

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 23 MAR 2023	DAY: THURSDAY
TABLED BY:	MAJORITY LEADER
CLERK-AT THE-TABLE:	

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2022**

MINISTRY OF ENERGY



KENYA OFF-GRID SOLAR ACCESS PROJECT FOR UNDERSERVED COUNTIES

MINISTRY OF ENERGY

PROJECT CREDIT NUMBER: 6135-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

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1. Project Information and Overall Performance

1.1 Name and registered office

Name

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

Objective

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

Address

The project headquarters offices are Nairobi City, Nairobi County, Kenya.

The address of its registered office is:

Ministry of Energy
KAWI Complex – South C
P. O. Box 30582-0100
NAIROBI

Contacts: The following are the project contacts

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

Project information and overall performance (continued)

1.2 Project Information

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

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Energy.
Project number	IDA CR. NO. 6135-KE
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> (i) Mini-grids for Community Facilities, Enterprises, and Households (Component 1) (ii) Standalone Solar Systems and Clean Cooking Solutions for Households (Component 2) (iii) Standalone Solar Systems and Solar Water Pumps for Community Facilities (Component 3) (iv) Implementation Support and Capacity Building (Component 4)
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <p>The implementing agencies (IAs) are the Ministry of Energy (MoE), KPLC, and REA. Components 1 and 3 are being implemented by KPLC and REREC. The MoE through a competitively selected consortium of debt and grant facility managers implements component 2. The MoE will implement Component 4 as well.</p>

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

Project Information and Overall Performance (Continued)

1.4 Bankers

The following are the bankers for the current year:

(i) Special Account

Central Bank of Kenya Ltd

Account No. 1000360739

Account No. 1000356685

(ii) Project Account

Central Bank of Kenya

Account No. 1000390824

1.5 Auditors

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

1.6 Roles and Responsibilities

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names	Title Designation	Key Qualifications	Responsibilities
Maj. Gen. (Rtd.) Dr. Gordon O. Kihlangwa, CBS	Principal Secretary	MBA,BSc,.C,Eng,MIEE R Connsul' Eng FIEX	Accounting Officer
Rodney Sultani	Project Coordinator	MSc. Project Management, BSc Civil Engineering.	Manager
CPA Moses Gitari	Senior Deputy Accountant General	MBA, (Strategic Management)	Accounting & ERD
Mr. Stephen Alexius Njue	Senior Deputy Director Budget	MBA(Finance)	Finance
Mr. Lawrence Nduva	Monitoring and Evaluation Specialist	MA Project Management	Monitoring and Evaluation

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CPA Geoffrey Tsalwa Imbayi	Financial Management Specialist	MSc. Finance, B. COM. Finance CPA (K)	Financial Management
Simeon Korir	Procurement Specialist	MBA Strategy	Procurement

1.7 Funding summary

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

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

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

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Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30 June 2022)		Undrawn balance to date	
	Donor currency (A)	Kshs (A')	Donor currency (B)	Kshs (B')	Donor currency (A)-(B)	Kshs (A)-(B)
(i) Loan						
World Bank	91,000,000	10,201,793,722	8,169,361	1,030,966,052	82,830,639	9,170,827,668
i. DA-A						
ii. DA-B	42,800,000	4,798,206,278	20,000,000	2,223,466,000	22,800,000	2,574,740,278
Total	133,800,000	15,000,000,000	28,169,361	3,254,432,052	105,630,639	11,745,567,946

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Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2022)		Cumulative amount paid to date – (30 th June 2022)	Unutilised balance to date (30 th June 2022)	
	Donor currency	Kshs		Donor currency	Kshs
(i) Loan	(A)	(A')	(B')	(A)-(B)	(A')-(B')
International Development Association	28,169,361	3,254,432,052	3,229,819,610	198,268	24,612,442
Total	28,169,361	3,254,432,052	3,229,819,610	198,268	24,612,442

Project information and overall performance (continued)

1.8 Summary of Overall Project Performance:

1.8.1 Budget performance against actual amounts for current year and for cumulative to-date

During the year under review, the project received Kshs. 257,355,767 against a final budget of Kshs. 586,000,000 and incurred a total expenditure of Kshs. 270,709,419. The projects cumulative receipts and payments Kshs. 3,254,432,052 and Kshs. 3,229,410,807 respectively as shown below:

Receipts/Payments Item	Current Year		Cumulative	
	Budget	Actual Expenditure	Budget	Actual Expenditure
Receipts				
Proceeds from borrowings	586,000,000	257,355,767	4,786,000,000	3,254,432,052
Total Receipts	586,000,000	257,355,767	4,786,000,000	3,254,432,052
Payments				
Purchase of goods and services	554,000,000	244,750,921	2,287,039,000	711,820,979
Acquisition of non-financial assets	32,000,000	25,958,499	198,961,000	47,091,757
Other grants and transfers	-		2,300,000,000	2,470,498,072
Total Payments	586,000,000	270,709,419	4,786,000,000	3,229,410,808

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

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

1.8.2.1 Mini-grids for Community facilities, Enterprises, and Households

Mini-grids for Community Facilities, Enterprises, and Households is being implemented by Kenya Power & Lighting Company (KPLC) and Rural Electrification and Renewable Energy

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Corporation (REREC): This component finances procurement of construction, operation and maintenance of mini-grids. A total of 139 mini grids will be implemented in the 12 underserved counties. The mini grids will serve 75-1,835 prospective users, with approximate total demand of 20-340kW. This component comprises two packages with eight lots under KPLC and two packages with five lots under REREC for Supply and Installation, and 10 years Operation and Maintenance (O&M) of mini-grids, with possible renewal of O&M contract period by the client.

Key Achievements

Community Engagements Exercise in support of Land Acquisition was completed in all the 12 (Mandera, Narok, Kilifi, Lamu, Kwale, Samburu, Turkana, Wajir, Garissa, Isiolo, Tana River and Marsabit Counties.

Environmental and Social Impact Assessment Consultant-Norken and Centric Africa Ltd has been on-boarded and has completed ESIA fieldwork in all the 12 counties. Draft ESIA reports have been received for review by I. A's, MOE and the Bank.

Technical committee on land has been formed to fast-track matters land. Gazettement of KOSAP sites has been approved and is set to be published in the Kenya Gazette. Land Documents for 20 Mini-grids on public and registered group ranches have been sent to NLC for processing.

The remaining documentation on unregistered Community Land has been submitted for further processing to NLC. Preparation of ARAP's TOR is in progress. Feedback has been received from the Bank and MOE is working towards incorporating the comments.

1.8.2.2 Stand-alone Solar systems and clean cooking solutions for Households

Standalone Solar Home Systems, and Clean Cooking Solutions for Households which is being implemented by the Ministry of Energy through a debt facility and a grant facility as a management contract. This component has two sub components: Sub Component 2A -

Standalone Solar Systems for households and Sub Component 2B - Clean Cooking Solutions for Households;

Key Achievements

The CCS RBF Facility recorded sales of 749 stoves this quarter. Cumulatively 7,758 stoves have been sold since 2020. The SSP RBF Facility recorded sales of 4,955 solar systems this quarter. Cumulatively 98,221 systems have been sold since 2020. Verification of the sales is ongoing. Contracts for SSP Round 1 extension and SSP Round 2 were executed

1.8.2.3 A Stand-alone solar system for community facilities

Standalone Solar Systems and Solar Water Pumps for Community Facilities to be implemented by KPLC and REREC. This component has two subcomponents: Sub-component **3A**- Standalone Solar Systems for Community Facilities which will be implemented as one package with 11 lots and Sub-component **3B**- Solar Water Pumps for Community Facilities

REREC had held discussions with the Counties on the Operations and Maintenance (O&M) aspect, upon installation of the solar pumps. It has been proposed that REREC will manage the O&M for 3 years after which transition to the Counties to manage O&M for remaining 4 years.

1.8.2.4 Implementation Support and Capacity Building

Implementation Support and Capacity Building: This component has two sub components: Sub Component 4.1- Consumer Education and Awareness and Sub-component 4.2 - Implementation Support and Capacity Building.

1.8.3 Comment on value-for-money achievements

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

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

The absorption rate for the year under review was 46% against the allocated budget of Kshs. 586,000,000.

1.8.5 List the implementation challenges and recommended way forward.

- 1) Delays in Evaluations (short listing, Technical Evaluation and Combined Evaluations) due to insufficient capacity and multiplicity of tasks by officers nominated to committees. Sometimes one or more members are not available to start the evaluation process, and when it starts, they may not be continuously available due to their engagement in their regular job roles.
- 2) The protracted process of land acquisition process led to delays in launching of bid documents.
- 3) Some of the identified/gazetted land sites were found to be at a lengthy distance from customers necessitating change of some mini-grids from Low Voltage to Medium Voltage
- 4) Low uptake of the facilities by county-based entrepreneurs- a capacity building strategy is currently under development to equip county entrepreneurs with necessary skills to participate in the funding process;
- 5) The system profiles consultant identified 473 sites 3 years ago for implementation but after the tender launch, it was noted that some of the sites are already electrified or are close to the grid. Verification and descoping exercise was done to remove sites that are already electrified or have other planned/ongoing electrification projects from the tender scope. 387 sites thus remained in the tender scope. The descoping was done in order to mitigate on contract management risks during project execution.
- 6) Insecurity in the counties has hampered the ability of companies in component 2 to establish their distribution networks and sustain sales agents. Companies have been advised to liaise with CREOs and county officials to remedy this.
- 7) The CCS RBF Facility is recording very low sales due to a variety of reasons. The KST cookstove market faces a myriad of challenges ranging from an undeveloped market yet to reach commercialization state to low willingness to buy, high transaction costs and

- companies taking longer than expected to set up sales infrastructure. At the Facility level, several operational factors have affected the performance of the Facility: (1) transaction approval timelines take much longer than expected; (2) effects of C19 and other disasters, affecting disposable incomes; (3) delayed verification of sales; (4) delayed market awareness and behaviour change campaigns. The KFM has proposed a change of approach to include community based organisations in promotion of products who will also benefit from RBF, admission of lower tier stoves to address barrier of high cost of the stoves and expansion of the facility geographical scope to cover all 14 counties, During the Bank's mission in June, a demand side subsidy was also discussed. All these options are under discussion
- 8) Land acquisition for the construction of mini-grids delayed, as the method of acquisition earlier adopted- of donation of unregistered community land- is not supported under the current legal framework. The Ministry has engaged with the World Bank and a new method of acquisition of compensation in kind has now being adopted. Through this, the Ministry will support the construction of a community project such as desilting of a water pan that has been prioritised by the community. The Ministry is in discussions with the Ministry of Lands and National Land Commission on the same matter. Further the Ministry needs to raise resources to support the required statutory fees in relations to registration of land.
- 9) Use of Country systems has led to delays occasioned by time taken to process internal approvals e.g., preparation of professional opinions
- 10) Delays in advertising of the bids for the mini grids occasioned by a new requirement by the Bank for the bid documents to include information on the Environment and Social Management Plan (ESMP) for costing by bidders. This requires that the Environment and Social Impact Assessment (ESIA) be completed before this information is available for inclusion in the bidding documents.
- 11) Poor performance of the Debt Facility. To date the debt facility has only contracted one SSP for a loan worth \$50,000. Further PAWAME has defaulted on the loan. Discussions are underway on acquisition of PAWAME to facilitate loan recovery. In the June mission with the Bank, it was agreed that the debt facility should be wound up.

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1.9 Summary of Project Compliance:

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

2. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

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

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

Project Beneficiaries

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

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

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Progress on attainment of strategic development objectives

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

Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Kenya offGrid Access Project	Mini-grids for Community Facilities, Enterprises, and Households	Impact on education	No. of people provided with new or improved electricity service	On going
		Impact on businesses	No. of enterprises provided with new or improved electricity service	On going
		Impact on businesses run by women	No. of enterprises provided with new or improved electricity service, of which headed by women	On going
	Stand-alone Solar Systems and Clean Cooking Solutions for Households	Impact on improved education to households	Households provided with new or improved electricity service	On going
		Impact on improved education to households headed by women	Households provided with new or improved electricity service, of which headed by women	On going
	Stand-alone Solar Systems and Solar Water Pumps for	Impact on improved health	Community facilities provided with new or improved electricity service	On going

	Community Facilities			
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3. Environmental and Sustainability reporting

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

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

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

The GoK has embraced electrification as a flagship endeavor with a focus on the distribution sector reaching all Kenyans with energy services by 2020. Kenya has emerged as a star in achieving progress on electrification, growing from 23 percent in 2009 to about 50 percent in

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

1. Sustainability strategy and profile

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

Kenya’s generation capacity currently stands at a comfortable 2,300 MW while peak demand reached 1,636 MW. Installed capacity grew by about 800 MW between 2010 and 2015, and the recent commissioning of 280 MW of new geothermal power in Olkaria fields expanded the contribution of renewable energy to 49 percent of total electricity generation, displacing conventional thermal generation and propelling Kenya as a global leader in renewable-based generation. Several high-voltage and medium-voltage transmission projects were recently completed or are ongoing to ensure proper evacuation of new generation projects as well as to extend power service to unconnected areas of the country. However, transmission capacity needs to be scaled up substantially to ensure quality of service delivery to the rapidly growing consumer base and to support income generation and productive growth.

2. Environmental performance

- a) The proposed project was screened by World Bank and assigned an Environmental Category B Partial Assessment, on the assumption that no major civil works will be funded and no major physical or economic displacement will take place. Four safeguard policies have been triggered for the project. They include (a) OP/BP 4.01 (Environmental Assessment); (b) OP/BP 4.04 (Natural Habitats); (c) OP/BP 4.10, (Indigenous Peoples); and (d) OP/BP 4.12 (Involuntary Resettlement).

- b) The World Bank operational policy on Environmental Assessment (OP/BP 4.01) has been triggered, due to the implementation of the activities outlined under Components 1–3. The main potential environmental impacts anticipated for the project are (a) civil works that would be limited to construction of the mini-grids in remote areas (Component 1), installation of stand-alone systems for households (Component 2), installation of solar PV for water pumping (Component 3), and construction of distribution lines to connect new customers and (b) environmental, health, and safety concerns are likely to be associated with recycling and disposal of spent batteries at the end of their useful lives, which is usually 3–5 years after deployment. Rechargeable batteries for storing solar energy may run on nickel-cadmium (Ni-Cad), nickel metal hydride (NiMH), lithium-ion (Li-ion), lead-acid (Pb-A), or lead-gel (Pb-gel). These batteries should not be disposed in standard landfills because they can create long-lasting environmental and human health impacts (for example, headaches, abdominal discomfort, seizures and comas, cancers, irritation of skin and respiratory system, burns and damage to skin and eyes, and corrosion) due largely to the heavy metals such as mercury, lead, cadmium, and nickel and acids. The entire management processes including de-manufacturing, collection, storage, recycling, transport, and disposal may present a challenge to this project and, given the scope of this World Bank operation, could result in environmental and social risks and impacts, although these impacts are reversible and localized and can be easily and cost-effectively mitigated.

- c) The operational policy on Natural Habitats (OP/BP 4.04) has been triggered, on the assumptions that the project activities under Components 1 and 3 are likely to affect the

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natural habitats through erection of poles, construction of the mini-grids, and the installation of the solar water pumping equipment.

3. Market place practices-

a) Responsible Supply chain and supplier relations-

Procurement undertaken in compliance with WB Procurement Regulations as per Section 3.7 of the regulations are as follows;

- a. Provide timely and sufficient information to Bidders/Proposers/Consultants, including through the Notification of Intention to Award and debriefing, so that Bidders/Proposers/Consultants can both understand the basis for the Borrower's decision and make an informed decision on whether to lodge a Complaint challenging that decision.
- b. Promptly acknowledge Complaints received;
- c. Resolve Complaints promptly and fairly;
- d. Preserve the confidentiality and proprietary information of other Applicants/Bidders/Proposers/Consultants, including commercial and financial information and trade secrets as requested by the Bidders/Proposers/Consultants in their Bids/Proposals;
- d. Maintain complete records of all debriefings and Complaints and their resolution;
- e. For contracts subject to prior review, inform the Bank promptly of any Complaint submitted and provide the Bank a copy of all relevant documents and information; and
- f. For contracts subject to prior review, The Client consult with the Bank promptly and forthrightly throughout the Complaint review and resolution process.

b) Responsible ethical practices

Outline efforts to maintain ethical and anti- corruption practices and responsible political involvement.

c) Regulatory impact assessment

Safeguard citizen and stakeholder's rights.

4. Community Engagements

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

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4. Statement of Project Management responsibilities

The Principal Secretary for the Ministry of Energy and the Project Coordinator for Kenya Off-Grid Solar Access Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2022.

This responsibility includes (i) Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period, (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the project, (v) Selecting and applying appropriate accounting policies and (v) Making accounting estimates that are reasonable in the circumstances.

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

The Principal Secretary for the Ministry of Energy and the Project Coordinator for Kenya Off-Grid Solar Access Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2022, and of the Project's financial position as at that date. The Principal Secretary for the Ministry of Energy and the Project Coordinator for **Kenya Off-Grid Solar Access Project** further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary for the Ministry of Energy and the Project Coordinator for **Kenya Off-Grid Solar Access Project** confirm that the Project has complied fully with applicable


Kenya Off-Grid solar Access Project


Annual Report and Financial Statements for the financial year ended June 30, 2022

Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Project financial statements were approved by the *Principal Secretary* for the Ministry of Energy and the Project Coordinator for **Kenya Off-Grid Solar Access Project** on 12-9-22 2022 and signed by them.


.....
Maj. Gen (Rtd) Dr. Gordon Kihalangwa, CBS
Principal Secretary


.....
Rodney Sultani
Project Coordinator


.....
Moses Gitari
Project Accountant

ICPAK Member No: 4204

REPUBLIC OF KENYA

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HEADQUARTERS
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P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA OFF-GRID SOLAR ACCESS PROJECT FOR UNDER-SERVED COUNTIES (IDA CR.NO.6135-KE) FOR THE YEAR ENDED 30 JUNE, 2022 - MINISTRY OF ENERGY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Off-Grid Solar Access Project for Underserved Counties set out on pages 1 to 22, which comprise of the

Report of the Auditor-General on Kenya Off-Grid Solar Access Project for Under-Served Counties (IDA Cr.No.6135-Ke) for the year ended 30 June, 2022 - Ministry of Energy

statement of financial assets as at 30 June, 2022, statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Off-Grid Solar Access Project for Underserved Counties as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No.6135-KE dated 5 September, 2017, between the International Development Association (IDA) and the Republic of Kenya and the Public Finance Management Act, 2012.

In addition, the special accounts statement presents fairly the special accounts transaction, and the closing balance has been reconciled with the books of account.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Off-Grid Solar Access Project for Underserved Counties Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects receipts budget and actual on comparable basis of Kshs.586,000,000 and Kshs.257,355,767 respectively resulting in underfunding of Kshs.328,644,233 or 56 % of the budget. The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

2. Project Implementation Status

According to the Project's monitoring and evaluation progress report and the annual work plan, the project was behind schedule considering that the expected completion date was agreed to be 30 June, 2023 and significant work still remains to be done. According to the Management, the delay was attributable to slow implementation of components 1, 2 and 3 of the projects by Kenya Power and Lighting Company PLC, Rural Electrification and Renewable Energy Corporation and key facility managers which in turn affected the overall performance of the project.

Under the circumstances, the Project may not be completed as planned, and may lead to delayed service delivery to the public and cost overruns.

Other Information

The Project Management are responsible for the other information, which comprises the statement of performance against project's predetermined objective, statement of environmental and sustainability reporting and the statement of project management's responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Partial Payment of Tax on Undisclosed Pending Bills

During the year under review, an amount of Kshs.38,022,541 was paid to Kenya Revenue Authority (KRA) as partial settlement of withholding tax due to a consultant, an International Development Organization, following an assessment against the Project of Kshs.88,669,239, in respect to a result based financing and debt facilities management consultancy services.

Review of the contract between the Ministry of Energy and the consultant revealed that the consultant was required to submit for remuneration and reimbursement, an itemized quarterly statement and invoices to the Project Management. However, the consultant did not submit invoices as at 30 June, 2022. A letter from the consultant to Principal Secretary in March, 2020 indicated that during negotiation for the services, it had been disclosed that the consultant was governed by a Host Country Agreement which exempted them from income taxes, a position disputed by the National Treasury.

Further, the consultant sought clarification from the Ministry of Foreign affairs on treatment of Project related taxes, further delaying issuance of invoices. As at the time of KRA's assessment and payment of partial taxes, the matter had not been resolved, and no payment had been made to the consultant. In addition, no pending bills were disclosed in the financial statements.

Under the circumstances, the basis of the assessment and the partial payment of the taxes could not be confirmed.

2. Non-Compliance to Loan Disbursement Guidelines

Review of the Project's operations revealed that the implementation of the project commenced in the year 2019. However, as 30 June, 2022, which was approximately three years after commencement, no subsidiary agreement between the recipient of the funds and the implementation entities had been signed as required by the Financing Agreement.

In the circumstances, Management did not comply with terms of the financing agreement.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance on whether effective processes and systems of internal control, risk management and overall governance, were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Project monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships

and other matters which may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

14 December, 2022


6. Statement of Receipts and Payments for the year ended 30th June 2022.

		2021/2022	2020/2021	
	Note	Receipts and payments controlled by the entity	Receipts and payment controlled by the entity	Cumulative to-date (From inception)
		KShs	KShs	KShs
RECEIPTS				
Loan from external development partners	11.1	257,355,767	393,973,313	3,254,432,052
TOTAL RECEIPTS		257,355,767	393,973,313	3,254,432,052
PAYMENTS				
Purchase of goods and services	11.2	256,519,706	153,719,858	723,589,764
Acquisition of non-financial assets	11.3	14,598,514	-	35,731,772
Other grants and transfers and payments		-	-	2,223,466,000
Transfers to Other Government Entities	11.4	-	247,032,072	247,032,072
TOTAL PAYMENTS		271,118,219	400,751,930	3,229,819,610
(DEFICIT)/SURPLUS		(13,762,453)	(6,778,617)	24,612,442

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



Maj. Gen (Rtd) Dr. Gordon Kihalangwa, CBS
Principal Secretary



Rodney Sultani
Project Coordinator



Moses Gitari
Project Accountant

ICPAK Member No: 420

Kenya Off-Grid solar Access Project

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7. Statement of Financial Assets as at 30th June 2022

Description	Note	2021-2022	2020-2021
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	11.5	24,612,442	38,374,895
Total Cash and Cash Equivalents		24,612,442	38,374,895
TOTAL FINANCIAL ASSETS		24,612,442	38,374,895
REPRESENTED BY			
Fund balance b/fwd	11.6	38,374,895	45,153,512
(Deficit)/Surplus for the year		(13,762,453)	(6,778,617)
Prior Year adjustment		-	-
NET FINANCIAL POSITION		24,612,442	38,374,895

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 12-9-22 2022 and signed by:

.....

 Maj. Gen (Rtd) Dr. Gordon Kihalangwa, CBS
 Principal Secretary

.....

 Rodney Sultani
 Project Coordinator

.....

 Moses Gitari
 Project Accountant

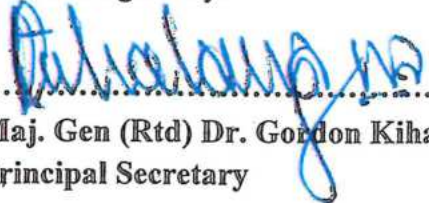
ICPAK Member No: 4204


Kenya Off-Grid Solar Access Project
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8. Statement of Cashflow for the year ended 30th June 2022

		2021-2022	2020-2021
	Note	KShs	KShs
CASHFLOW FROM OPERATING ACTIVITIES			
Payments for operating activities			
Purchase of goods and services	11.2	(256,519,706)	(153,719,858)
Other grants and transfers and payments	11.4		(247,032,072)
Decrease in accounts Receivables		-	-
Prior adjustment		-	-
Net cash flow used in operating activities		(256,519,706)	(400,751,930)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of non-financial Assets	11.3	(14,598,514)	-
Net cash flows used in Investing Activities		-	-
CASHFLOW FROM FINANCING ACTIVITIES			
Proceeds from Foreign Borrowings	11.1	257,355,767	393,973,313
Net cash flow from financing activities		257,355,767	393,973,313
Net Increase in Cash and Cash Equivalent		(13,762,453)	(6,778,618)
Cash and cash equivalent at BEGINNING of the year		38,374,895	45,153,512
Cash and cash equivalent at END of the year	11.5	24,612,442	38,374,895

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 12-9-22 2022 and signed by:

.....

Maj. Gen (Rtd) Dr. Gordon Kihalangwa, CBS
Principal Secretary

.....

Rodney Sultani
Project Coordinator

.....

Moses Gitari
Project Accountant

ICPAK Member No: 4204

Kenya Off-Grid Solar Access Project
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**Kenya Off-Grid solar Access Project
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9. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2022

Receipts/Payments Item	Original Budget		Adjustments	Final Budget <i>c=a+b</i>	Actual on Comparable Basis <i>d</i>	Budget Utilization Difference <i>e=c-d</i>	% Utilization <i>f=d/c %</i>
	<i>a</i>	<i>b</i>					
Receipts							
Proceeds from borrowings	2,000,000,000	(1,414,000,000)		586,000,000	257,355,767	328,644,233	44%
Total Receipts	2,000,000,000	(1,414,000,000)		586,000,000	257,355,767	328,644,233	44%
Payments							
Purchase of goods and services	1,780,000,000	(1,226,000,000)		554,000,000	256,519,706	297,480,294	46%
Acquisition of non-financial assets	220,000,000	(188,000,000)		32,000,000	14,598,514	17,401,486	46%
Total Payments	2,000,000,000	(1,414,000,000)		586,000,000	271,118,220	314,881,780	46%

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


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Maj. Gen (Rtd) Dr. Gordon Kihalangwa, CBS
Principal Secretary


.....
Rodney Sultani
Project Coordinator


.....
Moses Gitari
Project Accountant

ICPAK Member No: 4204

10. Significant Accounting Policies

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

10.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

10.2 Reporting entity

The financial statements are for Project Kenya Off-Grid Solar Access Project under the State Department of Energy as required by Section 81 of the PFM Act, 2012 .

10.3 Reporting currency

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

10.4 Recognition of receipts

The project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

i) Transfers from the Exchequer

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

ii) External Assistance

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

Significant Accounting Policies (Continued)

iii) Other receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements at the time associated cash is received.

iv) Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

v) Proceeds from borrowing

Borrowing includes external loans acquired by the Project or any other debt the Project may take and will be treated on cash basis and recognized as a receipt during the year they were received.

vi) Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary.

10.5 Recognition of payments

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

i) Compensation to employees

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

Significant Accounting Policies (Continued)

ii) Use of goods and services

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

10.6 In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

Significant Accounting Policies (Continued)

10.7 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.

10.8 Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

10.9 Imprests and Advances

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

10.10 Contingent Liabilities

A contingent liability is:

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

a) A present obligation that arises from past events but is not recognised because:

Significant Accounting Policies (Continued)

- i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- ii) The amount of the obligation cannot be measured with sufficient reliability.

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Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

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

Annex 5 of this financial statement is a register of the contingent liabilities in the year.

10.11 Contingent Assets

The Ministry of Energy 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 Ministry of Energy 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.

10.12 Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

Significant Accounting Policies (Continued)

10.13 Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation. A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex 1 to these financial statements.

10.14 Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties' column in the statement of receipts and payments. No direct payments were done during the year.

10.15 Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

Kenya Off-Grid Solar Access Project
Annual Report and Financial Statements for the financial year ended June 30, 2022

Significant Accounting Policies (Continued)

10.16 Comparative figures

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

10.17 Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2022.

10.18 Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). No pror year adjustments.

11. Notes to the Financial Statements

Notes to the Financial Statements (Continued)

1. Loan from External Development Partners

During the financial period to 30 June 2022, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Name of Donor	Date received	Amount in	Loans	Total amount in KShs	
		loan currency	received in cash	2021/22	2020/21
		EUR	KShs		
Loans Received from Multilateral Donors (International Organisations)					
International Development Association	14/09/2021	1,153,540	147,919,533	147,919,533	110,868,972
International Development Association	14/04/2022	867,171	109,436,234	109,436,234	146,941,241
International Development Association		-	-	-	136,163,100
Total		2,020,711	257,355,767	257,355,767	393,973,313

Kenya Off-Grid Solar Access Project
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Notes to the Financial Statements (Continued)

2. Purchase of Goods and Services

Description	2021/22	2020/21	Cumulative to-date
	Kshs	Kshs	KShs
Domestic travel and subsistence	15,427,692	21,267,303	72,791,734
Printing, advertising and – information supplies & services	662,360	2,390,711	3,202,747
Training payments	26,743,953	-	67,127,220
Hospitality supplies and services	1,453,364	863,314	11,908,550
Other operating payments	212,232,337	129,198,530	568,559,513
Total	256,519,706	153,719,858	723,589,764

3. Acquisition of Non-Financial Assets

	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Cumulative to-date
	2021-2022			2020-2021	
	Kshs.	Kshs.	Kshs	Kshs	Kshs
Purchase of office furniture & general equipment	13,644,669	-	13,644,669	-	23,511,891
Research, studies, project preparation, design & supervision	953,845	-	953,845	-	12,219,880
Total	<u>14,598,514</u>	<u>≡</u>	<u>14,598,514</u>	<u>≡</u>	<u>35,731,771</u>

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Notes to the Financial Statements (Continued)

4. Transfers to other Government Entities

During the financial period to 30 June 2022, we transferred funds to reporting government entities as shown below:

	2021/22	2020/21	
	Total Payments	Total Payments	Cumulative to-date
			KShs
Transfers to National Government entities			
Rural Electrification and Renewable Energy Corporation (REREC) – KOSAP project account	-	110,868,972	110,868,972
Kenya Power and Lighting Company - KOSAP Project account	-	136,163,100	136,163,100
TOTAL	=	<u>247,032,072</u>	<u>247,032,072</u>

5. Cash And Cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Central Bank of Kenya [A/c No 1000390824] 11.A	24,612,442	38,374,895
Total	<u>24,612,442</u>	<u>38,374,895</u>

The project has Three (3) number of project accounts spread within the project implementation area and two (2) number of foreign currency designated accounts managed by the National Treasury as listed below:

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11. A Bank Accounts

Project Bank Accounts

Details	2021-2022	2020-2021
	Kshs	Kshs
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No 1000390824]	24,612,442	38,374,895
Total bank account balances	<u>24,612,442</u>	<u>38,374,895</u>

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Notes to the Financial Statements (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2022 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below are the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

Description	2021-2022	2020-2021
	Kshs	Kshs
(i) A/C Name [A/c No. 1000360739]		
Opening balance	149,939,259	366,887,542
Total amount deposited in the account	281,043,500	177,025,030
Total amount withdrawn (as per Statement of Receipts & Payments)	(257,355,767)	(393,973,313)
Closing balance (as per SDA bank account reconciliation attached)	<u>173,626,992</u>	<u>149,939,259</u>
(ii) A/C Name [A/c No. 1000356685]		
Opening balance (as per the SDA reconciliation)	71,765,452	-
Total amount deposited in the account	49,389,223	71,765,452
Total amount withdrawn (as per Statement of Receipts & Payments)	=	=
Closing balance (as per SDA bank account reconciliation attached)	<u>121,154,675</u>	<u>71,765,452</u>

Kenya Off-Grid Solar Access Project
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Notes to the Financial Statements (Continued)

6. Fund Balance Brought Forward

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts	38,374,895	45,153,312
Total	38,374,895	45,153,512

**Kenya Off-Grid Solar Access Project
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12. Other Important Disclosures

Other Important Disclosures (Continued)

1. External Assistance

Description	2021-2022		2020-2021	
	Kshs	Kshs	Kshs	Kshs
External assistance received as loans	257,355,767		393,973,313	
Total	257,355,767		393,973,313	

a). External assistance relating loans and grants

Description	FY 2021/2022		FY 2020/2021	
	Kshs	Kshs	Kshs	Kshs
External assistance received as loans	257,355,767		393,973,313	
Total	257,355,767		393,973,313	

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Other Important Disclosures (Continued)

b) Undrawn external assistance

Description	Purpose for which the undrawn external assistance may be used	FY 2021/2022 Kshs	FY 2020/2021 Kshs
Undrawn external assistance - loans		11,745,567,946	11,678,902,623
Total		11,745,567,946	11,678,902,623

c) Classes of providers of external assistance

Description	FY 2021/2022 Kshs	FY 2020/2021 Kshs
International assistance organization	257,355,767	393,973,375
Total	257,355,767	393,973,375

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e Purpose and use of external assistance

Payments made by third parties	FY 2021/2022	FY 2020/2021
	Kshs	Kshs
Use of goods and services	256,519,706	153,719,858
Transfers to other Government entities	-	247,032,072
Acquisition of assets	14,598,514	-
Total	271,118,219	400,751,930


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Other Important Disclosures (Continued)

13. Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	Project Performance	The Management had indicated that project performance has been caused by the long process in the Land acquisition and Covid-19 pandemic	Resolved	


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Principal Secretary


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Rodney Sultani
Project Coordinator

Kenya Off-Grid Solar Access Project

Annual Report and Financial Statements for the financial year ended June 30, 2022

14. Annexes

Annex1 - Variance explanations - Comparative Budget and Actual amounts for FY 2021-2022

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Proceeds from borrowings	586,000,000	257,355,767	328,644,233	44%	Low expenditures led to low requisition of funds
Total Receipts	586,000,000	257,355,767	328,644,233	44%	
Payments					
Purchase of goods and services	554,000,000	256,519,706	297,480,294	46%	This is due to Covid Restrictions, long procurement processes due to the clearance of the World Bank and environmental issues
Acquisition of non-financial assets	32,000,000	14,598,514	17,401,486	46%	long procurement processes due to the clearance of the World Bank
Total payments	586,000,000	271,118,220	314,881,780	46%	

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Annex 2 – Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2021/22 (a)	Donations in form of assets (KShs) 2021/22 (b)	* Purchases/ Additions in the Year (KShs) 2021/22 (c)	** Disposals in the Year (KShs) 2021/22 (d)	Transfers in/(out) Kshs 2021/22 (d)	Closing Cost (KShs) 2021/22 (e)= (a)+ (b)+c)-(d)+(-)d
Office equipment, furniture and fittings	7,954,199	-	-	-	-	7,954,199
ICT Equipment,	1,913,023	-	13,644,669	-	-	15,557,692
Work in Progress	11,266,035	-	953,845	-	-	12,219,880
Total	21,133,258	-	14,598,514	-	-	35,731,771

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Annex 3: Other Support Documents

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2022
- iii. Board of Survey Report

