

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, 2024**



31 DEC 2024

RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2024

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

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Annual Report and Financial Statements
for the year ended June 30, 2024.**

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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the Energy Act, 2019 and the successor to the Rural Electrification Authority established under the Energy Act, 2006 (repealed). Its mandate is set out under section 44 of the Energy Act, 2019.

(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 as set out under section 44 of the Energy Act, 2019

- 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;

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- 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.

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(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Chief Executive Officer- From - 21st December 2023	CS Dr. Rose Mkalama
2	Chief Executive Officer- Until 20th December 2023	CPA Peter Mbugua
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. General Manager, Corporate Services	Beatrice Njuguna
10	Corporation Secretary & Manager, Legal Services	Sharon Tugee
11	Acting, Manager, Finance and Accounts	CPA Fredrick Gicharu
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, Biomas 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	Manager Security	Jillo Qonde
29	Manager, Alternative Energy	Eng. Ronald Kipkoech Ketter
30	Manager, Geospatial	Wycliffe Onyango Abiero
31	Acting. Manager, Administration	Margaret Nzau
32	Manager, Coast Regional Coordination	Jackbed Turi Njangu
33	Manager , West Kenya Regional Coordination	Michael Alfred Osewe Apudo
34	Manager , North Rift Regional Coordination	Eng. Jonah Kosgei
35	Manager, Central Rift Regional Coordination	Eng. Gideon Gitonga Rwamba
36	Manager, South Nyanza Regional Coordination	Nicholas Kiprono Langat
37	Manager , Mount Kenya Regional Coordination- Mount Kenya	Fredrick Nyamai
38	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 the watchdog for the Corporation. It ensures that all the systems in the Corporation are functioning properly. The main terms of reference as provided 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>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.</p> <p>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>




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<p>3.</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.</p> <p>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.</p> <p>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>4.</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>



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<p>5.</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>
<p>6.</p>	 <p>Mr. Sammy K. Choge</p>	<p>Mr. Sammy Choge was born in the year 1952.</p> <p>He was appointed to the Corporation’s Board on 24/2/2023.</p> <p>He is a Member of the Human Resource Committee.</p>
<p>7.</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>

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<p>8.</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, 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>
<p>9.</p>	 <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>
<p>10.</p>	 <p>Ms. Rosemary Nyambura Njaramba Nominee, Council of Governors</p>	<p>Ms. Rosemary Njaramba was born in the year 1987.</p> <p>She was appointed to the Corporation's Board on 14th July, 2023.</p> <p>She is an Advocate of the High Court of Kenya. She holds a Master of Arts in International Studies and a Bachelor of Laws both from the University of Nairobi and a Diploma in Law from the Kenya School of Law. Ms. Njaramba is a member of the Law Society of Kenya and the International Commission of Jurists-Kenya (ICJ-K). She currently works at the Council of Governors. She previously worked at The Institute for Social Accountability, the firms of Muriu Mungai Advocates and Kefa Ombati Advocates and International Commissions of Jurists, Kenya.</p> <p>She is a member of the Strategy & Project Implementation Committee.</p>

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<p>11.</p>	 <p>Mr. Hussein Adbnassir Mohammed Nominee Council of Governors</p>	<p>Mr. Hussein A. Mohammed was born in the year 1987.</p> <p>Mr. Mohammed was appointed to the Corporation's Board on 14th July, 2023.</p> <p>He is an Advocate of the High Court of Kenya. He holds a Master of Laws Degree and a Bachelor of Laws both from the University of Nairobi and a Diploma in law from the Kenya School of Law. Mr. Mohammed is a member of the Law Society of Kenya, East African Law Society, Committee member of the Jamia mosque Committee and a life member of the Kenya Red Cross Society. Mr. Hussein has for the past ten years worked in both private practice, governmental and non-governmental sector with tasks ranging from provision of legal advice and opinion; review of national and international legal instruments among others.</p> <p>He is a member of the Strategy & Project Implementation Committee.</p>
<p>12.</p>	 <p>Mr. Philip Kibiwot Cherige, Nominee, Council of Governors</p>	<p>Mr. Philip K. Cherige was born in 1982.</p> <p>Mr. Cherige was appointed to the Corporation's Board on 14th July, 2023. He holds a Bachelor's Degree from the University of Nairobi. He is a Certified Credit Professional (CCP) Part III. Mr. Cherige worked at the Middle East Bank Kenya Ltd and the Communication Commission of Kenya. He has over 10 years' experience in the banking sector.</p> <p>He is the Chairperson of the Audit Committee.</p>

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4. Key Management Team

	Management	Details
1.	 <p>CS. Dr. Rose N. Mkalama Chief Executive Officer From 21st December 2023</p>	<p>CPS Dr. Rose Mkalama assumed the position of the CEO on 21st December 2023. Previously she was the General Manager Information, Education and Communication.</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>
2.	 <p>CPA Peter Mbugua Chief Executive Officer From 20th December 2017- 20 December 2023</p>	<p>CPA Peter Mbugua assumed the position of CEO on 20th December 2017 Until 20th December 2023. 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>




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<p>3.</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>
<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>

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<p>5.</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>Dr. 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>6.</p>	 <p>Eng. Tom Fred Ishugah General Manager Renewable Energy Research and Development</p>	<p>Eng. 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 Energy Research and Development mandates.</p> <p>He holds a Master's of Science in Power Engineering and Engineering Thermal Physics from Shanghai Jiao Tong University, a Post Graduate Diploma in Chinese Language and Culture in Beijing Language and Culture University and Bachelor of Science in Energy Engineering.</p> <p>He is a Registered Professional Engineer by the Engineering Board of Kenya (EBK), a Corporate Member of the Institution of Engineers of Kenya (IEK) a Registered Professional Engineering Technologies by the Kenya Engineering and Technologist Board (KETRB), Certified Energy Manager by the Association of Energy Engineers AEE), a Registered Environmental and Social Impact Assessment Expert by the National Environmental Management Authority (NEMA), a member of the Association of Energy Professionals Eastern Africa (AEPEA) and a Licensed Solar Photovoltaic Technician (T3) Solar Water Heating Technician and an Energy Auditor (Class A) by the Energy and Petroleum Regulatory Authority (EPRA).</p>

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<p>7.</p>	 <p>CHRP 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 incharge 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.</p>
<p>8.</p>	 <p>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>
<p>9.</p>	 <p>CHRP. Beatrice Njuguna Acting General Manager Information Education & Communication Directorate</p>	<p>Ms. Beatrice Njuguna is the Acting General Manager Information Education & Communication Directorate</p> <p>Previously she was the Manager Administration. She is charged with the responsibility of coordinating, managing all support departments; namely Advocacy, Public Education and awareness, Corporate Communication and Knowledge Management. Her responsibilities are ensuring that implementation of Corporation projects are well supported enabling achievements of REREC objectives efficiently.</p> <p>She holds a Bachelor of Business Management; human resource management, Masters of Public Administration; Public Policy & Administration. Diploma in Human Resource Management. She's a full and licensed member of the Institute of Human Resource Management. She holds several key trainings in Governance and Leadership</p>

5. Chairman's Statement

Introduction

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements for Rural Electrification and Renewable Energy Corporation (REREC) for the year ended 30th June 2024. During the year, the following were undertaken:

Strategic Focus

REREC's fourth Strategic Plan for the period 2023 – 2027 was launched on 26th October, 2023. The Plan was developed through a consultative and participatory process involving internal and external stakeholders, provides a framework that will guide the Corporation in execution of its mandate for the next five (5) years. The Strategic Plan also aligns to national, regional and international development agendas that include; Bottom-up Economic Transformation Agenda (BETA) 2022-27, Kenya Vision 2030, the East Africa Community Vision 2050, African Union Agenda 2063 and Sustainable Development Goals (SDGs).

It outlines strategic initiatives, programs and projects that will facilitate the achievement of the Corporation's Vision and Mission which include; the electrification of the Galana Kulalu Food Security Project, contribution of an additional 18.372MWp of clean energy to the grid, grid expansion in rural areas, promoting the use of renewable energy, installation of solar photovoltaic systems in public institutions, solarization of boreholes in under-served Counties, promotion of the adoption of modern and clean cooking solutions, construction of biogas plants in institutions and modernization of Energy Centres. Implementation of Strategic Plan 2023-2027 commenced in earnest through cascading to all staff for familiarization and adoption by developing individual Performance contracts and Annual work plans.

Enhancement of the Rural Electrification Programme

In the financial year 2023/24 the Corporation commissioned 771 projects including 473 carried forward projects from the previous years. Out of the 771 projects commissioned, 474 were Public Facilities funded under GoK (387) and Matching Facility (87) while 297 were under the Transformer Maximization Programme. There were 396 projects in progress, four projects under Defects Correction, 27 others awaiting joint KP/REREC inspection, 13 awaiting shutdown and 16 awaiting digitization and ten awaiting commissioning.

A total of 57,391 new customers/households were connected to electricity during the period. There were 396 projects under implementation by 30th June 2024, and which are expected to be completed alongside other public facilities projects identified for electrification during the FY2024/25.

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The Corporation also maintained 271 primary schools earlier installed with solar PV systems during the Digital Learning Programme.

Corporate Social Responsibility Activities

REREC's Corporate Social Responsibility (CSR) objective is to implement programmes that positively impact the rural communities within which we operate. In the Financial Year 2023/2024, the Corporation implemented 12 CSR activities in various counties. Under the health pillar a free eye cataract surgery camp was held and reached 1,500 patients with 36 surgeries undertaken. Under the Education pillar donation of text book to four (4) schools as well as bursaries was undertaken while under the socio-economic empowerment pillar REREC donated assistive devices.

Financial Performance

The Corporation's total budget for the year under review was Ksh. 13.55 Billion out of which Ksh.2.39 Billion was funded by the GOK, the balance was funded through partnerships with counties, constituencies as well as generated internally and the balance of Ksh.160.83 Million was raised through donor funds. These receipts were used to fund the recurrent (15%) and development expenditure (85%).

Future Prospects

The Corporation remains committed to the continued electrification of the rural population and offering energy solutions. In the coming year, the Corporation will focus on developing a productivity improvement strategy, establishing Collaborations and Partnerships and value addition in its service provision.

Appreciation

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



MR. GODFREY LEMISO
CHAIRPERSON

6. Report of the Chief Executive Officer

Introduction

Electrification of Public Facilities and Development of Renewable Energy Sources

The Corporation raised a total of Ksh. 13.55 billion in FY 2023/24 out of which Ksh. 11.48 billion was for development expenditure and Ksh. 2.07 billion was for recurrent. During the year, REREC managed to commission a total of 771 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 85 projects commissioned under development partner-funded BADEA programme and 12 under OFID. A total of 271 Primary Schools earlier installed with Solar systems under the Digital Learning Programme had their systems maintained for continued operations.

Last Mile Constituency Transformer project

In 2023/24 REREC was allocated Kshs 234 Million to maximize transformers in Constituencies. The total number of projects commissioned under the Transformer Maximization Programme were 297 consisting of both identified and those carried forward from previous years. REREC managed to connect 57,391 new customers/households from all commissioned projects, 6,000 more than what was connected the previous year.

Wasini-Mkwiro Solar Solar Power Plant Commissioned

The Wasini-Mkwiro mini-grid power plant was officially commissioned by President Ruto on Thursday, November 2nd 2023. The mini grid is located in Wasini Island and serves Wasini and Mkwiro Villages in Kwale County. The project was funded by the World Bank under the Kenya Electricity Modernization Programme (KEMP) and provides the communities with clean and sustainable energy. It comprises of a 375 KWp Solar PV system, serving 542 customers including schools, religious institutions, administrative centres and households to electricity.

Board changes

In the First Quarter of the year, three (3) new members were appointed to join the REREC Board of Directors. They were Rosemary N. Njaramba, Hussein A. Mohammed and Philip K. Cherige.

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 14.45 Billion during the year, 85% was channelled to capital expenditure while 15 % was utilized on recurrent expenditures.

Other important activities

During the year, the Corporation undertook a number of constructive activities. This included signing of matching fund collaborative framework (MOU) with four (4) County Governments of Makueni, Uasin Gishu, Lamu, and Tana River (amounting to Kshs 95 million) and collaborated with 34 constituencies for a total of Kshs 160 million. The Corporation also launched an Energy Hub at the Jamhuri Energy Centre where 41 technologies were donated by Clean Cooking Association of Kenya (CCAK).

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 continue focusing on facilitating the achievement of universal access and providing energy solutions throughout the country while improving productivity.

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 & Petroleum 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

7. Statement of Performance against Predetermined Objectives for FY 2023/2024

REREC's launched its fourth Strategic Plan for the period 2023 – 2027 on 26th October, 2023. The Plan provides a framework for execution of its mandate for the next five (5) years. The Strategic Plan also aligns to national, regional and international development agendas that include; Bottom-up Economic Transformation Agenda (BETA) 2022-27, Kenya Vision 2030, the East Africa Community Vision 2050, African Union Agenda 2063 and Sustainable Development Goals (SDGs).

It outlines strategic initiatives, programs and projects that will facilitate the achievement of the Corporation's Vision and Mission which include; the electrification of the Galana Kulalu Food Security Project, contribution of an additional 18.372MWp of clean energy to the grid, grid expansion in rural areas, promoting the use of renewable energy, installation of solar photovoltaic systems in public institutions, solarization of boreholes in under-served Counties, promotion of the adoption of modern and clean cooking solutions, construction of biogas plants in institutions and modernization of Energy Centres.

In the FY 2023/24 REREC managed to electrify 474 Public Facilities against a target of 340; Installed 297 Extension Transformer Projects against a target of 258, Maintained 271 Public Primary School Solar PV systems installed earlier under the Digital Literacy Programme against a target of 201. Overall scored an aggregate of 2.8697 in its performance, a score of Very Good compared to a score of 3.3923 the preceding year.

Strategy Achievements through Performance Contracts

The Implementation of the Strategic Plan 2023-2027 commenced in earnest through cascading to all staff for familiarization and adoption by developing individual Performance Contracts and Annual work plans. The Board Performance contract 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.

The annual Performance Contracts and Work Plans therefore actualize implementation of the Strategic Plans.

8. Corporate Governance Statement

Introduction

Section 43 of the Energy Act, 2019 establishes the Rural Electrification and Renewable Energy Corporation (REREC) (hereinafter ‘the Corporation’). REREC’s mandate is set out under section 44 of the Energy Act, 2019. It 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;

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- 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.”

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 and in the development of renewable energy technologies 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 are appointed pursuant to Section 45 (1) of the Energy Act, 2019. This provision further 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

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Directors are appointed by the Cabinet Secretary, Ministry of Energy & Petroleum for a three (3) year term but can subsequently be re-appointed for a further term of three years. Four Directors are nominated by the Council of Governors for appointment for a three (3) year term but can subsequently be re-appointed for a further term of three years.

The Board consists of ten (10) directors. Two are drawn from Government that is, the Principal Secretary, Ministry of Energy & Petroleum, State Department for Energy and the Principal Secretary, the National Treasury. The Chairman of the Board and the other seven (7) directors are drawn from the private and public sector. This provides the necessary mix of skills, experience and expertise to the Board that are required to propel the Corporation towards meeting its 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 Principal Secretary, the National Treasury, and the Principal Secretary, Ministry of Energy & Petroleum, State Department for 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 the National 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

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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 is Mr. Godfrey Lemiso. 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 meetings; setting the agenda for board 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;

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- 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 therefrom;
- 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 Roles and Responsibilities of the Chief Executive Officer

The Chief Executive Officer (CEO) who served during the year under review was CPA. Peter Mbugua (until 20th December, 2023) and Dr. Rose Mkalama (from 21st December, 2023). 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 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; advising management on content and organization of memoranda or presentations to the Board meetings; Circulating Board papers to directors in good time to ensure that

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directors have sufficient time to prepare for Board and Board committee meetings; ensuring that minutes are taken in all meetings and that the minute books are properly maintained; ensuring that all Board committees are properly constituted and provided with clear terms of reference; ensuring that the Corporation is at all times compliant with all the Laws and Government policies issued from time to time; development and implementation of a schedule of Board and Board committee meetings and other board activities every year, and development and implementation of a capacity building programme for Directors.

Board Meetings

The State Corporations Act provides that the Board shall meet at least four (4) times in a year. The responsibility of deciding the number of meetings that the Board and Board committee should hold is vested on the Board. In order to ensure that Directors plan early, the schedule of Board meetings for each financial year is approved by the Board at the beginning of the year. Special Board meetings may be called from time to time to address specific issues that cannot wait for the scheduled meeting. Notices to board meetings are sent fourteen (14) days before the meeting. Board papers are circulated at least seven days before meetings. The Chairman provides leadership during Board meetings and strives to ensure open and constructive discussions during the meetings. During the year under review, the Board held twelve (12) Board meetings. The average attendance to Board meetings by Directors recorded during the year was about 85%. This good attendance made it possible for crucial decisions and approvals to be given and hence Management was able to implement Board decisions in good time. The board is allowed to obtain outside independent professional advice from qualified individuals if they consider it necessary. The costs for such services are met by the Corporation to ensure involvement of Directors in Board matters, Directors are allowed to propose Agenda items during Board meetings.

Committees of the Board

The State Corporations Act gives powers to the Board to constitute such other standing committees as it deems fit. Board committees are designed to ensure that the Board is run efficiently, effectively and in a manner that embraces Corporate Governance. They delve into issues that require attention and in this way, the committees are able to give greater attention to issues and then report back to the Board. This enables the Board to deliberate on issues and make more informed decisions. In order to achieve this, the Board has established four (4) committees as follows;

- a) Audit Committee

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- b) Finance & Administration Committee
- c) Strategy and Project Implementation Committee
- d) Human Resources Committee

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

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

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

Audit Committee

The Audit Committee is basically the watchdog for the 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 result of the audit on the financial statements by the External Auditor or any other inspector or investigator engaged by REREC;
- (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;
- (v) Review the activities, organizational structure and qualifications of the internal auditors;
- (vi) Assess managements' action on significant findings and audit recommendations and ensure that action taken is adequate to maintain the integrity of the financial systems.

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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 & Administration Committee

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

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

Strategy and Project Implementation Committee

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

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

Human Resources Committee

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

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

Directors Remuneration

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

9. Management Discussion and Analysis

During 2023/24 financial year, Rural Electrification and Renewable Energy Corporation (REREC) continued to actualize its expanded mandate by connecting of all customers within 600 meters radius of the transformer for all new projects it implemented under the Last Mile Connectivity initiative where 57,391 new customers/households were connected to electricity during the year.

Other Achievements

1. Continuation of hybridizing of Isolated Diesel Stations in collaboration with KPLC was on-going, to reduce the negative effects of the stations.
2. Solar Mini grids - 7. were in progress under the IDA Funded KEMP programme
3. Garissa 50 MW Solar Plant continued production to the national grid.
4. 474 Public Facilities were electrified.
5. Primary schools - 271 had been identified for maintenance and were undertaken.
6. 57,391 New Customers were connected to electricity.
7. 297 transformers were installed under the constituency maximization fund

Electrification Off-grid areas;

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

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

REREC's focus is now more on renewable energy sources through hybrid mini-grids.

Garissa 54.6 MW Solar Power Plant

The power plant is in production and connected to the national grid increasing the country's power supply.

10. Environmental and Sustainability Reporting

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

i) Sustainability strategy and profile-

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

ii) Environmental performance-

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

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

Every year, the Corporation carries out tree planting initiatives across the country. The corporation in collaboration with KEFRI and county government of Turkana organized a tree planting exercise in Turkana University College on 9th June 2022 whereby 2,000 seedlings were planted and 3,000 donated to the community.

iii) Employee Welfare

iv) Market place practices-

In carrying out its activities, the Corporation is guided by its Citizen's Delivery Service charter that outlines the services provided and expected timelines of the service to be provided. This financial year, the corporation reported to Huduma secretariat on compliance of service charter in terms of submission of quarterly reports, processes and service charter. The corporation was awarded a Platinum top score of 100% which translated to a score of 3.8% in performance contract (2% was for service charter implementation and 1.8% for documenting and sharing service processes.

The Corporation has also put in place a Complaints Handling System where Complaints received are managed from a central point. Monthly and quarterly reports are generated on the same. Quarterly reports are sent to the Commission on Administrative Justice for their information and annual rating on complaints handling and management. As per the performance contracting for the financial year ending June 2022 the score per Quarters were as Q1: 100, Q2:85; Q3:100, Q4:100

v) Corporate Social Responsibility / Community Engagements

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

During the financial year ending June 2024 the corporation was able to conduct the following CSR activities as a community engagement strategy:

Education pillar:

- a) Donation of desk benches to 3 schools, Olderkesi Primary School in Narok County, Gathaithi Primary School in Murang'a County and Koromangucha Primary School and Migori County.
- b) Donation of Textbooks to 4 institutions Kinguutheni Primary School in Makueni County, Kimarwandi Primary, Kipkilabei Primary and Kapkilaibei Secondary in Bomet County.
- c) Donation of a cheque worth, 200,000 for Bursary support to 10 needy students in Machakos High School in Machakos County.
- d) Donation of 200,000 in support of the construction of a metallic gate at the Embulbul Mixed Secondary School in Kajiado County

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Health pillar:

- a) Conducted a 3 days free eye cataract surgical camp at Kimbimbi Sub County Hospital (1,500 patients seen & 36 cataract surgeries) in Kirinyaga County.

Socio – Economic Empowerment pillar:

- a) Donation of a cheque worth Kshs. 300,000 in support of children with disability at Orione Community Centre in Kajiado County.
- b) Donation of foodstuff, hygiene products, School fees arrears & Wiring of the home at Almansoor Children Home in Kilifi County.

11. Report of the Directors

The Directors submit their report and audited financial statements for the year ended 30th June 2024 which disclose the state of affairs of the Corporation.

Principal Activities

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

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

**Rural Electrification and Renewable Energy Corporation
Annual Report and Financial Statements
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- 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.

Results for the year

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


Directors

The Directors who served during the year are as shown in pages xi-xv

Auditors

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

By Order of the Board

.....

Sharon Tugee

Corporation Secretary & Manager, Legal Services

12. 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, 2024. 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, 2024, 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.

**Rural Electrification and Renewable Energy Corporation
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Approval of the financial statements

The Corporation's financial statements were approved by the Board on 26/9/ 2024 and signed on its behalf by:


.....

CS. Dr. Rose N. Mkalama
Chief Executive Officer


.....

Mr. Godfrey Lemiso
Chairperson

REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
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P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION FOR THE YEAR ENDED 30 JUNE, 2024

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 the 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.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 57, which comprise of the statement

Report of the Auditor-General on Rural Electrification and Renewable Energy Corporation for the year ended 30 June, 2024

of financial position as at 30 June, 2024, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the 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, 2024, 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. Late Exchequer Releases

The statement of financial performance and Note 9 to the financial statements reflects transfers from other government entities amounting to Kshs.480,000,000. However, included in this amount is Kshs.80,000,000 released in July, 2024 from State Department of Energy. Late release of exchequer may have affected the Corporation's budget performance and execution and led to failure to observe cut-off procedures in revenue measurement, disclosure and recognition.

In the circumstances, the accuracy and completeness of transfers from other government entities balance of Kshs.80,000,000 could not be confirmed.

2. Receivable from Exchange Transactions

2.1 Unsupported Receivable from Exchange Transactions

The statement of financial position reflects a balance of Kshs.543,636,000 in respect of receivables from exchange transactions as disclosed in Note 28 to the financial statements. However, no supporting evidence such as lease agreements, contracts were provided to ascertain the validity and correctness of the balances. In addition, some receivables date back to 2009 and that the Corporation does not have offices, parking yards or stores with some landlords listed. Further, the figure on opening balances of Kshs.2,359,371 could not be verified.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.543,636,000 could not be confirmed.

2.2 Unconfirmed Court Deposits

The statement of financial position reflects current portion of receivables from exchange transactions balance of Kshs.543,636,000. 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.

During the year under review, it was not possible to establish the existence of these monies held in the joint account of the advocates yet reported in the Corporation's books as court deposits since no confirmation of the bank balance was provided for our audit verification.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.55,000,000 could not be confirmed.

3. Unsupported Expenditure on Land Survey Services

As previously reported, the statement of financial position reflects property, plant and equipment balance of Kshs.115,789,988,000 which included capital in progress balance of Kshs.11,474,474,000. As disclosed in footnote 2, under Note 32 to the financial statements indicates Kshs.1,600,000,000 paid to three (3) firms for land survey services is subject to investigation. 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 the circumstances, the accuracy, completeness and validity of the land survey expenditure amounting to Kshs.1,600,000,000 could not be confirmed.

4. Trade and Other Payables

4.1 Long Outstanding Payables

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.3,884,207,000 and as disclosed under Note 35 to the financial statements. Included in the balance is an amount of Kshs.2,519,489,000 reported as trade creditors invoiced out of which Kshs.1,345,071,843 are payables that have been due for over 90 days as per vendor aging analysis. However, Management did not explain why the payables have not been cleared contrary to the Corporation's Service Charter which provides for 90 days.

Further, it was noted that there had been movement in the amount of un-invoiced trade creditors from Kshs.1,334,790,000 reported in the previous year to Kshs.1,364,004,000 in the current year, resulting in an unreconciled increase of Kshs.29,210,000.

4.2 Un-Invoiced Trade and Other Payables

The statement of financial position and Note 35 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.3,884,207,000. Included in this amount of Kshs.1,364,004 disclosed as trade-creditors not invoiced. No ledger was provided to support the creditors not invoiced.

In the circumstances, the accuracy and completeness the trade and other payables balance of amounting to Kshs.3,884,207,000 could not be confirmed.

5. Non -Contribution to the Fund

The statement of financial position reflects trade and other payables balance of Kshs.3,884,207,000 and as disclosed in Note 35 to the financial statements. However, the Company projected contribution for the ten-year period towards the Kenya Energy Sector Environment and Social Responsibility Programme Fund, based on the 2019-2029 action plan revealed that out of the expected contribution of Kshs.54,000,000. The Corporation had not made any contributions over the 4 years thus was owing Kshs.27,000,000 which was not included in the trade and other payables balance as at 30 June, 2024.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.3,884,207,000 could not be confirmed.

6. Unaccounted Payment to Rural Electrification and Renewable Energy Corporation

During the year under review, there were confirmations from Kitui West and Mbeere North NG-CDFs amount of Kshs.5,000,000 each being transfers to Rural Electrification and Renewable Energy Corporation (REREC) each totaling to Kshs.10,000,000 for electricity distribution projects from National Government Constituency Development Funds. However, there was insufficient evidence or documentation to account for the utilization of the transferred funds including reports or documents from REREC to confirm how the funds were utilized for the intended electricity distribution projects and site visits or progress reports from REREC to confirm whether electricity distribution projects were executed as planned.

Further, REREC failed to ensure that proper agreements, detailing responsibilities, timelines, and deliverables, were signed with NG-CDFs before receiving the funds.

In the circumstances, the accuracy and completeness of the transferred funds from the NG-CDFs to REREC totaling to Kshs.10,000,000 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 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 judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the audit of the previous year, several matters were raised under the Report Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on the Effectiveness of Internal Controls, Risk Management and Governance. However, although Management has indicated as having resolved and ongoing those matters in Appendix 1 to the financial statements, no evidence was provided to support that status.

Other Information

Management is responsible for the other information set out on pages v to xlii which comprise of Key Entity Information, Management Team, Board of Directors, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Statement of Director's Responsibilities and Report of the Independent Auditors. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Corporation's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

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. Irregular Reallocation of Petroleum Development Levy Funds

Review of financial records revealed that the Corporation received an amount of Kshs.110,000,000 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.

2. Unapproved Board Retreats

The statement of financial performance and Note 17 to the financial statements reflects board expenses balance of Kshs.46,343,000. Included in this amount is Kshs.14,003,600 paid as sitting and/or daily subsistence allowances to board members during various board retreats which however were not approved contrary to Section A part (4) of Management of State Corporation Circular Ref No OP/CAB.9/1A dated March 11, 2020 provides that all Board business (including committee meetings) shall be transacted at the principal or registered office of the Corporation (not branch offices). Board Retreats are to be approved by the respective Cabinet Secretary.

Though Management provided some approvals that were signed by the Principal Secretary State Department for Energy with the indication that the Cabinet Secretary had granted approval for the Board to hold the retreats, no evidence was provided for audit review indicating that the board retreats had been approved by the Cabinet Secretary for Energy and Petroleum as required.

In the circumstances, Management was in breach of regulations on the expenditure amounting to Kshs.14,003,600 on board expenses.

3. Irregular Acting Positions

Review of payroll and human resources records for the year under review, revealed that eighteen (18) officers were holding various positions in an acting capacity while seven (7)

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. Further, in the year under review the Corporation advertised for various positions (vacancies) but no reason has been given why these positions were not prioritized.

Though Management indicated that extensions beyond the six-months period was granted in accordance with the prevailing Human Resources Policy of the Corporation, no evidence was provided to support this assertion.

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

4. Non-Compliance with the Salaries and Remuneration Commission Approvals

The Corporation sought guidance from the Salaries and Remuneration Commission on placement of staff in accordance with the grades provided by the Commission after a job evaluation exercise conducted by the Commission in 2019. In response, the Commission submitted its report Ref. No. SRC/TS/24/4 Vol.II(83) of 4 May, 2023 detailing the re-evaluated job groups following its 522nd meeting held on 18 April, 2023. In the report, the gross salary structure for Corporation staff was attached.

However, the Board did not approve for implementation the salary structure as guided by the Commission following its job evaluation, grading results and the salary structure. Partial implementation was undertaken on grading structure and all grades were aligned to the Commission's grading structure except for REREC 2, a position held by general managers which is placed at D3 instead of E1. As a result, the remuneration of staff in this category does not match the Commission's approved terms.

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

5. Irregular Expenditure on Air-Time Allowance

The statement of financial performance reflects use of goods and services amount of Kshs.594,343,000 and as disclosed under Note 15 to the financial statements. Included in this amount is Kshs.26,727,000 in respect of telecommunication. Review of the expenditure records together with their respective supporting documents revealed that the payments related to airtime that was paid to officers that was way above the prescribed rates in the Circular Ref. No. OP/CAB/15 dated 5th, March, 2010 on economic utilization and efficient delivery of telephone services in the public service. A recalculation of the airtime benefit paid during year resulted to excess payment of Kshs.5,666,100 for the year under review.

In the circumstances, Management was in breach of Circular.

6. Default in Repayment of Concessional Loan

The Solar Power Plant Project in Garissa was completed on 20 November, 2018. An Escrow account maintained at Kenya Commercial bank of Kenya revealed that there was

only one transaction during the year on 20 July, 2023 which was a bank charge of USD 7.49 (Kshs.1,179). The opening balance on 1 July, 2023 was USD 17,721,464.69 (Kshs.2,490,282,243) and closed on 30 June, 2024 with a balance of USD 17,721,457.20 (Kshs.2,789,201,414). The funds were not utilized to repay the loan as required by the financing agreement which led to default on repayment of the concessional loan. In addition, a loan statement to show the current status of the loan was not provided for audit review. Management contravened Article 4 (4.3) (Repayment of principal and payment of interest). The Concessional Loan agreement on Kenya development of solar power plant in Garissa project, stipulates that all principal amount drawn under the agreement shall be repaid to the lender by Twenty-Six (26) equal installments.

As at the time of the audit in November, 2024, the escrow account had a balance of Kshs.2,789,201,414 lying idle in the bank contrary to Section 83 (2) (c) of the Public Finance Management (National Government) Regulation 2015 principles for sound cash management.

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

7. Funding of Privately Owned Property in Joska Malaa

During the 2023/2024 financial year, a design was approved by head surveyor but had no disclosure on the person who drew it on 29 April, 2024 for supply to Kakuyuni village in Kangundo Constituency Ref: REC-1607723/24002. A project contract was signed on 15 May, 2024 between the Corporation and a local Company based in Mombasa for provision of labour and transport services/works for the construction of the distribution system to supply electricity.

Subsequently, even though this tender was under a framework agreement, no details have been established of how the contractor was identified for this tender reference No. RFX 496. In addition, no work plan/ master plan was provided to confirm that the project had been earmarked for construction by the Corporation.

Further, the contractor was paid the contract sum of Kshs.411,281 on 19 September, 2024 having raised an invoice No. 006 on 9 September, 2024. This was in addition to the cost of materials amounting to Kshs.3,445,593 totaling to Kshs.3,856,874. The following anomalies were observed:

- i. According to the preliminaries for a project execution, a request/ application must be done to the CEO, from either individuals, institutions or County Governments. This was followed by preparations of a master plan based on the applications and a facility created in the system to initiate the process. However, in this case, no evidence has been provided to support if this was done.
- ii. Once a reference is created and a memo addressed to the CEO for approval made, a project designer makes an actual visit of the area and comes up with a budgetary estimate for evaluation of the project cost. No support documentation was provided for audit verification.

- iii. A surveyor is engaged to visit the area and report on wayleaves and the size of the area to be covered before the General Manager Strategy and Planning raises a memo of all the approved projects before procurement of the contractors to perform the actual line construction. No report has been provided on the visit to the area by a surveyor except for a design which was drawn by undisclosed person(s) has been availed. Further it has not been established how the contractor was procured.
- iv. A joint inspection report was done on 22 August, 2024 which recommended the project to be commissioned having utilized Kshs.3,856,873.83 of public funds on a private owned property.
- v. Physical verification done on 20 December, 2024 revealed that the project was not for Village as stated in the Corporation documents and the transformer which was clearly labelled Kakuyuni village with serial number;Y11000599, goods received Note number R154622 and year of manufacture 2024 instead was for a private developer which was erected in the premises. The Kakuyuni village, where the project was to be implemented is located approximately 35km away from Joska Malaa area.
- vi. The transformer and the power line were installed in the private property owned by the individual and it remains unknown why the same were not installed in public land.

In the circumstances, value for money amounting to Kshs.3,856,873 could not be ascertained and the benefits to the citizens of Machakos County denied as per the Corporation's Mandate.

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. Unsatisfactory Operations of the Board's Committees

Review of Board records revealed that one member sat in three (3) committees contrary to Section B part (4) of Management of State Corporation Circular Ref No OP/CAB.9/1A dated March 11, 2020, which stipulates that a member can only sit in a maximum of two committees. Further, it was noted that the board minutes were not maintained in the minute book with the last record being in August, 2022.

In the circumstances, the effectiveness of the committees of the Board in provision of the oversight function could not be ascertained.

2. Excess Board Committees Membership

The Corporation's Board during its 59 Board meeting held on 27 July, 2023 established four (4) board committees namely Strategy and Project Implementation Committee, Finance and Administration Committee, Human Resource Committee and the Audit committee. Each committee had an excess committee member as the membership exceeded a third of the board membership.

In the circumstances, the effectiveness of management of risk and governance of the board committee membership could not be ascertained.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as the 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 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.

Those charged with governance are 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 those public resources are applied in an effective way. In addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

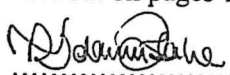
31 December, 2024

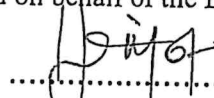
Rural Electrification and Renewable Energy Corporation
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for the year ended June 30, 2024.


14. Statement of Financial Performance for the year ended 30 June 2024

	Notes	2023-2024 Kshs'000'	2022-2023 Kshs'000'
Revenue from non-exchange transactions			
Property taxes revenue	6	-	-
Public contributions and donations	7	-	-
Levies, Fines and penalties	8	2,427,257	5,257,136
Transfers from other government Entities	9	480,000	395,390
		2,907,257	5,652,526
Revenue from exchange transactions			
Rendering of services	10	-	-
Sale of water and electricity	11	674,338	642,270
Rental revenue from facilities and equipment	12	-	-
Finance income - external investments	13	158,116	124,013
Other income	14	7,036	5,257
		839,490	771,540
Total revenue		3,746,747	6,424,066
Expenses			
Use of goods and services	15	594,343	498,689
Employee costs	16	1,894,164	1,661,512
Board Expenses	17	46,343	29,836
Depreciation and amortization expense	18	2,390,027	2,281,868
Repairs and maintenance	19	352,941	315,033
Contracted services	20	-	-
Grants and subsidies	21	-	-
Finance costs	22	-	-
Total expenses		5,277,818	4,786,937
Other gains/(losses)			
Gain/ Loss on sale of assets	23	(282,228)	-
Gain/ Loss on fair value of investments	24	-	-
Impairment loss	25	-	-
Surplus/ (deficit) before tax		(1,813,299)	1,637,129
Taxation	26	33,882	25,617
Surplus/(deficit) for the period/year		(1,847,181)	1,611,512

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


.....
CPA Davis Cheruiyot
General Manager Finance & ICT


.....
Mr. Godfrey Lemiso
Chairman of the Board

Date 30/12/2024

Date 30/12/2024

Date 30/12/2024

Rural Electrification and Renewable Energy Corporation
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15. Statement of Financial Position as at 30 June 2024

	Notes	2023-2024 Kshs'000'	2022-2023 Kshs'000'
Assets			
Current Assets			
Cash and Cash equivalents	27	7,028,483	5,006,089
Receivables from Exchange Transactions	28	543,636	793,982
Receivables from Non-Exchange Transactions	29	11,001,170	11,290,098
Inventories	30	4,242,638	3,834,957
Total Current Assets		22,815,927	20,925,125
Non-Current assets			
Property, Plant and Equipment	32	115,789,988	107,662,450
Intangible Assets	33	49,323	19,195
Investments in financial assets	31	300,000	-
Biological Assets	34	3,975	1,842
Total Non- Current Assets		116,143,285	107,683,487
Total assets (A)		138,959,213	128,608,612
Liabilities			
Current Liabilities			
Trade and Other Payables	35	3,884,207	2,367,380
Refundable Deposits from Customers	36	-	200
Current Provision	37	58,689	48,580
Deferred Income	39	280,000	280,000
Taxation	51	141,074	61,847
Total Current Liabilities		4,363,970	2,758,007
Non-Current liabilities			
National Treasury	53	13,588,909	13,605,736
Total Non- Current liabilities		13,588,909	13,605,736
Total Liabilities (B)		17,952,879	16,363,743
Net Assets (A-B)		121,006,334	112,244,869
Represented by:			
Development Reserves		60,668,073	50,074,835
Accumulated Surplus		60,284,665	62,116,438
Capital Fund		53,596	53,596
Net Assets		121,006,334	112,244,868

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


.....

CPA Davis Cheruiyot
General Manager Finance & ICT


.....

Mr. Godfrey Lemiso
Chairman of the Board

ICPAK M/No: 19351

Date 30/12/2024

Date 30/12/2024

Date 30/12/2024

Kural Electrification and Renewable Energy Corporation
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16. Statement of Changes in Net Assets for the year ended 30 June 2024

	Capital Fund Kshs(000)	Revaluation Reserve Kshs(000)	Fair value adjustment reserve Kshs(000)	Accumulated Surplus Kshs(000)	Proposed Dividends Kshs(000)	Capital Development Grants/Fund Kshs(000)	Total Kshs(000)
At July 1, 2022 (Restated)							
Issue of new share capital	53,596	-	-	74,068,442	-	45,952,289	120,074,327
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-
Capital/Development grants received during the year	-	-	-	1,611,511	-	-	1,611,511
Garissa Solar Power plant Loan recognition	-	-	-	(13,605,736)	-	4,278,319	4,278,319
Deferred Income	-	-	-	-	-	-	(13,605,736)
Over provision written back	-	-	-	42,219	-	(280,000)	(280,000)
Adjustments after audit	-	-	-	-	-	-	42,219
At June 30, 2023	53,596	-	-	62,116,436	-	50,074,835	112,244,867
At July 1, 2023							
Issue of new share capital	53,596	-	-	62,116,438	-	48,809,482	110,979,515
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-
Development grants received during the year	-	-	-	(1,847,183)	-	-	(1,847,183)
Energy Centres assets Recognition	-	-	-	-	-	7,737,732	7,737,732
Provision For bad debts written back	-	-	-	-	-	4,116,885	4,116,885
Biological Assets and Inventories- Energy Centres	-	-	-	15,410	-	-	15,410
At June 30, 2024	53,596	-	-	60,284,665	-	3,975	121,006,334

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17. Statement of Cash Flows for the year ended 30 June 2024

	2023-2024	2022-2023
	Kshs'000'	Kshs'000'
Cash flows from operating activities		
Receipts		
Levies	8,911,029	8,323,499
Government grants and subsidies	1,068,231	1,214,261
Sale of Power	978,579	308,326
Finance income	158,116	124,013
Other income	7,036	5,257
Total Receipts	11,122,992	9,975,356
Payments		
Compensation of employees	1,894,164	1,661,512
Goods and services	525,100	425,019
Rent paid	69,243	73,670
Taxation paid	712	3,732
Other payments	399,285	344,869
Total Payments	2,888,503	2,508,802
Net cash flows from operating activities	8,234,489	7,466,554
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	(6,212,094)	(6,786,776)
Proceeds from sale of property, plant and Equipment	-	-
Decrease in non-current receivables	-	-
Increase in investments	-	-
Net cash flows used in investing activities	(6,212,094)	(6,786,776)
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	2,022,394	679,778
Cash and cash equivalents at 1 July 2023	5,006,089	4,326,310
Cash and cash equivalents at 30 June 2024	7,028,483	5,006,089

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18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2024

Revenue	Revised Budget 2023/24 FY Kshs. '000'	Approved Budget 2023/24 FY Kshs. '000'	Adjustments Kshs. '000'	Final Budget 2023/24 FY Kshs. '000'	Actual on Comparable Basis Kshs. '000'	Variance Kshs. '000'	% Performance against Budget %	Remarks
		a	b	C=(a+b)	(d)	e = (c-d)	f = d/c * 100	
GOK Appropriation								
Exchange Development	2,443,000	2,965,000	175,940	3,140,940	234,000	2,906,940	7%	There are delays in Exchange disbursements from The National Treasury. Follow up with the assistance of MOE is being executed by the management.
Exchange Recurrent	180,000	180,000	300,000	480,000	480,000	-	100%	Full disbursements received from The National Treasury.
Petroleum Devr Levy	431,000	331,000	-	331,000	110,000	110,000	33%	There are delays in Exchange disbursements from The National Treasury. Follow up with the assistance of MOE is being executed by the management.
5%REP Levy (Development)	5,419,000	5,612,276	-	5,612,276	-	-	0%	This is revenue expected to be received from KPLC collection on 5% REP Levy. KPLC is yet to make disbursements relating to current year budgeted revenue.
5% REP Levy (Development)- County/Constituency Matching Fund	250,000	250,000	-	250,000	-	-	0%	This is revenue expected to be received from KPLC collection on 5% REP Levy. KPLC is yet to make disbursements relating to current year budgeted revenue.
5%REP Levy (Recurrent)	1,400,000	1,589,724	-	1,589,724	-	-	0%	This is revenue expected to be received from KPLC collection on 5% REP Levy. KPLC is yet to make disbursements relating to current year budgeted revenue.
Sub-Total GOK- Development	10,323,000	10,928,000	475,940	11,403,940	824,000	3,496,940	31%	
External Resources								
BADEA, OPEC, SAUDI, ABUDHABI	1,006,284	1,006,284	(588,853)	417,431	174,720	242,711	58%	
World Bank(KEMF)	332,000	332,000	(182,000)	150,000	135,865	14,135	9%	Budget absorption is within the expected range.
World Bank(KOSAP)	1,780,000	1,780,000	(1,380,000)	400,000	24,691	375,309	94%	Procurement process is still ongoing leading to low absorption
Sub-Total External Resources	3,116,284	3,116,284	(2,150,853)	967,431	335,277	632,154	65%	
Other Revenue								
Interest Income	150,000	150,000	-	150,000	158,116	158,116	105%	Income surpassed the target due to better negotiated interest rates from the financial institutions
Garissa Solar Power Siles	625,000	625,000	-	625,000	674,338	674,338	109%	Income surpassed the target due to increased dollar rate against the shilling.
County/Constituency Partnerships	250,000	250,000	104,231	354,231	354,231	-	100%	Income surpassed the targeted. The Corporation matching fund component to be up scaled in FY 2024/25 budget and the amount considered as first charge in FY 2024/25 budget.
Energy Centers Siles	2,500	2,500	-	2,500	635	635	25%	Energy center revenue which was to be generated from sale of tree seedlings and Jikos is not within the targeted range.
Disposal Proceeds	50,000	50,000	-	50,000	38,741	38,741	77%	Some Materials were not Quoted and some of the materials were quoted below the reserved Prices hence has to be re-tendered.
Sub-Total Other Revenue	1,077,500	1,077,500	104,231	1,181,731	1,226,063	1,226,063	104%	
Retained Earnings	2,589,620	2,589,620	-	2,589,620	2,589,620	-	100%	Bank balances brought forward from FY 2022/2023
Total Revenue	17,108,404	17,713,404	(1,570,682)	16,142,722	4,974,959	7,944,777	49%	

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Expenditure	Revised Budget 2023/24 FY	Approved Budget 2023/24 FY	Adjustments	Revised Budget 2023/24 FY	Amount Under Capital Budget	Total Budget	Amount on Comparable Basis	Variance	% of Actuals to Budget	Remarks
	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	%	
	a	b	c	$d = (a+b) - c$	e	$f = (a+b) + c$	g	$h = (e-g)$	$i = d/c \times 100$	
Salaries, Wages and Allowances	945,483	945,483	-	945,483	1,600,439	1,567,880	32,579	99% Budget absorption within expected range.	99%	Budget absorption within expected range.
Other Staff Costs	250,872	250,872	-	250,872	250,872	250,872	49,987	80% Budget absorption within expected range.	80%	Budget absorption within expected range.
Board Expenses	44,113	44,113	-	44,113	44,113	44,113	(2,230)	103% Budget absorption within the expected range.	103%	Budget absorption within the expected range.
Staff Training and Seminars	35,520	35,520	38,361	73,881	73,881	75,106	(1,226)	102% Budget fully absorbed	102%	Budget fully absorbed
Postage & Telephone	22,300	22,300	7,174	29,474	29,474	29,474	0	100% Budget fully absorbed	100%	Budget fully absorbed
General Transport/Vehicle Expenses	33,408	33,408	38,467	71,875	69,631	141,506	140,516	990	99%	Budget absorption is within the expected range.
Local Traveling	81,117	81,117	22,119	103,236	103,236	104,887	(1,651)	101% Budget fully absorbed	101%	Budget fully absorbed
Travel/Foreign	5,000	3,000	-	3,000	3,000	3,000	921	69%	69%	Low absorption is as a result of government circular freezing foreign travel.
Hospitality Expenses	10,882	12,882	2,118	15,000	15,000	14,911	89	99%	99%	Budget fully absorbed
Office Cleaning Services	10,606	10,606	4,399	15,005	15,005	15,005	0	100%	100%	Budget fully absorbed
Printing & stationery	10,045	10,045	-	10,045	10,045	17,229	(7,184)	172%	172%	Budget fully absorbed
Advocacy & Communication costs	36,514	36,514	-	36,514	36,514	23,752	12,762	65%	65%	Low absorption is as a result of government circular dated 27th March 2024. Ref. DGIRE/A/11/10 reading procurement, printing and production of Corporate wear or any other promotional materials.
Computer Maintenance and Software Costs	171,645	171,645	48,793	220,438	220,438	193,319	27,119	88%	88%	Low absorption is as a result of some licenses for SAP awaiting renewal.
Audit Expenses	3,000	3,000	-	3,000	3,000	3,000	-	100%	100%	Budget fully absorbed
Consultancy & Professional Fees	14,604	14,604	-	14,604	14,604	3,955	10,749	26%	26%	Low absorption under this vote is as a result of waiver on cost of Legal Audit and Governance Audit that is being carried out by Kenya School of Law.
Bank Charges	2,500	2,500	-	2,500	2,500	1,825	675	73%	73%	Budget absorption is within the expected range.
Corporate Social Responsibility	5,303	5,303	-	5,303	5,303	5,286	17	100%	100%	Budget absorption is within the expected range.
Rent	17,180	17,180	-	17,180	59,733	69,243	7,670	90%	90%	Budget absorption is within the expected range. Following location of Nyeri office to Hwanga Yard some costs were not absorbed.
Bases	270	270	-	270	270	-	270	0%	0%	The Corporation received quite a huge bill for the rates which was contested and negotiations are ongoing.
Repair & Maintenance	10,000	10,000	8,617	18,617	18,617	18,623	(6)	100%	100%	Budget fully absorbed
General Insurance	46,001	46,001	-	46,001	46,001	23,469	22,533	51%	51%	Budget fully absorbed
Electricity and water	26,580	26,580	3,715	30,295	30,295	30,617	(322)	101%	101%	Budget fully absorbed
Security Expenses	10,000	10,000	-	10,000	29,193	42,397	(3,394)	108%	108%	Budget fully absorbed
Subscription & Periodicals	6,303	6,303	-	6,303	6,303	2,915	3,388	46%	46%	Budget absorption is within the expected range.
Research & Development costs	8,000	8,000	1,942	9,942	9,942	9,942	0	100%	100%	Budget fully absorbed
Legal Fees	30,000	30,000	50,000	80,000	40,000	120,000	85,826	72%	72%	The costs associated to this vote are emergent in nature.
Tenders Procurement Costs	4,400	4,400	-	4,400	4,400	7,158	1,242	85%	85%	Budget fully absorbed
Energy Centers Costs	13,520	13,520	22,908	36,428	36,428	36,337	91	100%	100%	Budget fully absorbed
Relocation of Yards	5,000	5,000	-	5,000	5,000	-	5,000	0%	0%	Low absorption is as a result of not relocating to Arwa yard as has been envisaged as the works are still ongoing.
Advertisement Costs	5,603	5,603	-	5,603	5,603	3,459	2,144	62%	62%	Budget absorption is within the expected range.
Land Reclamation Costs	8,489	8,489	-	8,489	8,489	8,660	(171)	102%	102%	Budget fully absorbed
Lease Administration Costs	1,000	1,000	-	1,000	1,000	1,000	0	0%	0%	Lease registration can only be done on an original site agreement, Mombasa road landford could not provide the original site agreement which made the registration of the lease not possible.
Conferences	5,000	5,000	-	5,000	5,000	3,546	1,454	71%	71%	Low absorption is as a result of external activities sponsored by the Corporation.
Regional Meetings Coordination Support Costs	3,500	3,500	-	3,500	3,500	2,100	1,400	104%	104%	Budget fully absorbed
Mortgage and Car Loan Scheme	60,645	60,645	-	60,645	60,645	60,645	-	100%	100%	Budget absorption is within the expected range
Internal Audit Support Costs	3,000	3,000	-	3,000	3,000	2,978	22	99%	99%	Budget absorption is within the expected range
Total Recurrent Expenditure	1,972,224	1,972,224	248,613	2,220,837	837,533	3,058,370	2,857,496	200,874	93%	

19. 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.

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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 2024.*

There were no new and amended standards issued in the financial year

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

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.</p> <p>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,</p> <p>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:</p> <p>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>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>

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Standard	Effective date and impact
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

iii. *Early adoption of standards*

The Entity did not early – adopt any new or amended standards in the financial year 2024.

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.

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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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 2023-24 was approved by the National Assembly on April 2023. 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. 475,940,000 on the 2024 budget following the governing body's approval.

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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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.

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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.

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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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.

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. There were no critical estimates and significant judgments made by management in determining the expected credit loss (ECL) during the year.

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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

s) Borrowing costs

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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.

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, 2024.

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:

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. PROPERTY TAXES REVENUE

Description	2023-2024	2022-2023
	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	2023-2024	2022-2023
	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	2023-2024	2022-2023
	Kshs'000	Kshs'000
Revenue - 5% REP Levy	2,427,257	5,257,136
Total	2,427,257	5,257,136

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. (a) TRANSFERS FROM OTHER GOVERNMENTS

Description	2023-2024	2022-2023
	Kshs'000'	Kshs'000'
Unconditional grants		
Operational Loans- Foreign Governments		-
Other Grants		-
GOK Grants- Exchequer Recurrent	480,000	395,390
Total government grants and subsidies	480,000	395,390

9(b) 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	2022-2023
	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
Ministry Of Energy	480,000	-	424,000	904,000	1,180,000
Total	480,000	-	424,000	904,000	1,180,000

10. RENDERING OF SERVICES

Description	2023-2024	2022-2023
	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	2023-2024	2022-2023
	Kshs'000'	Kshs'000'
Sale of goods		
Sale of electricity	674,338	642,270
Total revenue from the sale of goods	674,338	642,270

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2023-2024 Kshs'000	2022-2023 Kshs'000
Straight-lined operating lease receipts	-	-
Contingent rentals	-	-
Total rentals	-	-

No revenue from this item

13. FINANCE INCOME – SHORT-TERM INVESTMENTS

Description	2023-2024 Kshs'000	2022-2023 Kshs'000
Cash investments and fixed deposits	158,116	124,013
Total finance income – external investments	158,116	124,013

This revenue relates to interest on deposits held with our banks

14. OTHER INCOME

Description	2023-2024 Kshs'000	2022-2023 Kshs'000
Private public partnership license	-	3,265
Insurance Refunds	176	-
Sale of Tenders	6,224	361
Revenue from Energy Centers	-	205
Total other income	7,036	5,257

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. USE OF GOODS AND SERVICES

Description	2023-2024	2022-2023
	Kshs'000'	Kshs'000'
Electricity	30,159	28,494
Water	458	560
Security	42,397	35,488
Subscriptions	2,915	3,916
Advertising & Promoting	27,211	31,111
Audit fees	3,000	3,000
Conferences and delegations	5,215	2,400
Consulting fees	3,855	17,551
Corp Social Responsibility	5,286	9,597
Fuel and oil	68,238	17,386
Insurance	23,469	65,080
Legal expenses	85,826	78,343
Research & Devt Expenses	9,942	5,037
Postage	2,747	3,818
Printing and stationery	17,229	14,579
Newspapers & Periodicals	3,200	2,170
Rental	69,243	73,670
Telecommunication	26,727	27,739
Training	75,106	30,240
Other general expenses	92,121	48,509
Total Use of Goods and Services	594,343	498,689

16. EMPLOYEE COSTS

Description	2023-2024	2022-2023
	Kshs'000'	Kshs'000'
Salaries and wages	1,154,428	1,092,117
Employee related costs - contributions to pensions and medical aids	319,286	187,237
Travel, motor car, accommodation, subsistence and other allowances	106,362	83,993
Housing benefits and allowances	302,801	293,198
Overtime payments	-	-
Performance and other bonuses	-	-
Social contributions	11,287	4,966
Total Employee costs	1,894,164	1,661,512

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. REMUNERATION OF DIRECTORS

Description	2023-2024 Kshs'000	2022-2023 Kshs'000
Chairman's Honoraria	960	960
Directors emoluments	16,729	13,354
Directors Fees	-	-
Other allowances-Local Travel and Telephone allowance	28,654	15,522
Total director emoluments	46,343	29,836

18. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2023-2024 Kshs'000	2022-2023 Kshs'000
Property, plant and equipment	2,373,380	2,268,113
Intangible assets	16,647	13,755
Investment property carried at cost	-	-
Total depreciation and amortization	2,390,027	2,281,868

19. REPAIRS AND MAINTENANCE

Description	2023-2024 Kshs'000	2022-2023 Kshs'000
Property	87,345	147,383
Vehicles	72,278	22,614
Computers and accessories	193,319	145,037
Total repairs and maintenance	352,941	315,033

20. CONTRACTED SERVICES

Description	2023-2024 Kshs'000	2022-2023 Kshs'000
Actuarial valuations	-	-
Investment valuations	-	-
Property valuations	-	-
Total contracted services	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. GRANTS AND SUBSIDIES

Description	2023-2024	2022-2023
	Kshs'000'	Kshs'000'
Community development	-	-
Education initiatives and programs	-	-
Social development	-	-
Community trust	-	-
Sporting bodies	-	-
Total grants and subsidies	-	-

22. FINANCE COSTS

Description	2023-2024	2022-2023
	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	2023-2024	2022-2023
	Kshs'000'	Kshs'000'
Property, plant and equipment	6,794	-
Intangible assets	-	-
Other assets not capitalised	(289,022)	-
Total gain on sale of assets	(282,228)	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

Description	2023-2024	2022-2023
	Kshs'000	Kshs'000
Investments at fair value	-	-
Total gain	-	-

25. IMPAIRMENT LOSS

Description	2023-2024	2022-2023
	Kshs'000	Kshs'000
Property, plant and equipment	-	-
Intangible assets	-	-
Total impairment loss	-	-

26. TAXATION

Description	2023-2024	2022-2023
	Kshs'000	Kshs'000
Tax charged on interest income	712	3,732
Current Income Tax Charge	33,170	21,885
Income tax expense reported in the statement of financial performance	33,882	25,617

27. CASH AND CASH EQUIVALENTS

Description	2023-2024	2022-2023
	Kshs'000	Kshs'000
Current account	4,353,346	2,680,645
On - call deposits	2,672,837	2,325,243
Fixed deposits account	-	-
Cash in hand	2,300	200
Total cash and cash equivalents	7,028,483	5,006,089

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Financial institution	Account number	2023-2024	2022-2023
		Kshs '000	Kshs '000
a) Current account			
Cooperative Bank	01136125016300	32,174	32,174
Standard Chartered	0106004955900	208,165	73,085
KCB Main	1103201557	168,947	15,471
KCB Development	1103201808	434,615	3
Kcb Escrow Account- Revenue	1293033375	1,389,942	411,363
Kcb Escrow Account USD	1178001539	1,991,273	1,991,274
CFC Stanbic	0100000547616	7,477	7,513
Equity Bank	0810270199897	29,568	28,933
Citi Bank	0104679006	11,817	11,817
Current Account- KEEP	01136125016301	138	142
Current Account- KEMP	01136125016302	1,102	6,049
Current Account- KOSAP	01141125016301	78,128	102,820
Sub- total		4,353,346	2,680,645
b) On - call deposits			
Held with Cooperative Bank	01150125016310	500,000	600,000
Held with Cooperative Bank- S/account	01150125016300	86,460	729,352
Held With Standard Chartered	0140004955900	20	20
Held with KCB- Fountain		5,871	5,871
KCB		590,000	990,000
Family Bank	068000031186	1,490,486	-
Sub- total		2,672,837	2,325,243
c) Fixed deposits account			
Sub- total		-	-
d) Staff car loan/ mortgage			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
e) Others(specify)			
Cash in hand (Head Office)		200	200
Cash in hand (Regions)		2,100	-
Sub- total		2,300	200
Grand total		7,028,483	5,006,089

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. RECEIVABLES FROM EXCHANGE TRANSACTIONS

28. (a)

Description	2023-2024 KShs 000	2022-2023 KShs 000
Current receivables		
Advance to vendors*	108,264	207,987
Less Provisions for Bad & Doubtful Debt	(16,484)	(31,894)
Advance to Vendors*	91,781	176,093
Interest Receivables	4,121	31,148
Prepayments- Others	1,300	1,300
Deposits- Rent	15,011	15,011
Deposits- Court Cases	55,000	55,000
Other Receivables-Sale Of Power	376,423	514,929
Deposits- Motor Vehicle Maintenance	-	500
Total current receivables	543,636	793,982

28(b)

Description	2023-2024 KShs 000	2022-2023 KShs 000
Non-current receivables		
Long term debtors	-	-
Public organizations	-	-
Less: impairment allowance	-	-
Total receivables	-	-
Current portion transferred to current receivables	-	-
Total non-current receivables	-	-
Total receivables (a+b)	543,636	793,982

29. RECEIVABLES FROM NON-EXCHANGE CONTRACTS

Description	2023-2024 KShs 000	2022-2023 KShs 000
Current receivables		
Other Accrued Revenues	10,919,838	11,277,916
Staff Advances	81,333	12,182
Total current receivables	11,001,170	11,290,098

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. INVENTORIES

Description	2023-2024	2022-2023
	Kshs' 000'	Kshs' 000'
Poles	117,939	433,103
Insulators	281,428	238,860
Conductors, Stay Blocks and Wires	683,427	530,887
Hardware line items	2,167,286	1,293,877
Transformers	483,332	739,945
Surge Diverters Circuit Breakers and Isolators	489,420	584,782
Stationery	17,973	11,541
ICT	1,833	1,833
Trees / Seedlings Energy Centers	-	129
Total inventories at the lower of cost and net realizable value	4,242,638	3,834,957

31. INVESTMENTS

Description	2023-2024	2022-2023
	Kshs' 000'	Kshs' 000'
a) Investment in Treasury bills and bonds		
Financial institution		
CBK	-	-
CBK	-	-
Sub- total	-	-
b) Investment with Financial Institutions/ Banks		
Stima Sacco/ Staff Mortgage and Car loan Scheme	300,000	
Sub- total	300,000	-
c) Equity investments (specify)		
Equity/ shares in entity xxx	-	-
Sub- total	-	-
Grand total	300,000	-

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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 investments held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding %	Indirect shareholding %	Effective shareholding %			
	%	%	%	Shs	Shs	Shs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
Entity D	-	-	-	-	-	-
	-	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings		Motor Vehicles		Furniture and fittings		Computers		Overhead Distribution Lines		Other Assets		Plant and equipment		Capital Work in progress		Total
	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)	
As at 30th June 2023	120,516	601,223	225,775	468,923	108,291,241	42,344	118,612	197,386	7,898,140	117,964,160							
Additions	-	-	-	33,297	-	15,440	37,379	-	7,457,786	7,543,902							
*Additions from Energy Centre	4,066,085	20,375	9,009	3,659	-	250	6,155	11,351	-	4,116,885							
Disposals	-	(70,338)	-	-	-	-	-	-	-	(70,338)							
Transfers/ Adjustments	-	-	-	-	3,881,452	-	-	-	(3,881,452)	-							
As at 30th June 2024	4,186,601	551,260	234,783	505,879	112,172,693	58,034	162,146	208,738	11,474,474	129,554,609							
Depreciation and impairment																	
As at 1 July 2023	(6,793)	(552,860)	(169,465)	(324,708)	(10,127,112)	(33,312)	(48,135)	(154,794)	-	(11,417,179)							
Depreciation	(676)	(21,928)	(21,586)	(75,785)	(2,264,416)	(2,667)	(23,809)	(6,912)	-	(2,417,780)							
Disposals	-	70,338	-	-	-	-	-	-	-	70,338							
NBV As at 30th June 2024	4,179,132	46,810	43,732	105,387	99,781,165	22,055	90,202	47,032	11,474,474	115,789,988							
NBV As at 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							

NOTE:

1. During the year the Corporation valued the assets from the Energy Centers Amounting to Kshs. 4.1 Billion
2. Included in the PPE is an amount approximately Kshs. 1.6 Billion which is subject to investigation

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. INTANGIBLE ASSETS-SOFTWARE

Description	2023-2024	
	Kshs'000'	Kshs'000'
Cost		
At beginning of the year (Reinstated)	417,071	417,071
Additions	46,775	-
At end of the year	463,846	417,071
Additions-internal development	-	-
At end of the year	463,846	417,071
Amortization and impairment		
At beginning of the year	(397,876)	(376,147)
Amortization	(16,647)	(21,729)
At end of the year	(414,523)	(397,876)
Impairment loss	-	-
At end of the year	(414,523)	(397,876)
NBV	49,323	19,195

34. BIOLOGICAL ASSETS

Description	2023-2024	
	Kshs'000'	Kshs'000'
Biological Assets- Energy Centres	3,975	1,842
Total	3,975	1,842

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2023-2024	2022-2023
	Kshs'000'	Kshs'000'
Trade-Creditors invoiced	2,519,489	1,030,176
Trade-Creditors not invoiced	1,364,004	1,334,790
Trade-KPLC Metre Deposits	713	713
Other Payables	-	200
Other payables-Payroll Payables	-	1,500
Total trade and other payables	3,884,207	2,367,380

36. REFUNDABLE DEPOSITS FROM CUSTOMERS

Description	2023-2024	2022-2023
	Kshs'000'	Kshs'000'
Consumer deposits	-	200
Other deposits	-	-
Total deposits	-	200

37. CURRENT PROVISIONS

Description	Gratuity	Tax provision	Audit Fees	Total
	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
Balance b/d (1.07.2023)	14,695	21,885	12,000	48,580
Additional Provisions	8,646	33,882	3,000	45,528
Less: Provision utilised	(7,534)	(21,885)	(6,000)	(35,419)
Total provisions as at 30.6.2024	15,807	33,882	9,000	58,689

38. FINANCE LEASE OBLIGATION

Description	Minimum lease payments	Future finance charges	Present value of minimum lease payments	2023-2024
	KShs	KShs	KShs	KShs
Within current year	-	-	-	-
Long term portion of lease payments	-	-	-	-
Total provisions	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

39. DEFERRED INCOME

Description	2023-2024	2022-2023
	KShs 000	KShs 000
National government	280,000	280,000
International funders	-	-
Public contributions and donations	-	-
Total deferred income	280,000	280,000

The deferred income movement is as follows:

	National government	International funders	Public contributions and donations	
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	Provision	2023-2024	2022-2023
	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:

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Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2023-2024	2022-2023
	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.

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	2023-2024	2022-2023
	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 domestic borrowings during the period	-	-
Balance at end of the period	-	-

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

Description	2023-2024 Kshs 000	2022-2023 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	2023-2024 Kshs 000	2022-2023 Kshs 000
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

43. SERVICE CONCESSION ARRANGEMENTS

Description	2023-2024 Kshs 000	2022-2023 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

	2023-2024 Kshs 000	2022-2023 Kshs 000
Surplus for the year before tax	(1,813,299)	1,633,396
Adjusted for:		
Depreciation	2,390,027	2,281,868
Non-cash grants received	-	-
Contributed assets	-	-
Impairment	16,647	21,729
Gains and losses on disposal of assets	-	-
Contribution to provisions	45,528	40,674
Contribution to impairment allowance	-	-
Finance income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	(407,681)	1,108,449
Decrease in receivables	6,486,440	3,177,521
Increase in deferred income	-	-
Increase in payables	1,516,827	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	8,234,488	8,263,638

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.

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 2024				
Receivables from exchange transactions	543,636	543,636	-	-
Receivables from non exchange transactions	11,001,170	11,001,170	-	-
Bank balances	7,028,483	7,028,483	-	-
Total	18,573,290	18,573,290	-	-
At 30 June 2023				
Receivables from exchange transactions	793,982	793,982	-	-
Receivables from non exchange transactions	11,290,098	11,290,098	-	-
Bank balances	5,006,089	5,006,089	-	-
Total	17,090,168	17,090,168	-	-

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.

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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.

(ii) Liquidity risk management (Continued)

Description	Less than 1 month	Between 1-3 months	Over 3-5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2024				
Trade payables	-	-	3,884,207	3,884,207
Current portion of borrowings	-	-	-	-
Provisions		-	58,689	58,689
Deferred income		-	280,000	280,000
Employee benefit obligation	-	-	-	-
Total	-	-	4,222,896	4,222,896
At 30 June 2023				
Trade payables	-	-	2,367,380	2,367,380
Current portion of borrowings	-	-	-	-
Provisions		-	48,580	48,580
Deferred income		-	280,000	280,000
Employee benefit obligation	-	-	-	-
Total	-	-	2,695,960	2,695,960

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the 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.

Description	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2024			
Financial assets			
Investments	-	-	-
Cash	7,028,482.89	-	7,028,482.89
Debtors	543,636.16	-	543,636.16
Total financial assets	7,572,119.05	-	7,572,119.05
Financial Liabilities			
Trade and other payables	3,884,206.94	-	3,884,206.94
Borrowings	-	-	-
Total financial liabilities	3,884,206.94	-	3,884,206.94
Net foreign currency asset/(liability)	3,687,912.11	-	3,687,912.11

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

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Description	2024		2023	
	Rs.	US\$	Rs.	US\$
At 30 June 2024				
Financial assets				
Investments				
Cash	-	-	-	-
Debtors	-	-	-	-
Total financial assets	-	-	-	-
Financial Liabilities				
Trade and other payables	-	-	-	-
Borrowings	-	-	-	-
Total financial liabilities	-	-	-	-
Net foreign currency asset/(liability)	-	-	-	-

	Change in interest rate		Interest rate
	Current rate	Interest rate	
	Rs.	US\$	Rs.
2024			
Euro	10%	-	-
USD	10%	-	-
2023			
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.

FINANCIAL RISK MANAGEMENT (Continued)

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.
- 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 2024				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	4,179,132	-	-	4,179,132
	4,179,132	-	-	4,179,132
At 30 June 2023				
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.

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FINANCIAL RISK MANAGEMENT (Continued)

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:

	2023-2024	2022-2023
	KShs	KShs
Development reserve	60,668,073	50,074,835
Retained earnings	60,284,665	62,116,438
Capital reserve	53,596	53,596
Total funds	121,006,334	112,244,868
Total borrowings	-	-
Less: cash and bank balances	7,028,483	5,006,089
Net debt/(excess cash and cash equivalents)	113,977,851	107,238,779
Gearing	0%	0%

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023-2024	2022-2023
	Kshs'000'	Kshs'000'
Transactions with related parties		
a) Sales to related parties		
Sales of services (Power)	674,338	642,270
Total	674,338	642,270
b) Grants from the Government		
Grants from National Govt	480,000	395,390
Total	480,000	395,390
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	46,343	29,836
Compensation to key management	300,000	153,369
Total	346,343	200,747

47. SEGMENT INFORMATION

The Corporation does not have independent regional operations.

48. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities	2023-2024	2022-2023
	Kshs'000'	Kshs'000'
Court case against the entity	457,584	457,584
Bank guarantees in favor of subsidiary	-	-
Total	457,584	457,584

49. CAPITAL COMMITMENTS

Capital commitments	2023-2024	2022-2023
	Kshs'000'	Kshs'000'
Authorised for	-	-
Authorised and contracted for	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	2023-2024	2022-2023
	Kshs'000	Kshs'000
Tax payable- Withheld Tax 3% Agency	10,772	8,948
Tax payable- Withheld Tax 5% Prof.fees	15,372	3,211
Tax payable- Withheld Vat (Output)	112,249	36,029
Tax payable- Withheld Tax 2% Agency	2,681	13,658
At end of the year	141,074	61,847

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	2023-2024	2022-2023
	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	-	-
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

53. RESERVES

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

54. EVENTS AFTER THE REPORTING PERIOD

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

55. 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.

56. CURRENCY

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

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20. 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. of the external audit Report	Issue / Observations from Auditor	Management comments	Focal Person to resolve the issue (Name and designation)	Resolution Status	Timeframe for completion
1.0	Unconfirmed Court Deposit	The Corporation has noted the audit query and has written to the firm of KTK Advocates to confirm the deposits of Kshs. 50 Million and the Kshs. 5 Million deposited in court	Davis Cheruiyot General Manager Finance & ICT	Ongoing	Trade and Other payables schedule provided
2.0	Unsupported Trade and Other Payables from Exchange Transactions	Management is in the process of reconciling the amounts in GR/IR accounts with a view to settling the invoiced creditors in the system	Davis Cheruiyot General Manager Finance & ICT	Ongoing	30 th June 2025
3.0	Inaccuracies in Property, Plant and Equipment				
3.1	Doubtful Training Expenditures	The purposes of the training was to provide post implementation support for the CCTV installed system	Davis Cheruiyot General Manager Finance & ICT	Ongoing	30 th June 2025
3.2	Unaccounted for Tablets	The Corporation has since written to the former Board Directors to return the tablets	Dr Rose Mkalama. CEO And Board of Directors	Ongoing	30 th June 2025
3.3	Unconfirmed Additions of the Energy Centres	The valuation exercise was undertaken and the Management is waiting the final report from the Ministry of Public Works	Davis Cheruiyot General Manager Finance & ICT	On-going	On-going
3.4	Unsupported Expenditure on Land Survey Services	The matter is still under investigation by relevant government agencies	Dr Rose Mkalama. CEO And Board of Directors	On-going	On-going

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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)
4.5	Unsupported Capital Work in Progress	Soft copy of the Capital Work in progress was provided	Davis Cheruiyot General Manager Finance & ICT	Resolved	Resolved
Basis for Conclusion					
1.0	Inadequately Insured Assets	The Assets were later added in the list of insured assets and are now fully insured	Mr. Davis Cheruiyot General Manager Finance & ICT	Resolved	30.06.2023
2.0	Unapproved Staff Harmonization	The staff harmonization process was as a result of review and approval of the human resource instrument by the State Corporations Advisory Committee	Ms. Sophia Githuku General Manager Human Resource and Administration	Resolved	Resolved
3.0	Irregular Extended Probation Period	The management has taken note of the Audit observation and in future where probationary period will require to be extended, employees will duly be informed of the board decision and valid reasons provided.	Ms. Sophia Githuku General Manager Human Resource and Administration	Resolved	Resolved
4.0	Irregular Acting Allowance	The corporation has undertaken the initiative to fill the vacant positions, and the process of recruitment is ongoing	Ms. Sophia Githuku General Manager Human Resource and Administration	Ongoing	30.06.2025
5.0	Over-Payment of NHIF Deductions	The NHIF Deductions were properly regularised	Ms. Sophia Githuku General Manager Human Resource and Administration	Resolved	28.02.2024
6.0	Abandoned Projects	the Corporation has completed the procurement and appointment of another contractor to complete the works	Mr. Wilfred Oduor Manager Supplies Chain Department	Resolved	30.06.2024

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Reference No. of the Internal Audit Report	Issue/ Observations from Auditor	Management comments	Responsible person to solve the issue (Name and designation)	Resolution	Final Report Date
7.0	Enterprise Resources Planning Purchase	Management remains dedicated to the successful implementation of the SAP S4/HANA system, employing proactive measures to address challenges and optimize project outcomes	Dr Rose Mkalama. CEO And Board of Directors	Ongoing	30.06.2025
8.0	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	Dr Rose Mkalama. CEO And Board of Directors	Resolved	30.06.2024
9.0	Unapproved Investment of Surplus Funds	The funds were deposited on call accounts and not Fixed	Mr. Davis Cheruiyot General Manager Finance & ICT	Resolved	30.06.2024
10.0	Irregular Acquisition of Community Land	REREC has initiated the process of regularizing the lands where the GENSET power stations are constructed. Internal communications between REREC and the respective County Governments supporting this regularization process are available for confirmation. REREC has completed the physical planning process of a majority of the sites to be regularized.	Dr Rose Mkalama. CEO And Board of Directors	Ongoing	30.06.2025
11.0	Wayleaves				
11.1	Wayleaves Creation and Registration	REREC'S design standards demands that power line infrastructure is designed along existing public access and road infrastructure. This	Dr Rose Mkalama. CEO And Board of Directors	Resolved	30.06.2024

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Reference No. in 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)
		means that as a Corporation, we strive to restrict our power line installation along the road reserve or public corridors. However, in doing so, we engage with the nearby abutting land owners where the power line infrastructure is being implemented purposely to seek for consent of entry into the land for the dropping of the connection into their houses or structures			
11.2	Wayleaves Compensation	Wayleaves is a right of way over the land of another. The Energy Act 2019, REREC's Design Policy and Geospatial Operational Manual outlines the manner in which wayleaves should be acquired, the nature of compensation and the manner in which the compensations is to be done, including what is to be compensated. The Corporation seeks for wayleaves through a prescribed form that provides the details and the reason for the granting of the consent. This process is not a compulsory land acquisition procedure as may have been alluded. As a corporation, we seek for grant of wayleave consent from land owners purposely to	Dr Rose Mkalama. CEO And Board of Directors	Resolved	30.06.2024

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Reference No. On the Annual Report	Issue/Objections from Auditor	Management comments	Resolution/Response (Name and Signature)	Status	Resolution Date
		connect the land owner to the utility. This is a mutual process for the benefit of the land owner who is to be connected with the utility.			
11.3	Wayleaves Consent on Succession Lands	The Energy Act of 2019 provides for the operational mechanisms for seeking for wayleaves consent for access of land. For properties where the proprietors are deceased, the administrators of the estate / present occupants are usually requested to provide access to the land for the utility to be implemented. However, before the consent is signed, the following documents including the copy of title, copy of death certificate, a search done (present times), copy of IDs, letters of administration, and confirmation that they are the rightful beneficiaries of the estate is confirmed before the wayleave consent is signed by them.	Dr Rose Mkalama. CEO And Board of Directors	Resolved	30.06.2024
11.4	Wayleaves Consent on Community Land	The process of acquiring wayleave consent from the unregistered community land involves the present occupiers, the county government, and the local administrative	Dr Rose Mkalama. CEO And Board of Directors	Resolved	30.06.2024

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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)
		authorities having a mutual meeting to agree on the corridor where the wayleave alignment is required. The current occupiers of the land are recorded with the support of the local administrative officers and their details captured for record purposes since they will be connected to the project. The consent for the implementation of the powerline is granted by the county government who are the trustees of the land on behalf of the community			
Report on the effectiveness of Internal controls, Risk management and Governance Basis for Conclusion					
1.	Excess Board Committee Membership	The issue of the composition of the Board has been noted. Since it is a requirement that Committee members shall serve for a continuous period of up to twelve (12) months, and thereafter be subject to rotation except for the National Treasury and Parent Ministry representatives, we are cognizant of the fact the Board Committees will be required to be re-constituted to ensure adherence to this directive	Dr Rose Mkalama. CEO And Board of Directors	Resolved	30.06.2024
2.	Ineffective Project Management	Project implementation timelines for projects under ideal conditions	Dr Rose Mkalama. CEO And Board of Directors	Resolved	30.06.2024

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Reference No. of the Annual Audit Report	Issue / Observations from Auditor	Management Comments	Person to resolve the issue (Name and designation)	Status (Resolved / Not Resolved)	Time taken when you resolve the issue
		<p>with a full complement of materials and 100% way-leave consent purely depend on the scope of the project. Majority of the projects implemented by REREC falls under this category. A six-month period would be sufficient to implement any kind of project by the corporation. We can therefore retain the period so as to cover any unforeseen circumstances. In addition, the master agreement covers the entire contract period of three years.</p>			

Chief Executive Officer



Date...30/12/2024.....

Chairperson of the Board

Date..........

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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 (Years)	Donor commitment K.shs. '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	8	1,013,000.00	Yes	Yes
2.KOSAP	6135KE	World Bank	7.8	3,500,000.00	Yes	Yes
3.BADEA	11/597KE	Arab Dept. Partners	11.3	5,828,101,800	Yes	Yes
4.GARISS A	GCL2015	Exim Bank	7	13,603,571.78	Yes	Yes
5.KEEP	1487KE	OPEC Fund	7.3	1,500,000.00	Yes	Yes

Status of Projects completion

No.	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	KEMP	1,013,000,000	701,709,038	82%	150,000,000	135,870,398	Loan & Grant
2	KOSAP	3,500,000,000	32,740,775	0%	400,000,000	32,740,775	Loan
3	BADEA	5,828,101,800	4,001,834,514	52%	417,430,497	280,211,399	Loan & GOK counterpart
4	GARISSA	13,603,571,781	13,603,571,781	100%	0.00	0.00	Loan
5	KEEP	1,500,000,000	1,109,159,289	72%	0.00	0.00	Loan

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APPENDIX III: INTER-ENTITY TRANSFERS

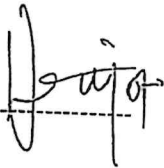
ENTITY NAME:		Rural Electrification and Renewable Energy Corporation		
Break down of Transfers from the Ministry of Energy 2023/2024 FY				
		<u>Bank Statement Date</u>	<u>Amount (KShs.)</u>	<u>FY to which the amounts relate</u>
a	Recurrent Grants	17.08.2023	15,000,000	2023/2024
		27.09.2023	15,000,000	2023/2024
		30.09.2023	15,000,000	2023/2024
		10.11.2023	15,000,000	2023/2024
		07.12.2023	15,000,000	2023/2024
		29.12.2023	15,000,000	2023/2024
		06.02.2024	15,000,000	2023/2024
		13.03.2024	15,000,000	2023/2024
		12.04.2024	15,000,000	2023/2024
		20.05.2024	15,000,000	2023/2024
		16.06.2024	15,000,000	2023/2024
		28.06.2024	315,000,000	2023/2024
		Total	480,000,000	
b	Development Grants			
		27.02.2024	234,000,000	2023/2024
			234,000,000	
c	Petroleum Development Levy from The Ministry			
		15.03.2024	110,000,000	2023/2024
		Total	110,000,000	

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

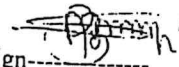
General Manager Finance & ICT
 REREC

Head of Accounting Unit
 Ministry Of Energy

Sign



Sign



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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 (Ksh)'000'	Development Reserves (Ksh)'000'	Deferred Income	Receivables	Others	Total Funds Transferred (Ksh)'000'
		Recurrent/ Development	Others							
Recurrent funds	See Appendix 3 above	Recurrent		480,000	480,000					480,000
Development Funds	See Appendix 3 above	Development		344,000		344,000				344,000
Other Transfers from Donors		Development		338,646		338,646				338,646
Total				1,162,646	480,000	682,646				1,162,646