni County Governments, setting off the review of the corporate Strategic Plan. REREC also participated in different forums including the prestigious Africa Energy Forum (AEF) which took place in Kenya from 20th to 23rd June 2023. The 25th Africa Energy Forum Under the theme “Africa for Africa - Building Energy for the Just Transition,” The Ministry of Energy and Petroleum and its State Agencies collaborated with Energy net to host the event in the Country. This marked the first time that Kenya hosted this esteemed forum that brings together key stakeholders and thought leaders from around the world. The Corporation also took part in The Kenya Power Manufacturers Technology and Innovation Expo 2022, the 3rd Kenya International Investment Conference (KIICO 2023) and the Institution of Engineers of Kenya Convention 2023.

Our Employees

Our staff 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

In the coming year, REREC will focus on facilitating the achievement of universal access and providing energy solutions throughout the country.

Appreciation

I wish to acknowledge the commitment and dedication of staff who worked tirelessly to ensure that they achieve 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 and our development partners for their support that has ensured successful implementation of the REREC’s mandate.



CS. Dr. Rose N. Mkalama
CHIEF EXECUTIVE OFFICER

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

6. Statement of Performance against Predetermined Objectives for FY 2022/2023

The Corporation has strategic pillars and objectives within its Strategic Plan for the FY 2018/2019, 2022/2023. These strategic pillars are as follows:

- Pillar 1: Renewable Energy development
- Pillar 2: Electricity Connectivity
- Pillar 3: Renewable Energy Research and Development
- Pillar 4: Renewable Energy Research and Development
- Pillar 5: Human Resource and institutional Capacity
- Pillar 6: Financial Sustainability

The Corporation develops its annual work plans based on the above 6 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Corporation achieved its performance targets set for the FY 2022/2023 period for its five strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Renewable Energy development	To develop and promote the use of renewable energy	No. of Renewable Energy Sources	<ul style="list-style-type: none"> • undertake Joint Mapping of the Renewable Energy Resources in the counties • Develop and update the RE (Renewable Energy) Master plan • To Support the establishment of energy Centres in the counties • To establish renewable energy minigrids in off grid areas 	<ul style="list-style-type: none"> • REREC has now established Biomass, Alternative Energy, Renewable Energy Research and also Energy Centre departments to bolster its capacity for Renewable Energy. • Alternative Energy Department has commenced mapping of Renewable Energy Resources as they are being implemented • RE (Renewable Energy) projects database is being developed and updated • REREC has taken over 16

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

				<p>Energy centres and is in discussion with several counties to set up Energy Centres</p> <ul style="list-style-type: none"> • REREC Has developed 27 Mini-grids in off-grid counties. Buna in Wajir North has been contracted and is ongoing implementation
Pillar 2: Electricity Connectivity	To increase electricity connectivity	<ul style="list-style-type: none"> • No.of Electricity Connections of Public Facilities • No.of Households connected to Electricity 	Connection of public Facilities and the Households that are within a radius of 600 metres from the grid	<ul style="list-style-type: none"> • A total of 1,054 public facilities and transformer projects Energised in the Financial Year • A total of 46,420 customers connected in the Financial year
Pillar 3: Renewable Energy Research and Development	<ul style="list-style-type: none"> • To promote Research and Development in Renewable Energy • 	<ul style="list-style-type: none"> • No. of Research and Development programmes carried out in Renewable Energy 	<ul style="list-style-type: none"> • Carry out a baseline to establish the existing research Institutions and their scope of activities. • To participate in selected Renewable Energy collaborations 	<ul style="list-style-type: none"> • Baseline studies done and Research institutions established • Research collaboration signed with JKUAT, Nuclear Power and Energy Agency (NuPEA)
Pillar 4: Strategic Collaborations	To establish strategic collaborations with stakeholders	No. of Strategic collaborations carried signed off and executed	<ul style="list-style-type: none"> • To develop a collaboration framework with the county governments • Sign off working collaborations with Counties • Development of Proposals for collaboration 	<ul style="list-style-type: none"> • REREC has developed collaborative frameworks with the counties of Makueni, Busia, Vihiga, Murang'a, Bungoma and Kiambu counties • Over 300 Proposals done to various stakeholders for

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

				Collaboration
Pillar 5: Human Resource and institutional Capacity	To build human and strengthen institutional capacity	<p>% of Human Resource complement trained or developed in relevant fields</p> <p>% of automation of business processes</p> <p>% of Customer satisfaction attained</p> <p>% of Employee Satisfaction attained</p>	<ul style="list-style-type: none"> • Recruitment of qualified staff • Automation of the key activities of the Corporation • Resolution of Customer complaints and quarterly reporting to the CAJ • Employee Satisfaction Surveys done / Face to Face discussions 	<ul style="list-style-type: none"> • The Corporation Recruited 230 Staff and expecting another 142 from Energy Centers to build the Human Resource capacity and implement the enhanced mandate as per the Energy Act 2019 • The Corporation is at the Deploy phase of implementation of S4HANNA for SAP system • The Corporation was ranked Very Good in the current Evaluation by the Commission of Administrative justice (CAJ) • Staff are regularly engaged by Heads of Departments and HR to gauge their level of Job Satisfaction

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

<p>Pillar 6: Financial Sustainability</p>	<p>To achieve financial sustainability</p>	<p>% of Fund generated by the Corporation compared to Exchequer remittances</p>	<ul style="list-style-type: none"> • Prioritize revenue generating options • Develop financing Proposals (Investor Pack) • Ensure effective collection of the 5% Electricity • optimize the materials stock levels in REREC Stores • Register potential CDM projects and seek Board approval 	<ul style="list-style-type: none"> • REREC has mobilised over Kshs 200 Million from Counties and Constituents for shilling to Shilling collaboration on electrification of Public facilities • REREC has developed and shared with Investors 17no. Value propositions • Submission of the REP Fund by KPLC is incorporated in the Service Level Agreement • Supply chain has analysed all materials in the stores for optimal implementation of Projects • The Kenya Off grid Access project (KOSAP) funded by The World bank is a pioneer project for REREC to benefit from the Clean Development Mechanism
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HOW REREC HAS TIED ACHIEVEMENTS TO PERFORMANCE CONTRACTS

The five-year Strategic Plan is the Medium-term drive of the Pillars, vision and Mission of the Corporation. The Strategic objectives are the building blocks of the Performance contract which is developed and signed annually between the Ministry and the Board of Directors of REREC. This is the Annual plan which is cascaded down to all Directorates and Departments through Annual work plans signed off as Performance contracts which are evaluated Quarterly to measure levels of achievement and corrective action taken.

7. Corporate Governance Statement

Introduction

Section 43 of the Energy Act, 2019 establishes the Rural Electrification and Renewable Energy Corporation (REREC) (hereinafter referred to as the Corporation). REREC's mandate is set out under section 44 of the Act. Section 44 provides that, "The Corporation shall perform such functions and exercise such powers as may be necessary under this Act 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;

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

- 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 bio digesters, 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. This is 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 45 (1) of the Energy Act, 2019. This section also sets out mandatory qualifications that individuals must possess to qualify for appointment as directors. The chairperson is appointed by the President of the Republic of Kenya to serve for three (3) years and may be re-appointed for one further term of three (3) years. Three 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. Four Directors are appointed by the Council of County Governors for a three (3) year term but can subsequently be re-appointed for a further term of three years.

The Board consists of eleven (10) 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 seven (7) directors are drawn from the private and public sector. This provides the necessary

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

mix of skills, experience and expertise to the Board that are required to propel the Corporation towards meeting its 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. Further, the Board, 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. It therefore has the responsibility to ensure that proper Governance Structures are developed and properly implemented. In furtherance of this, 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, the 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 Corporation's mandate as articulated in Section 44 of the Energy Act, 2019. By abiding to the Charter and living the values of the Corporation, the Board has committed that it will provide leadership and strategic direction to the staff in achieving the Vision and Mission of the Corporation. In summary, the charter covers the following; that Directors shall always act in the interest of the Corporation; 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 are expected to conduct themselves when handling matters relating to the Corporation.

The Code of ethics is intended to establish standards of ethical conduct and behaviour 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 is an issue related to him/her that is before the Board; upholding confidentiality in matters of the 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's policies and being sensitive to the customers that they serve.

The Roles and Responsibilities of the Chairperson

The Chairman of the Board who served during the year under review was Ms. Wacuka Ikuu from 14/04/22 to 20/4/23 and Mr. Godfrey Lemiso from 20/4/23. The Chairperson 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 chairperson include; Provision of overall leadership to the Board and chairing all board

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

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, 2019 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 Corporation 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 Corporation;
- (c) Receive any grants, gifts, donations or endowments on behalf of the Corporation and make legitimate disbursements there from;
- (d) Open a banking account or bank accounts for the funds of the Corporation;
- (e) Approve the annual work plan including the short and long term programs of the Corporation; and
- (f) Any other function that enhances or adds value to the proper performance of the Corporation.

The Directors who served during the year under review were;

No.	Name	Position	Appointment (Duration- From : To)	
1.	Mr. Godfrey Lemiso	Chairperson	20/04/23	To date
2.	Ms. Wacuka Ikua	Chairperson	14/04/22	20/04/23
3.	Dr. Stephen Ikikii (Alternate to C.S. The National Treasury)	Member	20/05/22	To date
4.	Mr. Peter Noad Ngumi (Alternate to the P.S. State Department for Energy,	Member	20/12/22	To date

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

	Ministry of Energy & Petroleum			
5.	Prof. Isaac Meroka Mbeche	Member	14/04/22	05/08/23
6.	Brig. (Rtd) Ibrahim Hassan Sora	Member	14/04/22	24/02/23
7.	Ms. Rhodah Wanjiku Njuguna	Member	14/04/22	24/02/23
8.	Mrs. Mary Kanana Mwiti	Member	13/05/22	24/02/23
9.	Mr. Wahome Gitonga	Member	5/08/22	24/02/23
10.	Mr. Mr. John Karamunya Limakamar	Member	13/05/2022	14/07/23
11.	Mr. Samuel Mugo Kimani	Member	13/05/2022	14/07/23
12.	Ms. Eva Chebet Sawe	Member	13/05/2022	14/07/23
13.	Mr. Milton Lucheri	Member	24/02/23	To date
14.	Mr. Mark Muturi Nderitu	Member	24/02/23	To date
15.	Mr. Sammy Choge	Member	24/02/23	To date
16.	Mr. Peter Kenneth Kimani	Member	24/02/23	To date

The Roles and Responsibilities of the Chief Executive Officer

The Chief Executive Officer (CEO) who served during the year under review was CPA. 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's approval; in charge of the day to day running of the Corporation and 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 Corporation 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 Corporation Secretary

Sharon Tugee served as the Corporation secretary from 6th December, 2022. 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 ;

8. Statement of Directors Responsibilities

Section 81 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, 2023. 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 Corporation; (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, 2023, 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.

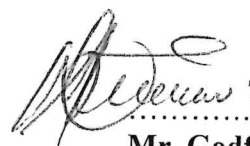
Nothing has come to the attention of the Directors to indicate that the Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Corporation's financial statements were approved by the Board on 28TH SEPTEMBER 2023 and signed on its behalf by:



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



.....
Mr. Godfrey Lemiso
Chairperson

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Rural Electrification and Renewable Energy Corporation set out on pages 1 to 52, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance,

Report of the Auditor-General on Rural Electrification and Renewable Energy Corporation for the year ended 30 June, 2023

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 matters 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, 2023, 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

1. Unconfirmed Court Deposits

The statement of financial position reflects current portion of receivables from exchange transactions balance of Kshs.793,982,000. As disclosed in Note 28 to the financial statements, the balance includes Kshs.55,000,000 in respect of court case deposit arising from dispute between a supplier of conductors and the Corporation. The court instructed the deposit to be made in a joint account held by the advocates representing the Corporation and the supplier. The existence of these monies held in the joint account of the advocates could not be confirmed since no confirmation of the bank balance was provided for audit verification.

Further, even though the Corporation never filed or appealed against this case, an additional Kshs.5,000,000 was deposited in court through its advocates as a condition for appeal on the case in 2015.

In the circumstances, the recoverability and ownership of court deposits totalling Kshs.55,000,000 could not be confirmed.

2. Unsupported Trade and Other Payables from Exchange Transactions

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.2,367,381,000. As disclosed in Note 35 to the financial statements, the balance includes trade creditors amounting to Kshs.1,334,790,000 which was not supported by invoice, ledgers or any other form of documentation. The balance has an increase of Kshs.140,810,000 compared to the previous year reported balance of Kshs.1,193,980,000. Further, included in the balance is an amount of Kshs.1,030,176,000 relating to payables which had been outstanding for more than ninety (90) days.

In the circumstances, the accuracy and completeness of trade and other payables from exchange transactions balance of Kshs.1,334,790,000 could not be confirmed.

3. Inaccuracies in Property, Plant and Equipment

3.1 Doubtful Training Expenditures

The statement of financial position reflects property, plant and equipment balance of Kshs.107,662,450,000 as disclosed in Note 32 to the financial statements. The balance includes additions to computers amounting to Kshs.99,002,000. An expenditure amounting to Kshs.3,910,156 was paid as daily subsistence allowances and air tickets to Dubai to three staff to be trained on newly installed CCTVs in its Mweiga yard and another three staff as system administrators in readiness for an ERP activation that the Corporation is yet to procure.

It is imperative to note that the Corporation had installed other yards and/or offices with CCTVs and there were no new developments in the manufacturers' products and this visit was unjustified. Additionally, no support evidence was provided for the payment on training made by the supplier to the manufacturer.

Also, the staff did not provide proof of training and it remains unknown how such a training was beneficial to the Corporation. The training on ERP was being sponsored by the implementers of the system. Subsequently, neither the location of the training was disclosed nor the evidence of payment of the training fee made available.

Further, back to office report by the trainees and/or certificates on completion of training were not provided for audit review. The training of the software was supposed to be borne by the supplier as provided for in the contract and, therefore, the Corporation should not have incurred the expenditures.

In the circumstances, the completeness and accuracy of the daily subsistence allowances and air tickets payment to staff on training amounting to Kshs.3,910,156 could not be confirmed.

3.2 Unaccounted for Tablets

The statement of financial position reflects property, plant and equipment balance of Kshs.107,662,450,000. As disclosed in Note 32 to the financial statements, the balance includes additions to computers amounting to Kshs.99,002,000. The Corporation procured 30 Lenovo tablets at a unitary cost of Kshs.75,638 amounting to Kshs.2,269,140 out of which 13 tablets totalling Kshs.983,291 were not provided for verification, eleven (11) of them were issued to the previous Board of Directors in September, 2022, eight months prior to end of their tenure. A physical verification on 1 December, 2023 revealed that none of the directors returned the tablets when their term lapsed, two more devices could not be accounted for. Even though these devices could not be physically verified, the Corporation still included them as their assets.

In the circumstances, the existence and accuracy of the tablets balance of Kshs.983,291 could not be ascertained.

3.3 Unconfirmed Additions of the Energy Centres

The statement of financial position reflects property, plant and equipment balance of Kshs.107,662,450,000. As disclosed in Note 32 to the financial statements, the balance includes additions of Kshs.261,675,000 being the value of land and buildings, furniture and fittings, computers and plant and equipment of seventeen energy Centres in the country transferred during the year from the Ministry of Energy.

However, it was not established how the Corporation determined the value of the energy Centres' land and buildings and recognized the same in the financial statements yet fourteen (14) of the energy Centres do not have title deeds to the land they occupy and, therefore, the ownership could not be verified. In addition, no valuation of these assets was carried out to determine the actual values of the energy Centres.

Further, Management did not provide any reason why furniture and fittings, computers and plant and equipment worth Kshs.2,174,800, Kshs.1,698,900 and Kshs.7,885,420 respectively totalling Kshs.11,759,120 being part of the additions from the energy Centres were not depreciated during the year.

In the circumstances, the accuracy and completeness of the energy Centres balance of Kshs. 261,675,000 could not be confirmed.

3.4 Unsupported Expenditure on Land Survey Services

As previously reported, the statement of financial position reflects capital work in progress balance of Kshs.8,749,934,000. As disclosed in Note 32 to the financial statements, the balance includes addition to capital work in progress of Kshs.7,929,365,000 out of which Kshs.1,600,000,000 was paid to three (3) firms for land survey services. The review of the balance revealed that it was for previous years for unspecified projects undertaken by the Corporation. During audit, no evidence was made available of budgeting for the services, their inclusion in the annual procurement plan and competitive procurement. This was contrary to Section 45(3)(a) of the Public Procurement and Asset Disposal Act, 2015 which states that all procurement processes shall be within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through an annual procurement plan.

In addition, the services were not supported by local services orders, contract agreements and reports by the three (3) firms indicating topographical maps and way leaves. Further, Management response indicates that the survey payments to the three local firms are under investigation by the Director of Criminal Investigation, and this has not been disclosed as a footnote in the financial statements.

In the circumstances, the accuracy, completeness and validity of the land survey expenditure amounting to Kshs.1,600,000,000 could not be confirmed.

4.5 Unsupported Capital Work in Progress

As previously reported, the statement of financial position reflects property, plant and equipment balance of Kshs.107,662,450,000. As disclosed in Note 32 to the financial statements, the balance includes Kshs.8,749,934,000 for capital work in progress. Audit review revealed some projects were initiated six (6) years ago and which remained incomplete. Included in the balance were additions amounting to Kshs.7,929,365,000 which had no detailed breakdown of the projects name, location, date of inception, contact sums, amount paid to date and status of the projects. Further, Management did not provide detailed movement schedule indicating each project, opening balance, additions during the year, closing balance and the project status report as at 30 June, 2023.

In the circumstances, the accuracy and completeness of additions to capital work in progress balance of Kshs.7,929,365,000 could not be confirmed.

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.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of 2021/2022 financial year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to resolve them.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and 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. Inadequately Insured Assets

The Corporation insured its ICT equipment in the year under review at a premium of Kshs.709,785 for sum assured of Kshs.235,535,000. However, the computers, accessories and other electronic equipment reported book value as at 30 June, 2022 was Kshs.120,533,000. Further, 103 number laptops were procured in June 2022 and an additional 256 number laptops procured in July, 2022. However, only 259 laptops were insured leaving 100 laptops uninsured.

Further, the Corporation insured Lot 3 Garissa Solar Plant through a local underwriter at total premium amount of Kshs.43,045,045. However, the land where Garissa solar plant lies is a disputed land and the Corporation does not possess a title deed for the land and, therefore, the Corporation's assets are not adequately safeguarded.

In the circumstances, the value for the funds spent on asset insurance could not be confirmed.

2. Unapproved Staff Harmonization

The Corporation undertook a staff harmonization process that was only approved by the Board during its 52nd Full Board meeting held on 6 December, 2022 vide minute number 6. However, neither the National Treasury approval confirming availability of funds nor Salaries and Remuneration Commission approval was obtained. Further, Management did not disclose the criteria of promotion which include *inter alia* years of experience/ service, academic qualifications, basis of merit regarding the appraisal documents.

In the circumstances, the staff harmonization was not approved.

3. Irregular Extended Probation Period

The Corporation filled two hundred and thirty (230) vacant positions in March, 2022 with a six-month probation period ending in October, 2022. On expiry of the probation period, only three (3) staff were confirmed while three were dismissed and ten were not assessed. The remainder, two hundred and five (205), had their probation period extended by another six months effective 1 October, 2022, to allow the Board to review their appraisal reports for purposes of confirmation in employment. These decisions were made in the 121st Human Resource Committee meeting of the Board and ratified in the 52nd full board meeting on the 19 October, 2022 and on 6 December, 2022 respectively.

However, no concurrence was sought from the employees concerned as required in Section 42(2) of the Employment Act, 2007 that a probationary period shall not be more than six months, but it may be extended for a further period of not more than six months with the agreement of the employee. Though the management has demonstrated through its Human Resources Policy instruments and Board's minutes approval for the extension of the probation period, the consent of the concerned employees was not sought in line with Section 42(2) of the Employment Act, 2007.

In the circumstances, Management was in breach of the law.

4. Irregular Acting Allowance

Review of payroll and human resources records revealed that fifteen (15) officers were holding various positions in acting capacity. These officers drew acting allowances for more than six (6) months contrary to the provisions of Section 34(3) of the Public Service Commission Act, 2017 that states that an officer may be appointed in an acting capacity for a period of at least thirty (30) days but not exceeding a period of six (6) months. In addition, the Corporation has continued to place these officers in those positions on expiry of the acting periods without hiring them or compensating them, some since May 2022 to date.

In the circumstances, Management was in breach of the law.

5. Over-Payment of NHIF Deductions

During the year under review, the Corporation incurred employee costs amounting to Kshs.1,661,512,000. Included in this cost were NHIF deductions totalling Kshs.11,795,700.

However, the analysis of the NHIF deductions revealed that the Corporation did not adhere to the bands given in making these statutory deductions resulting to some over and under deductions resulting to some being below their bands while others were above.

The Corporation overcharged its employees by Kshs.501,200 contrary to section 16 (1) of the NHIF Act, 1998 (Rev. 2012).

In the circumstances, Management was in breach of the law.

6. Abandoned Project

As previously reported, the contract for proposed building and civil works of go-down, ablution block, perimeter wall, yard and cabro pavement in Kisumu was awarded at a contract sum of Kshs.123,000,000 on 11 May, 2017 for a duration of thirty (30) weeks. Inspection of the project in September, 2023 revealed that there were no ongoing activities and the contractor was not on site after partly constructing perimeter wall and one go-down. Construction had stopped at the lintel level and roofing works had not been carried out exposing the walls to damages and deteriorations.

Management terminated the contract through a letter dated 30 March, 2022 but have now retendered and awarded this contract. Further, the cost incurred so far had not been reflected under capital work in progress.

In the circumstances, value for money of Kshs.123,000,000 could not be confirmed.

7. Enterprise Resources Planning Purchase

The SAP audit report on the existing SAP ERP system by SAP East Africa presented to the 37th Special full board meeting held on 30 June, 2017 adopted and approved purchase of S4HANA (ERP) system. Consequently, proposed capital budgets in the financial years 2017/2018 and 2018/2019 of Kshs.400,000,000 and Kshs.200,000,000 respectively for investment in S4HANA technology were adopted and approved vide minute 383.2 of the full board meeting held on 28 September, 2017.

The Corporation awarded the tender and entered into several contracts with contractors totalling Kshs.588,603,590 out of which Kshs.388,633,362 had been paid by the Corporation. Subsequently to the above payments already incurred by the Corporation, additional annual license maintenance costs have been paid for three years 2020, 2021 and 2022 totalling Kshs.131,539,659.

Also, amounts of Kshs.48,000,000 and Kshs.4,000,000 was incurred in academy training for fifteen (15) key users and executive training respectively. The expenditure on executive training was part of the contract and it was not explained why the Corporation paid additional amounts.

As a result, Kshs.567,173,021 has been incurred on the S4Hana ERP since 2019 to November, 2023, a project that seems stalled and anticipated benefits from its implementation doubtful for the Corporation, four years since it started. The project was to commence on 26 September, 2019 and be completed within twelve (12) months i.e. 27 September, 2020.

Further, the Corporation will continue to pay for annual licenses which have remained unutilized and will remain so if the project is not completed occasioning a possible loss of public funds.

In the circumstances, the value for the funds incurred amounting to Kshs.567,173,021 could not be confirmed.

8. Irregular Utilization of Petroleum Development Levy Funds

Review of financial records revealed that the Corporation received an amount of Kshs.1,669,000,000 from the Petroleum Development Fund which were utilized on implementation of rural electrification projects. This was contrary to Section 4(4) of the Petroleum Development Fund Act, 2012 which states that there shall be paid out of the Petroleum Development Funds such monies as are necessary for the development of common facilities for distribution or testing of oil products and matters relating to the

development of the oil industry. Further, there was no evidence of budgeting for the expenditure and its inclusion in the annual procurement plan. This contravened Section 45 (3) (a) of the Public Procurement and Asset Disposal Act, 2015, which state that all procurement processes shall be within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through procurement plan.

In the circumstances, Management was in breach of the law.

9. Unapproved Investment of Surplus Funds

Review of financial records revealed that the Corporation had on call deposit balance of Kshs.2,325,243,000 invested in three (3) bank accounts which increased from (3) banks with a balance of Kshs.1,730,427,000 in the 2021/2022 financial year. However, the investments were not approved by the Cabinet Secretary in charge of The National Treasury as required by circular No.22/2019 of 20 December, 2019. Further, Management did not seek approval for opening and operating the bank accounts from The National Treasury as required by Section 28 of the Public Finance Management Act, 2012.

In the circumstances, Management was in breach of the law.

10. Irregular Acquisition of Community Land

The Corporation constructed isolated diesel stations and solar mini-grids power stations in Wajir, Mandera, Garissa and Turkana Counties on community land without following proper procedure as governed by the Land Registration Act, 2012, Land Act, 2012 and the Community Land Act, 2016. It was observed that irregular privatization/Government use of community land is an infringement of the right of the communities to property and socio-economic rights. Community lands are property held by the County Governments for their people as ancestral, cultural and grazing land for themselves and in trust for their future generations.

However, the Corporation has failed or neglected to regularize the acquisition of titles thereby placing public and donor funds at risk of wastage should any problems arise.

In the circumstances, Management was in breach of the law.

11. Wayleaves

11.1 Wayleaves Creation and Registration

REREC's core business is the expansion of Kenya's Power grid in the rural areas to provide electricity to areas that have never had it. To achieve this, REREC must acquire wayleaves and register. However, review of the wayleaves presented revealed that REREC got wayleaves consents by making occupants sign but had failed to complete the process by having the same noted by the Directorate of Surveys and the land registries.

During field visit carried out in September, 2023, it was noted that the Corporation did not acquire wayleaves from landowners in affected areas. However, it did not conform to the requirements and procedures in the Land Act, 2012 and the Energy Act, 2019. The wayleaves were also not registered as required as wayleaves in Kenya operate as public rights of way and easements.

Further, a proper wayleave agreement/consent must contain the names of the contracting parties, the description of the land, the consideration (if any), the obligations of both the wayleave owner and the landowner, the demarcation and measurements of the power line, the site plan and the consent. Both parties must sign the document. The document being used by REREC fails on the above criteria as it does not capture all the information required.

11.2 Wayleaves Compensation

The creation of wayleaves is a form of land acquisition as the occupant of the land extinguishes as thread of his/her rights as to the portion of land that the entity will require.

During field inspections, it was noted that REREC does not compensate the landowners who give consent for the use of their land. Field visit to Kisumu and Kakamega noted that the people had not been properly sensitized on their rights to compensation on the land and loss of their rights on areas where the Power lines will pass.

Further, the Corporation did not keep or have a valuation report for the damage it had done for the areas it had placed power lines. The absence of valuation reports may open the door for dubious and fictitious claims for compensation which will expose the Corporation to losses.

11.3 Wayleaves Consent on Succession Lands

During field visit to Kakamega in September, 2023, it was observed in some projects where owners were deceased and their lands occupied by close and/or extended, these current occupants purported to give consent for wayleaves as owners of the land without providing any succession documents.

The Corporation has been conducting surveys all over the country since inception for its mandate. However, it was observed that the surveyors have not been updating the Directorate of surveys in Nairobi or the regional offices of acquisition of wayleaves for the same to be noted and recorded. The above raises doubt as to the value for money that the Kenyan people may enjoy when the records maps kept by the Directorate of survey are not accurate and complete. For the foregoing reason the payment of the surveyors who did not conform to the law raises questions on the sum spent by the entity to carry out surveys made totalling Kshs.1,793,378,669 could not be confirmed.

Additionally, it casts doubts as to where homogeneous rights, responsibilities, and restrictions exist. Land parcel boundaries and restrictions are required to be unambiguously defined both *on the ground* and *on the map*. The legality and nature of the parcel boundaries and restrictions depend on whether they have been registered and whether they are accurately defined.

Further, it was noted that the Corporation had given acquired wayleaves on land where adjudication had not been done without causing to be prepared a demarcation map of the adjudication area or an adjudication register, showing every parcel of land identified for the wayleave by a distinguishing number.

11.4 Wayleaves Consent on Community Land

It was noted that REREC conducted surveys on lands that had not been adjudicated upon a preserve of the Director of surveys. Similarly, no maps were registered as a true record of the Survey with any Government registry and thus the records could not be verified for accuracy and completeness.

Further, REREC as an entity has created wayleaves on unadjudicated lands and has gone further to even collect the names of the people settled on those lands without first adjudication creating general boundaries for public, communal and private rights to those lands. This has been done in the sampled Counties of Turkana (Turkana West Constituency) Lopacho Village and Kilifi County (Malindi) Ganda, Ward, Takaye Village.

The custodian of community land should be the one to sign as the trustee of the people who occupy said lands. It must be noted that the creation of wayleaves is a form of acquisition as one acquires rights over another persons' lands where authority is granted by the owner or trustee of the land. The occupiers of unregistered community land have no rights that they can confer to REREC for the use of land occupied.

In the foregoing circumstances, Management was in breach of the law.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the matters described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Excess Board Committees Membership

The Corporation's board established four committees all of which had an excess member as the membership exceeded a third of the entire board membership. Further, one board member was in three committees contrary to the ceiling of the allowable maximum of two. No written approval of the Cabinet Secretary on this exception was provided.

In the circumstances, the Corporation incurred additional expenses of Kshs.520,000 for the extra board member(s) in the committees while attending the committee meetings and public funds may not have been prudently utilized.

2. Ineffective Project Management

During the year under review, it was established that projects currently under implementation by the Corporation are behind schedule as they take more than the prescribed six (6) months for construction that is the standard period for labour and transport contracts in the entity. This exposes the Corporation to litigations as the contractors are operating without renewed/ valid contracts.

Perusal of documents for sampled projects in five counties contracted at a sum of Kshs.356,428,533 revealed that they were behind completion schedule, yet some were conceived and procured in 2015. This raises questions of inequality since some projects in other areas are completed in time.

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

Responsibilities of the Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 May, 2024

Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.

10. Statement of Financial Performance for the year ended 30 June 2023

	Notes	2022-2023 Kshs'000'	2021-2022 Kshs'000'
Revenue from non-exchange transactions			
Property taxes revenue	6	-	-
Public contributions and donations	7	-	-
Levies, Fines and penalties	8	5,257,136	6,971,404
Transfers from other government Entities	9	395,390	360,000
		5,652,526	7,331,404
Revenue from exchange transactions			
Rendering of services	10	-	-
Sale of water and electricity	11	642,270	507,684
Finance income - external investments	13	124,013	94,188
Other income	14	5,257	155,808
		771,540	757,680
Total revenue		6,424,066	8,089,084
Expenses			
Use of goods and services	15	498,689	365,637
Employee costs	16	1,661,512	1,059,726
Remuneration of directors	17	29,836	26,870
Depreciation and impairment expense	18	2,281,868	1,818,345
Repairs and maintenance	19	315,033	135,425
Tax Expense	26	3,732	2,954
Total expenses		4,790,670	3,408,958
Other gains/(losses)			
Unrealized gain on fair value of investments	24	-	169,822
Surplus before tax		1,633,396	4,849,949
Tax Provision		21,885	19,417
Surplus/(deficit) for the period/year		1,611,511	4,830,532

The notes set out on pages 7 to 50 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:



CS. Dr. Rose N. Mkalama
Chief Executive Officer

Date 21.03.2024



CPA Davis Cheruiyot
General Manager Finance & ICT
ICPAK M/No:19351

Date 21.03.2024



Mr. Godfrey Lemiso
Chairman of the Board

Date 21.03.2024

Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.

11. Statement of Financial Position as at 30 June 2023

	Notes	2022-2023 Kshs'000'	2021-2022 Kshs'000'
Assets			
Current assets			
Cash and cash equivalents	27	5,006,089	4,326,310
Current portion of receivables from exchange transactions	28	793,982	1,139,469
Receivables from non-exchange transactions	29	11,290,098	10,052,998
Inventories	30	3,834,957	4,943,407
		20,925,125	20,462,184
Non-current assets			
Property, plant and equipment	32	107,662,450	105,521,579
Intangible assets	33	19,195	15,321
Biological Assets	34	1,842	-
		107,683,487	105,536,901
Total assets		128,608,611	125,999,084
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	35	2,367,381	2,272,852
Refundable deposits from customers	36	200	200
Provisions	37	48,580	65,532
Deferred income	39	280,000	280,000
Taxation	51	61,847	270,521
		2,758,008	2,889,106
Non-current liabilities			
Garissa Loan- National Treasury	53	13,605,736	-
Total liabilities		16,363,743	2,889,106
Net Assets			
Reserves			
Development Reserves		50,074,835	45,937,097
Accumulated surplus		62,116,438	77,119,287
Capital Fund		53,596	53,596
Total Reserves		112,244,868	123,109,980
Total Liabilities and Reserves		128,608,611	125,999,084

The financial statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

.....


CS. Dr. Rose N. Mkalama
Chief Executive Officer

Date 21.03.2024

.....


CPA Davis Cheruiyot
General Manager Finance & ICT

ICPAK M/No: 19351

Date 21.03.2024

.....


Mr. Godfrey Lemiso
Chairman of the Board

Date 21.03.2024

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

12. Statement of Changes in Net Assets for the year ended 30 June 2023

	Capital Fund	Revaluation reserve	Fair value adjustment reserve	Accumulated Surplus	Proposed dividends	Capital/Development Grants/Fund	Total
	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)	Kshs(000)
At July 1, 2021	53,596	-	-	72,271,295	-	43,933,206	116,258,096
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	4,830,533	-	-	4,830,533
Development grants received during the year	-	-	-	-	-	2,003,891	2,003,891
Un-used Leave Allowances written back	-	-	-	17,460	-	-	17,460
At June 30, 2022	53,596	-	-	77,119,288	-	45,937,097	123,109,981
At July 1, 2022 (Restated)	53,596	-	-	74,068,442	-	45,937,097	120,059,135
Total comprehensive income	-	-	-	1,611,511	-	-	1,611,511
Capital/Development grants received during the year	-	-	-	-	-	4,278,319	4,278,319
Garissa Solar Power plant Loan recognition	-	-	-	(13,605,736)	-	-	(13,605,736)
Deferred Income	-	-	-	-	-	(280,000)	(280,000)
Over provision written back	-	-	-	42,219	-	-	42,219
Adjustments after audit	-	-	-	-	-	124,227	124,227
Recognition of Energy Centres assets	-	-	-	-	-	261,675	261,675
Recognition of Biological Assets and Inventories- Energy Centres	-	-	-	-	-	1,971	1,971
At June 30, 2023	53,596	-	-	62,116,438	-	50,074,835	112,244,868

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

13. Statement of Cash Flows for the year ended 30 June 2023

	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Cash flows from operating activities		
Receipts		
Levies	8,323,499	6,899,678
Government grants and subsidies	1,214,261	1,180,000
Sale of Power	308,326	875,463
Finance income	124,013	94,188
Other income	5,257	155,808
Total Receipts	9,975,356	9,205,137
Payments		
Compensation of employees	1,661,512	1,023,066
Goods and services	425,019	365,637
Rent paid	73,670	54,340
Taxation paid	3,732	2,954
Other payments	344,869	162,295
Total Payments	2,508,802	1,608,292
Net cash flows from operating activities	7,466,554	7,596,846
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	(6,786,776)	(9,217,765)
Proceeds from sale of property, plant and Equipment	-	-
Decrease in non-current receivables	-	-
Increase in investments	-	-
Net cash flows used in investing activities	(6,786,776)	(9,217,765)
Cash flows from financing activities		
Proceeds from Donors	-	-
Repayment of borrowings	-	-
Increase in deposits	-	-
Net cash flows used in financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	679,778	(1,620,919)
Cash and cash equivalents at 1 July 2022	4,326,310	5,947,229
Cash and cash equivalents at 30 June 2023	5,006,089	4,326,310

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

14. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023

Revenue	Annual Budget 2022 2023' 000'	Adjustments '000'	Budget For The Year '000'	Actual on Comparable Basis 30th June 2023 '000'	Performance Difference '000'	%	Remarks
GOK Appropriation							
Exchequer Development	1,214,000	228,000	986,000	753,500	(232,500)	76%	The revenue was not disbursed by the National Treasury Through MOE in full
Exchequer Recurrent	439,390	43,400	395,990	395,390	(600)	99.8%	Kshs. 600,000 was not disbursed.
Petroleum Devt Levy	1,749,000	-	1,749,000	1,669,000	(80,000)	95%	Kshs. 80,000 was not disbursed
5%REP Levy (Development)	2,300,000	1,086,000	3,386,000	3,143,241	(242,759)	93%	The amounts received was made towards the arrears, Current collection remain outstanding
5%REP Levy (Recurrent)	889,000	711,000	1,600,000	1,485,288	(114,712)	93%	The amounts received was made towards the arrears, Current collection remain outstanding
Royalties	100,000	-	100,000	-	(100,000)	0%	The amounts were not disbursed
Sub-Total GOK- Development	6,691,390	1,525,600	8,216,990	7,446,419	(770,571)	91%	
External Resources							
BADEA, OPEC, SAUDI, ABUDHABI	658,000	-	658,000	412,693	(245,307)	63%	The amounts relates to actual invoices received, processed and paid for
World Bank(KEMP)	343,000	107,000	450,000	395,698	(54,302)	88%	The amounts relates to actual invoices received, processed and paid for
World Bank(KOSAP)	1,950,000	1,750,000	200,000	8,049	(191,951)	4%	The amounts relates to tender evaluation expenses for solarisation of boreholes
Sub-Total External Resources	2,951,000	(1,643,000)	1,308,000	816,440	(491,560)	62%	
Other Revenue							
Interest Income	150,000	-	150,000	124,013	(25,987)	83%	The income underperformed due to late disbursements
Garissa Solar Power Sales	425,400	200,000	625,400	642,270	16,870	103%	The number of peak sunshine hours were higher for the period hence increased
County/Constituency Partnerships	200,000	-	120,000	65,371	(54,629)	54%	the income underperformed low disbursement by counties
Energy Centers Sales	2,580	-	2,580	1,426	(1,154)	55%	Lack of budget at the beginning of the year hampered production of products for sale at the energy centers hence low proceeds
LEAP- RE Programme	-	4,400	4,400	4,400	-	100%	This revenue was as a result of partnership with European Union under PURAMS project
Sub-Total Other Revenue	777,980	124,400	902,380	837,481	(64,899)	93%	
Total Revenue	10,420,370	7,000	10,427,370	9,100,340	(1,327,030)	87%	

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
for the year ended June 30, 2023.**

Recurrent Expenditure	Annual Budget 2022-2023 '000'	Annual Budget 2023 '000'	Adjustments '000'	Budget For The Year '000'	Actual on Comparable Basis 30th June 2023 '000'	Performance Difference '000'	%
Salaries, Wages & Allowances	1,488,551	-	-	1,488,551	1,390,281	98,270	93%
Other Staff Costs	177,340	-	-	177,340	187,237	(9,897)	106%
Board Expenses	30,000	-	-	30,000	29,836	164	99%
Staff Training & Seminars	25,000	5,350	-	30,350	30,240	110	100%
Postage & Telephone	15,629	13,700	-	29,329	31,556	(2,227)	108%
General transport/Vehicle expenses	20,000	20,200	-	40,200	40,000	200	100%
Travelling-Local	41,000	25,000	-	66,000	65,905	95	100%
Hospitality Expenses	15,000	(1,100)	-	13,900	12,886	1,014	93%
Office Cleaning Services	18,550	-	-	18,550	5,787	12,763	31%
Printing & Stationery	15,000	-	-	15,000	14,579	421	97%
Advocacy and Communication	30,000	12,700	-	42,700	31,111	11,589	73%
Computer Expenses	96,491	49,290	-	145,781	145,037	744	99%
Audit fees	3,500	-	-	3,500	3,000	500	86%
Consultancy and Professional Fees	12,650	3,200	-	15,850	17,551	(1,701)	111%
Bank Charges & Commissions	1,500	100	-	1,600	1,651	(51)	103%
Corporate Social Responsibility	5,000	-	500	4,500	9,597	(5,097)	213%
Rents and Rates	68,669	4,000	-	72,669	73,670	(1,001)	101%
Repairs and Maintenance Expenses	328,431	10,000	-	338,431	147,383	191,048	44%
General Insurance	30,000	20,000	-	50,000	65,080	(15,080)	130%
Water & Electricity	21,140	4,900	-	26,040	29,054	(3,014)	112%
Security	55,096	13,000	-	42,096	35,488	6,608	84%
Subscriptions	5,000	-	-	5,000	3,916	1,084	78%
Research & Development	10,000	5,000	-	5,000	5,037	(37)	101%
Finance costs	1,000	-	1,000	-	-	-	-
Legal fees	70,000	-	-	70,000	78,343	(8,343)	112%
Tender Evaluation Costs	5,400	1,000	-	4,400	4,383	17	100%
Relocation of Yards	20,000	-	10,000	10,000	-	10,000	-
Energy Centers Costs	-	-	10,350	10,350	7,292	3,058	70%
Mortgage and Car Loan Scheme	-	-	150,000	150,000	-	150,000	0%
Strategic plan- Preparation & dissemination	-	-	22,369	22,369	16,510	5,859	74%
LEAP- RE Programme	-	-	4,400	4,400	-	-	0%
Total Recurrent Expenditure	2,609,947	323,959	-	2,933,906	2,482,411	447,095	85%

Budget absorption within expected range. Ksh 604 Million was budgeted under capital to cater payroll Costs relating to staff directly involved with projects. budget but reported under recurrent expenditure

Some of the expenditure on salaries and wages were budgeted under capital budget but reported under recurrent budget amounting to Kshs 604m million

Budget absorption within expected range.

Budget absorption within expected range.

Budget absorption within expected range.

Budget absorption within expected range.

Budget absorption within expected range.

Budget absorption within expected range.

Budget absorption within expected range.

Budget absorption within expected range.

Projection was based on the previous contract Current contract lower hence some savings.

Budget absorption within expected range.

Budget absorption within expected range.

Budget absorption within expected range.

Budget absorption within expected range.

Budget absorption within expected range.

Budget absorption within expected range.

The over-expenditure relates to Kshs 5 million expenditure in support of free planning activities by the President

Budget absorption within expected range. Kshs 59.7 Million was budgeted under capital budget but reported under recurrent expenditure.

Budget within the expected range. Kshs 39 6 Million for vehicle costs and Kshs 279 Million for Operation and maintenance expenses for Garissa power plant was budgeted under capital budget but reported under recurrent Expenditure

The over absorption is as a result of insurance of Garissa power plant amounting to Ksh 43 Million Budgeted under capital budget but reported under recurrent budget

Budget absorption within expected range.

Budget is within the expected range. Kshs 29.1 Million was budgeted under capital budget but reported under recurrent expenditure

Budget absorption within expected range.

Budget absorption within expected range.

The amounts budgeted under this vote was re- allocated to finance bank charges and telephone expenses.

Budget within expected range. Kshs 40 million was as budgeted under capital budget but reported under recurrent expenditure

Budget absorption within expected range.

Relocation of Makiyu and Awasi were hampered by several factors including existing poles hence low absorption

The allocation under this vote was made towards the end of Quarter 4 leading to low absorption.

The allocation under this vote was made towards the end of Quarter 4. The amounts have been committed for disbursement to Stima Sacco the scheme administrators

The allocation under this vote was made towards the end of Quarter 4.

This revenue was as a result of partnership with European Union under PURAMS project and subsequent expenditure will be spread over a period of 3 years.

15. Notes to the Financial Statements

1. General Information

Rural Electrification and Renewable Energy Corporation was established by an Act of Parliament 43 of 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 and renewable energy.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Corporation.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023**

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p>

Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023

Standard	Effective date and impact:
	<p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

**Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023**

Notes to the Financial Statements (Continued)

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

- iii. *Early adoption of standards*

The Entity did not early – adopt any new or amended standards in the financial year 2023.

Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The Corporation recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Entity and the fair value of the asset can be measured reliably.

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 Corporation and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The Corporation recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods 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 Corporation.

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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Corporation's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for the Current FY 202-23 was approved by the National Assembly on April 2022. 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 Corporation upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Entity recorded additional appropriations of Kshs. 2,108,400,000 on the 2023 budget following the governing body's approval.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Budget information (continued)

The Corporation'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. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 6 of these financial statements.

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 Corporation 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Corporation and the same taxation authority.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition 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)

Summary of Significant Accounting Policies (Continued)

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
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

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.

f) Leases

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

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

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Corporation. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

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

h) Research and development costs

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

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

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

i) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Corporation does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

a) Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Fair value through net assets/ equity

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

Trade and other receivables

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

Fair value through surplus or deficit

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

b) Financial liabilities

Classification

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

j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

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

k) Provisions

Provisions are recognized when the Corporation 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 Corporation 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)

Summary of Significant Accounting Policies (Continued)

l) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

m) Contingent liabilities

The Corporation 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.

n) Contingent assets

The Corporation 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 Corporation 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.

o) Nature and purpose of reserves

The Corporation creates and maintains reserves in terms of specific requirements.

p) Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

q) Employee benefits

Retirement benefit plans

The Corporation 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 Associate	Administrator

r) 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.

s) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

**Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023**

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

t) Related parties

The Corporation 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.

u) Service concession arrangements

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

v) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

w) 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)

Summary of Significant Accounting Policies (Continued)

x) 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, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Corporation 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:

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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 value

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

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

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

The provisions recognized by the Corporation includes; provision for gratuity and provision for audit fees

The said provisions are estimated as follows;

- Provision for gratuity is calculated at the rate of 31% of basic salary of the beneficiary.
- Audit fees are estimated based on previous year's payment.
- Tax provision is based on applicable Corporation tax rate on accrued interest

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. PROPERTY TAXES REVENUE

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Actual		
Taxable land and buildings		
Residential	-	-
Commercial	-	-
State	-	-
Penalties	-	-
Sub- total property and taxes	-	-
Income forgone	-	-
Total property taxes revenue	-	-

7. PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
The Green Belt Movement	-	-
Other public donations	-	-
Total transfers and sponsorships	-	-
Reconciliation of public contributions and donations		
Balance unspent at beginning of the year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions to be met - remain liabilities	-	-
	-	-

8. LEVIES, FINES AND PENALTIES

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Revenue - Petroleum Devt Levy	-	1,740,000
Revenue - 5% REP Levy	5,257,136	5,231,404
Total	5,257,136	6,971,404

9. TRANSFERS FROM OTHER GOVERNMENTS

(a)

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Unconditional grants		
Operational Loans- Foreign Governments	-	1,183,891
Other Grants	-	-
GOK Grants- Exchequer Recurrent	395,390	360,000
Total government grants and subsidies	395,390	1,543,891

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2021-2022
	KShs	KShs			
			KShs	KShs	KShs
Ministry Of Energy	395,390	-	2,422,500	2,817,890	1,180,000
Total	395,390	-	2,422,500	2,817,890	1,180,000

10. RENDERING OF SERVICES

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Waste management (solid waste)	-	-
Waste management (sewerage and sanitation)	-	-
Service fees	-	-
Water quality	-	-
Quality assurance	-	-
Total revenue from the rendering of services	-	-

No revenue from this item

11. SALE OF GOODS

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Sale of goods		
Sale of electricity	642,318	507,684
Total revenue from the sale of goods	642,318	507,684

This revenue relates to sale of power generated by Garissa Power Plant.

12. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Straight-lined operating lease receipts	-	-
Contingent rentals	-	-
Total rentals	-	-

No revenue from this item

**Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. FINANCE INCOME – SHORT-TERM INVESTMENTS

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Cash investments and fixed deposits	124,013	94,188
Total finance income – external investments	124,013	94,188

This revenue relates to interest on deposits held with our banks

14. OTHER INCOME

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Const & County partnership	-	153,799
Private public partnership	3,265	1,347
Insurance Refunds	361	663
Sale of Tenders	205	-
Revenue from Energy Centers	1,426	-
Total other income	5,257	155,808

15. USE OF GOODS AND SERVICES

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Electricity	28,494	14,151
Water	560	382
Security	35,488	49,855
Subscriptions	3,916	1,101
Advertising & Promoting	31,111	46,534
Audit fees	3,000	3,000
Conferences and delegations	2,400	193
Consulting fees	17,551	5,329
Corp Social Responsibility Exp	9,597	18,283
Fuel and oil	17,386	4,022
Insurance	65,080	47,569
Legal expenses	78,343	29,793
Research & Devt Expenses	5,037	10,607
Postage	3,818	925
Printing and stationery	14,579	12,360
Newspapers & Periodicals	2,170	1,466
Rental	73,670	54,340
Telecommunication	27,739	9,598
Training	30,240	25,030
Other general expenses	48,509	31,099
Total Use of Goods and Services	498,689	365,637

**Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. EMPLOYEE COSTS

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Salaries and wages	1,092,117	598,030
Employee related costs - contributions to pensions and medical aids	187,237	128,400
Travel, motor car, accommodation, subsistence and other allowances	83,993	158,344
Housing benefits and allowances	293,198	171,150
Overtime payments	-	-
Performance and other bonuses	-	-
Social contributions	4,966	3,803
Expenditure recharged to capital projects	-	-
Total Employee costs	1,661,512	1,059,726

17. REMUNERATION OF DIRECTORS

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Chairman's Honoraria	960	747
Directors emoluments	13,354	11,840
Directors Fees	-	-
Other allowances-Local Travel and Telephone allowance	15,522	14,283
Total director emoluments	29,836	26,870

18. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Property, plant and equipment	2,268,113	1,802,398
Intangible assets	13,755	15,947
Investment property carried at cost	-	-
Total depreciation and amortization	2,281,868	1,818,345

19. REPAIRS AND MAINTENANCE

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Property	147,383	9,773
Vehicles	22,614	17,675
Computers and accessories	145,037	107,976
Total repairs and maintenance	315,033	135,425

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. CONTRACTED SERVICES

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Actuarial valuations	-	-
Investment valuations	-	-
Property valuations	-	-
Total contracted services	-	-

21. GRANTS AND SUBSIDIES

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Community development	-	-
Education initiatives and programs	-	-
Social development	-	-
Community trust	-	-
Sporting bodies	-	-
Total grants and subsidies	-	-

22. FINANCE COSTS

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Borrowings (amortized cost)*	-	-
Finance leases (amortized cost)	-	-
Unwinding of discount	-	-
Interest on Bank Deposits	-	-
Interest on loans from commercial banks	-	-
Total finance costs	-	-

23. GAIN ON SALE OF ASSETS

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Property, plant and equipment	-	-
Intangible assets	-	-
Other assets not capitalised	-	-
Total gain on sale of assets	-	-

Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Investments at fair value	-	169,822
Total gain	-	169,822

25. IMPAIRMENT LOSS

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Property, plant and equipment	-	-
Intangible assets	-	-
Total impairment loss	-	-

26. TAXATION

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Withholding tax	3,732	2,954
Income tax expense reported in the statement of financial performance	3,732	2,954

27. CASH AND CASH EQUIVALENTS

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Current account	2,680,645	2,595,877
On - call deposits	2,325,243	530,427
Fixed deposits account	-	1,200,000
Cash in hand	200	7
Total cash and cash equivalents	5,006,088	4,326,310

Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. (a) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

		2022-2023	2021-2022
Financial institution	Account number	Kshs'000'	Kshs'000'
a) Current account			
Cooperative Bank	01136125016300	32,174	850
Standard Chartered	0106004955900	73,085	30,736
KCB Main	1103201557	15,471	98,042
KCB Development	1103201808	3	3
Kcb Escrow Account	1293033375	411,363	-
Kcb Escrow Account USD	1178001539	1,991,274	2,263,599
CFC Stanbic	0100000547616	7,513	7,545
Equity Bank	0810270199897	28,933	27,509
National Bank	01023098897200	-	-
Citi Bank	0104679006	11,817	8,703
Current Account- KEEP	01136125016301	142	146
Current Account- KEMP	01136125016302	6,049	47,876
Current Account- KSSG	01136125016303	-	-
Current Account- KOSAP	01141125016301	102,820	110,868
Sub- total		2,680,645	2,595,877
b) On - call deposits			
Held with Cooperative Bank	01150125016300	600,000	524,536
Held with Cooperative Bank		729,352	
Held With Standard Chartered	0140004955900	20	20
Held with KCB- Fountain		5,871	5,871
KCB		990,000	1,200,000
Sub- total		2,325,243	1,730,427
c) Fixed deposits account			
Sub- total		-	-
d) Staff car loan/ mortgage			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
e) Others(specify)			
cash in hand		200	7
Sub- total		200	7
Grand total		5,006,089	4,326,310

Rural Electrification and Renewable Energy Corporation
 Reports and Financial Statements
 For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. RECEIVABLES FROM EXCHANGE TRANSACTIONS

28. (a)

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Current receivables		
Advance to vendors*	207,987	660,818
Less Provisions for Bad & Doubtful Debt	(31,894)	(31,894)
Advance to Vendors*	176,093	628,924
Interest Receivables	31,148	(21,261)
Prepayments- Others	1,300	1,300
Deposits- Rent	15,011	14,627
Deposits- Court Cases	55,000	50,000
Other Receivables-Sale Of Power	514,929	464,378
Deposits- Motor Vehicle Maintenance	500	1,500
Total current receivables	793,982	1,139,469

28. (b)

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Non-current receivables		
Long term debtors	-	-
Public organizations	-	-
Less: impairment allowance	-	-
	-	-
Current portion transferred to current receivables	-	-
Total non-current receivables	-	-
Total receivables (a+b)	793,982	1,139,469

29. RECEIVABLES FROM NON-EXCHANGE CONTRACTS

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Current receivables		
Other Accrued Revenues	11,277,916	10,041,056
Staff Advances	12,182	11,941
Total current receivables	11,290,098	10,052,998

**Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. INVENTORIES

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Poles	433,103	337,352
Insulators	238,860	190,830
Conductors, Stay Blocks and Wires	530,887	654,317
Hardware line items	1,293,877	1,811,570
Transformers	739,945	1,381,546
Surge Diverters Circuit Breakers and Isolators	584,782	485,065
Stationery	11,541	80,894
ICT	1,833	1,833
Trees / Seedlings Energy Centres	129	-
Total inventories at the lower of cost and net realizable value	3,834,957	4,943,407

31. INVESTMENTS

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
a) Investment in Treasury bills and bonds		
Financial institution		
CBK	-	-
CBK	-	-
Sub- total	-	-
b) Investment with Financial Institutions/ Banks		
COOP Bank		
KCB		
Sub- total	-	-
c) Equity investments (specify)		
Equity/ shares in entity xxx	-	-
Sub- total	-	-
Grand total	-	-

Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

d) Shareholding in other entities

For investments in equity share listed under note 31 above, list down the equity investments under the following categories:

Name of entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	g	g	g			
	%	%	%	Shs	Shs	Shs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
Entity D	-	-	-	-	-	-
	-	-	-	-	-	-

Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings		Motor vehicles	Furniture and fittings	Computers	Other Assets			Plant and equipment	Capital work in progress	Total
	Kshs'000'	Kshs'000'				Overhead Distribution Lines	Office Equipment	Tools & Implements			
Cost	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
At 1st July 2022 (Restated)	120,516	572,723	211,117	369,921	95,741,812	33,984	21,826	159,279	13,369,997	110,601,176	
Additions	-	28,500	14,657	99,002	-	8,360	96,786	38,107	7,929,365	8,214,777	
Disposals	-	-	-	-	-	-	-	-	-	-	
Transfers	-	-	-	-	12,549,429	-	-	-	(12,549,429)	-	
At June 2023	120,516	601,222	225,775	468,923	108,291,241	42,344	118,612	197,386	8,749,934	118,815,953	
Depreciation and impairment											
At 30th June 2022 (Restated)	6,116	521,595	145,838	252,528	8,016,742	31,913	21,789	150,487	-	9,147,009	
Depreciation	676	31,265	23,627	71,510	2,109,039	1,399	26,347	4,306	-	2,268,169	
NBV 30th June 2023	113,723	48,362	56,310	144,884	98,165,460	9,032	70,477	42,592	8,749,934	107,400,774	
Additions - Energy Centres	249,936	-	2,174.80	1,678.90	-	-	-	7,885.42	-	261,675	
NBV 30th June 2023	363,659	48,362	58,484	146,563	98,165,460	9,032	70,477	50,478	8,749,934	107,662,450	
At 30 th July 2022	114,400	50,959	65,279	120,533	82,792,250	1,453	655	8,792	22,367,260	105,521,581	

NOTE: Included in the PPE is an amount approximately Kshs. 1.6 Billion which is subject to investigation

**Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. INTANGIBLE ASSETS-SOFTWARE

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Cost		
At beginning of the year (Restated)	417,071	394,335
Additions	-	8,502
At end of the year	417,071	402,837
Additions-internal development	-	-
At end of the year	417,071	402,837
Amortization and impairment		
At beginning of the year	(376,147)	(364,093)
Amortization	(21,729)	(23,423)
At end of the year	(397,876)	(387,516)
Impairment loss	-	-
At end of the year	(397,876)	(387,516)
NBV	19,195	15,321

34. BIOLOGICAL ASSETS

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Biological Assets- Energy Centers	1,842	-
Total	1,842	-

Energy Centre	No of livestock	Approximate Value (Kshs)							Total
Bukura	4	60,000	30,000	30,000	18,000				138,000
Busia	1	80,000							80,000
Kericho	3	80,000	80,000	70,000					230,000
Kisii	5	30,000	30,000	80,000	60,000	60,000			260,000
Uasin Gishu	7	150,000	75,000	60,000	35,000	35,000	35,000	35,000	425,000
Wambugu	1	80,000							80,000
Mtwapa	7	70,000	60,000	50,000	40,000	40,000	40,000	20,000	320,000
Mirangine	4	50,000	45,000	40,000	34,000				169,000
Kitui	4	30,000	25,000	25,000	20,000				100,000
Jamhuri	1	40,000							40,000
Total	37								1,842,000

35. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Trade-Creditors invoiced	1,030,176	1,072,026
Trade-Creditors not invoiced	1,334,790	1,193,980
Trade-KPLC Metre Deposits	713	713
Other payables-VAT deducted	-	-
Other Payables	201	765
Other payables-Payroll Payables	1,500	5,367
Total trade and other payables	2,367,381	2,272,852

**Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36. REFUNDABLE DEPOSITS FROM CUSTOMERS

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Consumer deposits	200	200
Other deposits	-	-
Total deposits	200	200

37. CURRENT PROVISIONS

Description	Leave provision	Directors Fees	Gratuity	Theft Case	Tax provision	Audit Fees	Total
	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
Balance b/d (1.07.2022)	15,360	22,689	17,251	4,170	-	6,062	65,532
Additional Provisions	-	-	12,790	-	21,885	6,000	40,674
Less: Provision utilised	-	-	(15,346)	-	-	-	(15,346)
Less: Provision written back	(15,360)	(22,689)	-	(4,170)	-	-	(42,219)
Total provisions as at 30.6.2023	-	-	14,695	-	21,885	12,062	48,580

38. FINANCE LEASE OBLIGATION

Description	Minimum lease payments	Future finance charges	Present value of minimum lease payments	2022-2023
	KShs	KShs	KShs	KShs
Within current year	-	-	-	-
Long term portion of lease payments	-	-	-	-
Total provisions	-	-	-	-

39. DEFERRED INCOME

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
National government	280,000	280,000
International funders	-	-
Public contributions and donations	-	-
Total deferred income	280,000	280,000

Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023

The deferred income movement is as follows:

	National government	International funders	Public contributions and donations	Total
Balance brought forward	280,000	-	-	280,000
Additions	-	-	-	-
Transfers to Capital fund	-	-	-	-
Transfers to income statement	-	-	-	-
Other transfers	-	-	-	-
Balance carried forward	280,000	-	-	280,000

40. EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2022-2023	2021-2022
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
Total employee benefits obligation	-	-	-	-	-

The entity operates a defined benefit scheme for all full-time employees from July 1, 2020. The Scheme is based on percentage of salary of an employee at the time of retirement. During the year, no actuarial valuers were engaged to value the scheme. The liability at the end of the year is as follows:

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2022-2023	2021-2022
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
Total employee benefits obligation	-	-	-	-	-

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1,080 per employee per month.

**Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023**

41. NON-CURRENT PROVISIONS

Description	Long service leave	Gratuity	Other Provisions	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Less: Current portion	-	-	-	-
Total deferred income	-	-	-	-

42. BORROWINGS

The analyses of both external and domestic borrowings are as follows:

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestics borrowings during the period	-	-
Balance at end of the period	-	-

The analyses of both external and domestic borrowings are as follows:

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
External Borrowings		
Dollar denominated loan from 'xxx organisation'	-	-
Sterling Pound denominated loan from 'yyy organisation'	-	-
Euro denominated loan from zzz organisation'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Total balance at end of the year	-	-

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

**Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023**

43. SERVICE CONCESSION ARRANGEMENTS

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	-	-
Net carrying amount	-	-
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	-	-
Service concession liability at end of the year	-	-

44. CASH GENERATED FROM OPERATIONS

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Surplus for the year before tax	1,633,396	4,849,950
Adjusted for:		
Depreciation	2,281,868	1,818,345
Non-cash grants received	-	-
Contributed assets	-	-
Impairment	21,729	23,423
Gains and losses on disposal of assets	-	-
Contribution to provisions	40,674	24,803.30
Contribution to impairment allowance	-	-
Finance income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	1,108,449	71,142
Decrease in receivables	2,285,908	381,424
Increase in deferred income	-	-
Increase in payables	94,529	427,759
Increase in payments received in advance	-	-
Net cash flow from operating activities	7,466,554	7,596,846

45. FINANCIAL RISK MANAGEMENT

The Corporation's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Corporation's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Corporation 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 Corporation's financial risk management objectives and policies are detailed below:

(i) Credit risk

The Corporation 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.

Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023

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 entity's management based on prior experience and their assessment of the current economic environment.

(i) Credit risk (Continued)

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Receivables from exchange transactions	790,536	790,536	-	-
Receivables from non exchange transactions	11,290,098	315,580	-	-
Bank balances	5,006,089	3,704,441	-	-
Total	17,086,722	4,810,556	-	-
At 30 June 2022				
Receivables from exchange transactions	1,139,469	1,139,469	-	-
Receivables from non exchange transactions	10,052,998	10,052,998	-	-
Bank balances	4,326,310	4,326,310	-	-
Total	15,518,777	15,518,777	-	-

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 Corporation has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts.

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

(ii) Liquidity risk management

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

The table below represents cash flows payable by the Corporation 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.

**Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade payables	-	-	2,367,381	2,367,381
Current portion of borrowings	-	-	-	-
Provisions		-	48,580	48,580
Deferred income		-	280,000	280,000
Employee benefit obligation	-	-	-	-
Total	-	-	2,695,961	2,695,961
At 30 June 2023				
Trade payables	-	-	2,272,852	2,272,852
Current portion of borrowings	-	-	-	-
Provisions		-	65,532	65,532
Deferred income		-	280,000	280,000
Employee benefit obligation	-	-	-	-
Total	-	-	2,618,385	2,618,385

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Corporation 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 Corporation'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 optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Corporation'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 Corporation's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The Corporation 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

Foreign currency sensitivity analysis (Continued)

	Change in	Effect on Profit	Effect on
	currency rate	before tax	equity
	Kshs	Kshs	Kshs
2023			
Euro	10%	-	-
USD	10%	-	-
2022			
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

Interest rate risk is the risk that the Corporation's financial condition may be adversely affected as a result of changes in interest rate levels. The Corporation's interest rate risk arises from bank deposits. This exposes the Corporation to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Corporation analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates.

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Corporation's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023

Fair value of financial assets and liabilities (Continued)

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Corporation considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
At 30 June 2023				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	111,016	-	-	111,016
	111,016	-	-	111,016
At 30 June 2022				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	111,068	-	-	111,068
	111,068	-	-	111,068

There were no transfers between levels 1, 2 and 3 during the year.

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

The objective of the Corporation'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:

	2022-2023	2021-2022
	Kshs	Kshs
Development reserve	50,074,835	45,937,097
Retained earnings	62,336,547	77,119,287
Capital reserve	53,596	53,596
Total funds	112,464,978	123,109,980
Total borrowings	-	-
Less: cash and bank balances	5,006,089	4,326,310
Net debt/(excess cash and cash equivalents)	107,458,889	118,783,669
Gearing	0%	0%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the Corporation, holding 100% of the Corporation's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

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

	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Transactions with related parties		
a) Sales to related parties		
Sales of services (Power)	642,270.23	507,684.00
Total	642,270.23	507,684.00
b) Grants from the Government		
Grants from National Govt	395,390.08	360,000.00
Total	395,390.08	360,000.00
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	29,835.64	46,378.00
Compensation to key management	153,369.00	153,369.00
Total	183,204.64	200,747.00

**Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

47. SEGMENT INFORMATION

The Corporation does not have independent regional operations.

48. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Court case against the entity	457,584	-
Bank guarantees in favour of subsidiary	-	-
Total	457,584	-

49. CAPITAL COMMITMENTS

Capital commitments	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Authorized for	-	-
Authorized and contracted for	-	-
Total	-	-

50. DIVIDENDS/SURPLUS REMISSION

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

The Corporation does not pay dividends.

51. TAXATION

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Tax payable- Withheld Tax 3% Agency	8,948	6,974
Tax payable- Withheld Tax 5% Prof.fees	3,211	8,393
Tax payable- Withheld Vat	36,029	241,313
Tax payable- Withheld Tax 2% Agency	13,658	13,841
At end of the year	61,847	270,521

Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

52. DEFERRED TAX LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	-
Provisions for liabilities and charges	-	-
Net deferred tax liability/(asset)	-	-
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	-	-
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	-	-

53. NON- CURRENT LIABILITIES

This relates to the Garissa Solar Power Plant loan.

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Garissa Loan- National Treasury	13,605,736	-
Total deposits	13,605,736	-

54. RESERVES

The Corporation reserves include Development reserves, Capital Fund and Accumulated surplus.

55. EVENTS AFTER THE REPORTING PERIOD

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

56. 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.

57. CURRENCY

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

Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023

1. APPENDICES

APPENDIX 1: 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.

Reference 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)
1.0	Unsupported Trade and Other Payables from Exchange Transactions	Trade and Other payables schedule provided	Davis Cheruiyot General Manager Finance & ICT	Ongoing	Trade and Other payables schedule provided
2.0	Inaccuracies in Receivables from Exchange Transactions	The management made necessary adjustments as per the auditor recommendations and revised the Financial Statements.	Davis Cheruiyot General Manager Finance & ICT	Resolved	The management made necessary adjustments as per the auditor recommendations and revised the Financial Statements.
3.0	Inaccuracies in Property, Plant and Equipment				
3.1	Unsupported Overhead Distribution Lines	Soft copy of fixed assets register provided	Davis Cheruiyot General Manager Finance & ICT	Resolved	Soft copy of fixed assets register provided
3.2	Capital Work in Progress	Soft copy of fixed assets register provided	Davis Cheruiyot General Manager Finance & ICT	Resolved	Soft copy of fixed assets register provided
3.3	Unsupported Expenditure on Land Survey Services	The matter is still under investigations by relevant government Agencies.	Dr Rose Mkalama. CEO And Board of Directors	On-going	On-going

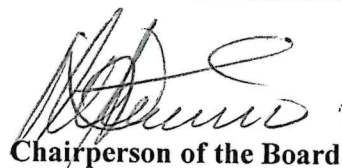
**Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023**

Reference 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)
Basis for Conclusion					
1.0	Irregular Utilization of Petroleum Development Levy Funds	The amount was allocated to the Corporation through printed estimates and was used to undertake planned projects during the Financial year	Mr. Davis Cheruiyot General Manager Finance & ICT	Resolved	30.06.2023
2.0	Unaccounted for Development Grants	The development grants amounts was grated through petroleum development and levy and exchequer development and was used to finance planned projects during the financial year.	Mr. Davis Cheruiyot General Manager Finance & ICT Mr. Wilfred Odour Manager Supply Chain Department	Resolved	30.06.2023
3.0	Abandoned Project	Contract was terminated and awarded.	Mr. Wilfred Odour Manager Supply Chain Department	On-going	30.06.2023
4.0	Unapproved Investment of Surplus Funds	The funds were deposited on call accounts and not Fixed Accounts as earlier indicated.	Mr. Davis Cheruiyot General Manager Finance & ICT	Resolved	30.06.2023



Chief Executive Officer

Date... 21.03.2024



Chairperson of the Board

Date... 21.03.2024

**Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023**

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by Rural Electrification and Renewable Energy Corporation Funded by development partners

Project title	Project Number	Donor	Period/duration	Donor commitment Kshs. '000'	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1.KEMP	5587-KE	World Bank	7	1,013,000	Yes	Yes
2.KOSAP	6135KE	World Bank	6	3,500,000	Yes	Yes
3.BADEA	11/597KE	Badea	8	4,828,780	Yes	Yes
4.GARISSA	GCL2015	Exim Bank	7	13,578,401	Yes	Yes
5.KEEP	1487KE	OPEC Fund	5	1,500,000	Yes	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

**Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023**

APPENDIX III: INTER-ENTITY TRANSFERS

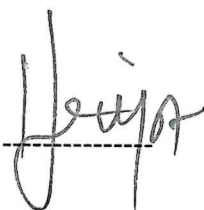
	ENTITY NAME:	REREC		
Break down of Transfers from the Ministry of Energy 2022/2023 FY				
		<u>Bank Statement Date</u>	<u>Amount (KShs.)</u>	<u>FY to which the amounts relate</u>
a	Recurrent Grants	06.10.2022	41,115,840.25	2022/2023
		27.10.2022	41,115,840.00	2022/2023
		23.11.2022	41,115,840.00	2022/2023
		27.03.2023	90,680,854.20	2022/2023
		18.04.2023	30,226,951.40	2022/2023
		27.04.2023	60,453,902.80	2022/2023
		07.06.2023	30,226,951.40	2022/2023
		03.07.2023	60,453,902.80	2022/2023
		Total	395,390,082.85	
b	Development Grants			
		7.10.2022	303,500,000.00	2022/2023
		03.07.2023	450,000,000.00	2022/2023
		Total	753,500,000.00	
c	Petroleum Development Levy from The Ministry			
		16.11.2022	1,669,000,000.00	2022/2023
		Total	1,669,000,000.00	

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

General Manager Finance & ICT
REREC

Head of Accounting Unit
Ministry Of Energy

Sign



Sign



**Rural Electrification and Renewable Energy Corporation
Reports and Financial Statements
For the year ended June 30, 2023**

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Ministry Of Energy	As per Bank statement	Nature:		Total Amount (Ksh)'000'	Statement of Financial Performance	Development Reserves	Deferred Income	Receivables	Others	Total Funds Transferred'000
		Recurrent/ Development	Others							
Recurrent funds	See Appendix 3 above	Recurrent		395,390	395,390					395,390
Development Funds	See Appendix 3 above	Development		2,422,500		2,422,500				2,422,500
Other Transfers from Donors		Development		1,855,819		1,855,819				1,855,819
Total				4,673,709	395,390	4,278,319				4,673,709