

REPUBLIC OF KENYA



**REPORT**

**OF**

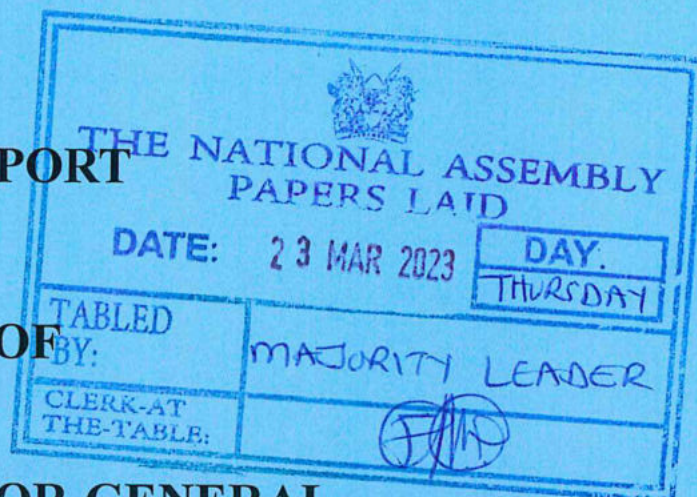
**THE AUDITOR-GENERAL**

**ON**

**KENYA DEVELOPMENT OF SOLAR  
POWER PLANT IN GARISSA PROJECT  
(GCL NO.2015(10))**

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

**RURAL ELECTRIFICATION AND  
RENEWABLE ENERGY CORPORATION**









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**50MW SOLAR POWER PLANT IN GARRISA PROJECT**

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**RURAL ELECTRIFICATION AND RENEWABLE ENERGY  
CORPORATION**

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**PROJECT CREDIT NUMBER GCL2015 (10)**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

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**JUNE 30, 2022**

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*50MW Solar Power Plant In Garissa Project*  
*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:** 50MW Solar Power Plant In Garissa Project

**Objective:** The key objective of the project are:

1. To promote development and use of renewable energy technology
2. To replace the costly power from the Garissa Diesel Power Station being managed by Kenya Electricity Generating Company Limited
3. To offer voltage and grid support to areas in the North Eastern parts of the country

The project headquarters offices are in Nairobi, Kenya

The address of its registered office is:

Kawi House, Red Cross Road,  
P.O Box 34585 – 000100,  
Telephone: (254) 2341400, 2710955,  
E-mail: [info@rea.co.ke](mailto:info@rea.co.ke),  
Website: [www.rea.co.ke](http://www.rea.co.ke)

### 1.2 Project Information

Project Start Date:	The project start date is 21 <sup>st</sup> August 2015
Project End Date:	The project end date is 20 <sup>th</sup> August 2022
Project Coordinator:	The project coordinator is Eng. Jonathan Mbutu
Project Sponsor:	The project sponsor is China Exim Bank, through the National Treasury

### 1.3 Project Overview

Line Ministry	The project is under the supervision of the Ministry Of Energy.
Project number	GCL2015(10)
Strategic goals of the project	The strategic goals of the project are as follows: (i) To increase access to safe and sustainable electricity towards the realisation of country's economic blueprint, vision 2030 (ii) Renewable Energy Development Planning and Energy Sector Development Direction (iii) Regional Sustainable Development

**50MW Solar Power Plant In Garissa Project**  
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	(iv) Reliability and energy mix in generation (v) Environmental & Ecological sustainability
Achievement of strategic goals	1. To replace the costly power from Garissa Diesel Power Station being managed by Kenya Electricity Generating Company Limited 2. To offer voltage and grid support to the northern frontier counties and reduce cost of electricity while boosting reliability
Other important background information of the project	As of 2010, total installed generation capacity in Kenya was 1429MW and power demand was projected to reach 2500MW and 15000MW by 2015 and 2030 respectively. Upon completion, the plant was projected to generate 76.473GWh meeting demand of 70000 households in Kenya-equivalent to 50% of Garissa town.
Current situation that the project was formed to intervene	High cost of thermal generation (Garissa Diesel Power Station) to support the energy needs of Garissa town and its environs
Project duration	7 years

#### 1.4 Bankers

The following are the bankers for the current year:  
 Co-operative Bank,  
 Nairobi Business Centre Branch,  
 Account No. 01136125016303,  
**Nairobi.**

#### 1.5 Auditors

The project is audited by the:

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



## PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

### 1.6 Roles and Responsibilities

Names and contact details	Title designation	Key Qualifications	Responsibilities
Eng. Jonathan Mbutu	Project Coordinator from May 2020	Mechanical and Electrical Engineer	Overall coordination of Project activities
Caroline Kamau 0724517005 ckamau@rea.co.ke	Project Accountant	Bsc Admin(Accounting), C.P.A (K)	<ul style="list-style-type: none"> <li>Preparation of Financial Reports for the project</li> <li>Process of project-related payments</li> </ul>
China Exim Bank and Government			<ol style="list-style-type: none"> <li>Project sponsors</li> <li>Review and approving the projects withdrawal applications, no objection requests, annual work plan and budget, expenditure category reallocation request.</li> </ol>
The Ministry Of Energy			<ol style="list-style-type: none"> <li>Ensures Project's budget is captured in its development Projects</li> <li>Disburse the government counterpart funding.</li> <li>Review and track the Project's annual work plan and budget against the set targets and makes the approvals.</li> <li>Oversee the execution of the project coordinating team.</li> </ol>
The Auditor			<ol style="list-style-type: none"> <li>Mandated to audit all national government entities, which include government development projects</li> </ol>

*50MW Solar Power Plant In Garissa Project*  
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			and present these statutory financial statements to the Parliament.
			2. Facilitate submission of the audited report to the project's sponsors by 31 December each year.

### 1.7 Funding summary

The Project is for duration of Seven (7) years 2015 to June 2022. The total project Cost is US\$ 135,784,014 equivalent to Kshs. 13,578,410,400 as highlighted in the table below:

**50MW Solar Power Plant In Garissa Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2022**

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

Below is the funding summary:

**A. Source of Funds**

Source of funds	Donor Commitment-		Amount received to date (30.06.2022)		Undrawn balance to date (30.06.2022)	
	USD (A)	Kshs (A')	USD (B)	Kshs (B')	USD (A)-(B)	Kshs (A')-(B')
<b>(i) Loan</b>						
China Exim Bank	135,784,014	13,578,401,400	127,478,034	13,385,625,939	8,861,281	114,374,061
<b>(ii) Counterpart funds</b>						
Government of Kenya	-	-	-	-	-	-
<b>Total</b>	<b>135,784,014</b>	<b>13,578,401,400</b>	<b>127,478,034</b>	<b>13,385,625,939</b>	<b>8,861,281</b>	<b>114,374,061</b>



**50MW Solar Power Plant In Garissa Project**  
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**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**B. Application of Funds**

Application of funds	Amount received to date – (30 <sup>th</sup> June 2022)		Cumulative amount paid to date – (30 <sup>th</sup> June 2022)	Unutilised balance to date (30 <sup>th</sup> June 2022)	
	Donor currency EURO (A)	Kshs (A')	Kshs (B')	Donor currency (A)-(B)	Kshs (A')-(B')
<b>(i) Loan</b>					
China Exim Bank	127,478,034	13,385,625,939	13,385,625,939	-	-
<b>(ii) Counterpart funds</b>					
Government of Kenya	-	-	-	-	-
<b>Total</b>	<b>127,478,034</b>	<b>13,385,625,939</b>	<b>13,385,625,939</b>	<b>-</b>	<b>-</b>

## PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

### 1.8 Summary of Overall Project Performance:

- i) Budget performance against actual amounts for current year and for cumulative to-date,
- ii) Physical progress based on outputs, outcomes, and impacts since project commencement,
- iii) Comment on value-for-money achievements,
- iv) Indicate the absorption rate for each year since the commencement of the project.
- v) List the implementation challenges and recommended way forward.

#### i) Budget performance against actual amounts for current year and for cumulative to-date,

During the year under review, the project received Kshs. Nil against a final budget of Kshs. Nil and incurred a Nil expenditure against a budget of Kshs. Nil. The projects' cumulative receipts and payments are Kshs. 13,385,625,939 and Kshs 13,385,625,939 respectively.

#### ii) Physical progress based on outputs, outcomes, and impacts since project commencement,

Activities planned for the reporting period	Activity Implementation Status	Narration
Preparation of projects designs	Designs and surveying of projects	Completed
Recruitment of Consultant for the project done	To supervise the construction of solar project	Completed
Recruitment of Construction contractor	Preparation of bid, advertisements, opening of bids, evaluation of bids and awards of jobs	Completed
Submissions of bonds and guarantees	For the project	Completed
Site and design files handling	For the project	Completed

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over		
Payment of advance	For materials both local and foreign	Completed
Factory Acceptance Tests	For materials already completed was done virtually	Completed
Delivery of materials	For the solar power plant	Completed
Construction of the 50MW solar plant	For the 5 Lots-awarded	Completed

**iii) Comment on value-for-money achievements**

The project was completed and commissioned in November 2018. It is operational and the power produced by the plant is connected to the grid. The intended purpose of the project was achieved and revenue generated being channelled towards repayment of the loan.

**iv) Absorption rate for each year since the commencement of the project.**

The accumulated absorption rate is 98% compared to the disbursement plan this was due to low budget allocation granted by the National Treasury. As at to date the financiers have disbursed USD 127,478,034 against a commitment of USD 135,784,014.

**v) Implementation challenges and recommended way forward.**

- a) The project implementation was delayed due to inadequate allocation of funds in the financial year 2018/2019. Continued lack of allocation has given rise to pending bills.
- b) The project is facing a land ownership problem with the community. This can be resolved by involvement of lands boards.

**1.9 Summary of Project Compliance:**

There were no significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants.



## **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 2015-2022 plan are to:

- (i) To increase access to safe and sustainable electricity towards the realisation of country's economic blueprint, Vision 2030
- (ii) Renewable Energy Development Planning and Energy Sector Development Direction
- (iii) Regional Sustainable Development
- (iv) Reliability and energy mix generation
- (v) Environmental & Ecological sustainability

### **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:

*50MW Solar Power Plant In Garissa Project**Annual Report and Financial Statements for the financial year ended June 30, 2022*

Project	Objective	Outcome	Indicator	Performance
50 MW Solar Power Plant in Garissa	1.To promote development and use of renewable energy technology	Connection to national grid	Power generated using renewable energy	334,865.13 Power generated in the 2021/2022 FY
	2.To replace the costly power from the Garissa Diesel Power Station			
	being managed by Kenya Electricity Generating Company Limited.			
	2.To offer voltage and grid support to the areas in the North Eastern parts of the country			

### **3. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The project exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

#### **1. Sustainability strategy and profile**

The Corporation is committed to promoting sustainable environmental management and utilization of natural resources to generate socio-economic benefits. Measures were put in place in 2019/2020 to ensure sustainable energy resource management. Among them include: Implementation of the Energy Act 2019 through development and review of various regulations (in draft form) that guides on sustainable utilization of energy resources; Formulation of Kenya Energy Efficiency and Conservation Strategy and Bio-energy strategy (which aims to promote the development and utilization of bio-energy resources in Kenya in a sustainable manner) both of which are at draft stage; among others. Other strategies put in place include protection of riparian land and reforestation of hydro dam catchment areas through direct involvement and also supply of seedlings to the communities living in project areas.

#### **2. Environmental performance**

The project was screened by the Corporation through a consultant procured for Environmental Impact Assessment and accepted.

#### **3. Employee welfare**

The policies that guides the Corporation on recruitment includes: PSC Recruitment and Selection policy; Delegation of PSC HRM Functions to the Cabinet Secretary, July 2018; Framework for Short Term Employment in the Public Service, May 2019 and Human Resources Policies and Procedures Manual for the Public Service, May 2016. This enabled the Corporation to promote common cadre under the delegated powers as guided by the policy taking into consideration gender and regional balance.

For skills improvement and career progression the Corporation is guided by Human Resource Development Policy for the Public Service, June 2015 and Guidelines on



Managing Training in the Public Service. This enabled the Corporation to conduct individual training programmes required for career progression/promotion and those required in the Schemes of Service for various cadres and also group trainings for various cadres.

The Corporation ensured that all staff were put on Performance Appraisal System (PAS) as guided by guidelines for Implementation of Performance Reward and Sanctions in the Public Service and also Performance Rewards and Sanctions framework.

The Corporation has developed its own Occupational Safety and Health Policy with reference to the Occupational Safety and Health, ACT of 2007. A Corporation Committee on Occupational Safety and Health is in place which ensures adherence to OSHA and safety and security of the staff and Corporation properties.

#### **4. Market Place Practices**

##### **a) Responsible Supply chain and supplier relations-**

Procurement undertaken in compliance with the financiers Procurement Regulations as per Section 3.7 of the regulations.

##### **b) Responsible ethical practices**

Ensuring suppliers are given sufficient time to respond. Provide extensions in even of clarifications lead to substantial changes to bidding documents.

##### **c) Regulatory impact assessment**

We have to ensure adherence to NEMA in Project implementation is undertaken and as well as pursuing “green procurement” to ensure that suppliers who value the environment are encouraged.

#### **5. Community Engagements**

The Corporation has carried out the following measures to ensure acceptance of the projects by the communities around the project area; The Ministry and its Agencies has put in place mechanism for engagement of the people during project implementation. Among them includes operationalization of Stakeholders Coordination committees and rolling out of community engagement strategy and policy.

In addition, the Corporation continued to ensure that local communities were considered for jobs during the implementation of the energy projects. Local communities were also involved during land acquisition.

#### **4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Chief Executive Officer, Rural Electrification and Renewable Energy Corporation and the Project Manager 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 ended on June 30, 2022.

This responsibility includes: maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project, designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; safeguarding the assets of the project; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Chief Executive Officer and the Project Manager for 50MW Solar Power Plant 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 (IPSA).

The Chief Executive Officer and the Project Manager for 50MW Solar Power Plant 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 ended June 30, 2022, and of the Project's financial position as at that date. The Chief Executive Officer and the Project Manager for 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.

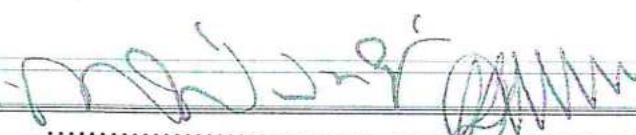
The Chief Executive Officer and the Project Manager for 50MW Solar Power Plant Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

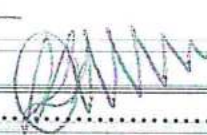


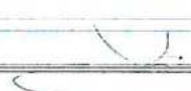
*50MW Solar Power Plant In Garissa Project*  
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**Approval of the Project Financial Statements**

The Project financial statements were approved by the Chief Executive Officer and the Project Manager for 50MW Solar Power Plant on \_\_\_\_\_ 2022 and signed by them.

  
.....  
CPA Peter Mbugua  
Chief Executive  
Officer

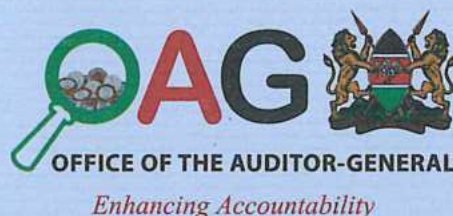
  
.....  
Eng. Jonathan Mbutu  
Project Manager

  
.....  
Caroline Kamau  
Project Accountant  
ICPAK Member No:8665



# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KENYA DEVELOPMENT OF SOLAR POWER PLANT IN GARISSA PROJECT (GCL NO.2015(10) FOR THE YEAR ENDED 30 JUNE, 2022 – RURAL ELECTRIFICATION AND RENEWABLE ENERGY CORPORATION**

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### **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**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya Development of Solar Power Plant in Garissa Project set out on pages 1 to 32, which comprise of the statement of financial assets as at 30 June, 2022, and 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

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*Report of the Auditor-General on Kenya Development of Solar Power Plant in Garissa Project (GCL No.2015(10) for the year ended 30 June, 2022- Rural Electrification and Renewable Energy Corporation*



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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Development of Solar Power Plant in Garissa Project 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. 2015(10) dated 31 August, 2015, between the Export Import Bank of China and the Government of the Republic of Kenya and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Disputed Ownership of Land for the Solar Power Plant**

Review of financial records for the Project revealed that Kshs.13,385,625,939 was incurred in the construction of a 50 MW Solar Power Plant during the financial year 2019/2020. However, the land on which the power plant is located was claimed by a Community Trust Group. Further, the group had instituted a legal suit against Rural Electrification and Renewable Energy Corporation (REREC) seeking to be compensated for the 220 acres of land.

According to Management, compensation to the affected community was to be done through the County Government of Garissa. However, the payment from the County Government was rejected by the Trust Group who sought to be compensated directly by REREC. In addition, the amount claimed by the Trust Group was not quantified.

In the circumstances, the ownership and valuation of the Solar Power Plant currently valued at Kshs.13,385,625,939 could not be confirmed.

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

### **Key Audit Matters**

Key audit matters are those matters that, in my professional 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.

## **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 matter 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.

### **Failure to Pay Pending Bills**

Note 12 to the financial statements reflects pending bill balance of Kshs.15,570,404 due to a contractor which had been brought forward from the financial year 2020/2021. Management did not explain why the pending bill was not budgeted for or paid during the year in compliance with the Treasury Circular No. 10-2020 of 16 June, 2020; Ref DGIPE/A/1/80 requiring prioritization of pending bills by State Corporations and Semi-Autonomous Government Agencies, and Section 42(1)(b) of the Finance Management Act, 2012 which requires debt service payments to form first charge.

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

### **Basis for Conclusion**

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 Project'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 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

07 December, 2022

**50MW Solar Power Plant In Garissa Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2022**

**6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2022.**

	Note	2021-2022	2020-2021	Total	Cumulative to date
RECEIPTS					
Transfer from Government entities	1	-	-	-	-
Proceeds from domestic and foreign grants	2	-	-	-	55,530,065
Loan from external development partners	3	-	-	-	-
Miscellaneous receipts	4	-	693,352,591	693,352,591	693,352,591
<b>TOTAL RECEIPTS</b>		-	693,352,591	693,352,591	748,882,656
PAYMENTS					
Compensation of employees	5	-	-	-	-
Purchase of goods and services	6	-	-	-	-
Social security benefits	7	-	-	-	-
Acquisition of non-financial assets	8	-	-	-	-
Transfers to other government entities	9	-	19,980,013	19,980,013	-
Other grants and transfers and payments	10	-	4,080	4,080	-
<b>TOTAL PAYMENTS</b>		-	19,984,093	19,984,093	-
<b>SURPLUS/DEFICIT FOR THE YEAR</b>		-	(19,984,093)	(19,984,093)	748,882,656

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

*[Signature]*

CPA Peter Mbugua  
 Chief Executive Officer

*[Signature]*

Eng. Jonathan Mbutu  
 Project Manager

*[Signature]*

Caroline Kamau  
 Project Accountant  
 ICPAK Member No: 3665





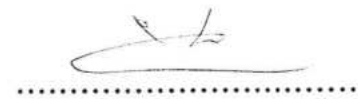
7. STATEMENT OF FINANCIAL ASSETS AS AT 30<sup>TH</sup> JUNE 2022

	Note	2021-2022 KShs	2020-2021 KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	11.A	-	-
Cash Balances	11.B	-	-
Cash Equivalents (short-term deposits)	11.C	-	-
<b>Total Cash and cash equivalents</b>		-	-
Accounts receivables – Imprest and Advances	12	-	-
<b>TOTAL FINANCIAL ASSETS</b>			
<b>FINANCIAL LIABILITIES</b>			
<b>REPRESENTED BY</b>			
Payables-Deposits and Retentions	13	-	-
Fund balance b/fwd	14	-	19,984,093
Prior year adjustments	15	-	-
Surplus/Deficit for the year		-	19,984,093
<b>NET FINANCIAL POSITION</b>			
		-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on \_\_\_\_\_ 2022 and signed by:

  
CPA Peter Mbugua  
Chief Executive officer

  
Eng. Jonathan Mbutu  
Project Manager

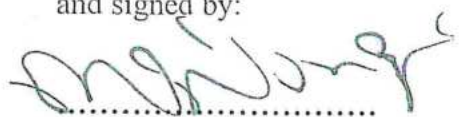
  
Caroline Kamau  
Project Accountant

ICPAK Member No:8665

8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022

Description	Note	2021-2022 KShs	2020-2021 KShs
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Transfer from Government entities	1	-	-
Proceeds from domestic and foreign grants	2	-	-
Miscellaneous receipts	4	-	-
<b>Total Receipts</b>			
<b>Payments</b>			
Compensation of employees	5	-	-
Purchase of goods and services	6	-	-
Social security benefits	7	-	-
Transfers to other government entities	9	-	19,980,013
Other grants and transfers	10	-	4,080
<b>Total Payments</b>			
<b>Adjustments during the year</b>			
Prior year adjustments	15	-	-
Decrease/ (increase) in accounts receivables	16	-	-
Increase/(decrease) in accounts payable	17	-	-
<b>Net cash flow from operating activities</b>		- -	19,984,093
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of non-financial assets	8	-	(693,352,591)
<b>Net cash flows from Investing Activities</b>		-	(693,352,591)
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from foreign borrowings	3	-	693,352,591
<b>Net cash flow from financing activities</b>		-	693,352,591
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>			
		-	(19,984,093)
Cash and cash equivalent at beginning of the Year	11	-	19,984,093
Cash and cash equivalent at end of the Year	11	-	-

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 \_\_\_\_\_ 2022 and signed by:



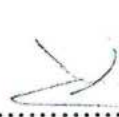
CPA Peter Mbugua

CHIEF Executive Officer



Eng. Jonathan Mbutu

Project Manager



Caroline Kamau

Project Accountant

ICPAK Member No:8665

## 9. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Final Budget	Actual on comparable basis	Budget Utilisation Difference	% of Utilisation	Comments on Variance (Below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
<b>RECEIPTS</b>					
Transfer from Government entities	-	-	-	-	
Proceeds from domestic and foreign grants	-	-	-	-	
Proceeds from borrowings	-	-	-	-	
Miscellaneous receipts	-	-	-	-	
<b>Total Receipts</b>	-	-	-	-	
<b>PAYMENTS</b>					
Compensation to employees	-	-	-	-	
Purchase of goods and services	-	-	-	-	
Social security benefits	-	-	-	-	
Acquisition of non-financial assets	-	-	-	-	
Transfers to other government entities	-	-	-	-	
Other grants and transfers	-	-	-	-	
<b>Total Payments</b>	-	-	-	-	
<b>Surplus or Deficit</b>					

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

CPA Peter Mbugua

Chief Executive Officer

Eng. Jonathan Mbutu

Project Manager

Caroline Kamau

Project Accountant

ICPAK Member No:8665



## **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 the Project 50MW Solar Power Plant Project under the National Government of Kenya. The financial statements are for the reporting entity Project 50MW Solar Power Plant 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) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:

## 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.

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

### 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 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. During the year, Kshs Nil being loan disbursements were received in form of direct payments from third parties.

### **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.

## **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). Explanations and details of these prior period adjustments are presented in note 15 of these financial statements



## 11. NOTES TO THE FINANCIAL STATEMENTS

### 1. Transfers from Government entities

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

Description	KShs	KShs	Cumulative to date (from inception)
	2021-2022	2020-2021	
Counterpart funding through Ministry of Energy	-	-	-
Counterpart funds Quarter 1			
Counterpart funds Quarter 2			
Counterpart funds Quarter 3			
Counterpart funds Quarter 4			
<b>Total (Annex 2)</b>			
<b>Other transfers from government entities</b>			
Acquisition of non-financial assets	-	-	55,530,065
<b>Total</b>	-	-	55,530,065

*“Other transfers from government entities” is not the counterpart funding which is the government’s share of contribution towards the implementation of the project as mandated by the Project Agreement.*

**50MW Solar Power Plant In Garissa Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2022**

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

**2. Proceeds From Domestic and Foreign Grants**

During the financial period to 30 June 2022, we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants Received in Cash	Grants received as direct payments	Grants Received in Kind	Total amount in Kshs	
						2020-2022	2020-2021
			KShs	KShs	KShs	KShs	KShs
Grants Received from Bilateral Donors (Foreign Governments)			-	-	-	-	-
Grants Received from Multilateral Donors (International Organisations)							
Grants Received from Local Individuals and organisations			-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-

(\* The direct payment grants represent payments for goods and services done directly by the donor on behalf of the project. Projects should ensure that the adequate documents and support document is requested from the donors to support this grant).

*50MW Solar Power Plant In Garissa Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

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

**3. 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 loan currency	Amount Received in Cash	Loan Received as Direct Payment	Total amount In Kshs	
					2021-2022	2020-2021
Loans Received from Bilateral Donors (Foreign Governments)	-	CYN	KShs	KShs		
	-	-	-	-	-	-
	-	-	-	-	-	-
Loans Received from Multilateral Donors (International Organisations)	-	-	-	-	-	-
China Exim Bank						
China Exim Corporation	-	-	-	-	-	693,352,591
<b>Total</b>	-	-	-	-	-	693,352,591



*50MW Solar Power Plant In Garissa Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

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

**4. Miscellaneous receipts**

Description	2021-2022		2020-2021		Cumulative to date (from inception)
	Receipts controlled by the entity	Receipts controlled by third parties	Total Receipts	Total Receipts	
	KShs	KShs	KShs	KShs	KShs
Property income	-	-	-	-	-
Sales of goods and services	-	-	-	-	-
Administrative fees and charges	-	-	-	-	-
Fines, penalties and forfeitures	-	-	-	-	-
Voluntary transfers other than grants	-	-	-	-	-
Other receipts not classified elsewhere	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Compensation to Employees

Description	2021-2022			2020-2021	
	Payments made by the entity in cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to date
	KShs	KShs	KShs	KShs	KShs
Basic salaries of permanent employees	-	-	-	-	-
Basic wages of temporary employees	-	-	-	-	-
Personal allowances paid as part of salary	-	-	-	-	-
Personal allowances paid as reimbursements	-	-	-	-	-
Personal allowances provided in kind	-	-	-	-	-
Pension and other social security contributions	-	-	-	-	-
Compulsory national social security schemes	-	-	-	-	-
Compulsory national health insurance schemes	-	-	-	-	-
Social benefit schemes outside government	-	-	-	-	-
Other Personal Payments	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Purchase of Goods and Services

Description	2021-2022			2020-2021	
	Payments made in cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to date
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	-	-	-	-	-
Communication, supplies and services	-	-	-	-	-
Domestic travel and subsistence	-	-	-	-	-
Foreign travel and subsistence	-	-	-	-	-
Printing, advertising and - information supplies & services	-	-	-	-	-
Rentals of produced assets	-	-	-	-	-
Training expenses	-	-	-	-	-
Hospitality supplies and services	-	-	-	-	-
Insurance costs	-	-	-	-	-
Specialised materials and services	-	-	-	-	-
Other operating payments	-	-	-	-	-
Routine maintenance - vehicles and other transport equipment	-	-	-	-	-
Routine maintenance - other assets	-	-	-	-	-
Exchange rate losses/gains (net)	-	-	-	-	-
<b>Total</b>	-	-	-	-	-



NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Social Security Benefits

Description	2021-2022			2020-2021	
	Payments made by the Entity in cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to date
	KShs	KShs	KShs	KShs	KShs
Government pension and retirement benefits	-	-	-	-	-
Social security benefits in cash and in kind	-	-	-	-	-
Employer social benefits in cash and in kind	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

50MW Solar Power Plant In Garissa Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Acquisition of Non-Financial Assets

Description	Payments made by the Entity in cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to date
		2021-2022		2020-2021	
	KShs	KShs	KShs	KShs	KShs
Works	-	-	-	693,352,591	-
Purchase of Goods	-	-	-	-	-
Total	-	-	-	693,352,591	-

**50MW Solar Power Plant In Garissa Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2022**

**Notes to the Financial Statements (Continued)**

**9. Transfers to other Government Entities**

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

Description	Payments made by the Entity in cash	Payments made by third parties	Total Payments	Total Payments 2020-2021	Cumulative to date
	KShs	KShs	KShs	KShs	KShs
Transfers to National Government entities	-	-	-	-	-
REREC	-	-	-	19,980,013	19,980,013
	-	-	-	-	-
Transfers to County Government	-	-	-	-	-
	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,980,013</b>	<b>19,980,013</b>

We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. We have attached these duly signed confirmations as an Appendix to the financial statements.



**50MW Solar Power Plant In Garissa Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2022**

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

**10. Other Grants, Transfers and Payments**

Description	Payments made by the Entity in cash	Payments made by third parties	Total Payments		Cumulative to date
			2021-2022	2020-2021	
	KShs	KShs	KShs	KShs	KShs
Bank Charges	-	-	-	4,080	4,080
<b>Total</b>	-	-	-	4,080	4,080

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 11. Cash And Cash equivalents

Description	2021-2022	2020-2021
	KShs	KShs
Bank accounts (Note 11.A)	-	19,984,093.00
Cash in hand (Note 11.B)	-	-
Cash equivalents (short-term deposits) (Note 11.C)	-	-
<b>Total</b>	<b>-</b>	<b>19,984,093.00</b>

The Project has one account spread within the project implementation area.

## 11. A Bank Accounts

Description	2021-2022	2020-2021
	KShs	KShs
<b>Foreign Currency Accounts</b>	-	-
<b>Total foreign currency Balances</b>	<b>-</b>	<b>-</b>
<b>Local Currency Accounts</b>		
Co-operative Bank of Kenya (A/c No.01136125016303)	-	-
<b>Total local currency balances</b>	<b>-</b>	<b>-</b>
<b>Total bank account balances</b>	<b>-</b>	<b>-</b>

## Project Bank Accounts

The Project has one account spread within the project implementation area.

## Special Deposit Accounts

The Project did not operate a special deposit account as at 30<sup>th</sup> June 2022.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 11 B Cash in hand

Description	2021-2022	2020-2021
	KShs	KShs
Location	-	-
<b>Total cash in hand balances</b>	-	-

## 11 C Cash equivalents (short-term deposits)

Description	2021-2022	2020-2021
	KShs	KShs
Kenya Commercial Bank	-	-
Co-Operative Bank of Kenya	-	-
Others ( <i>Specify</i> )	-	-
<b>Total cash equivalents</b>	-	-

## 12. Imprests and Advances

Description	2021-2022	2020-2021
	KShs	KShs
Government Imprest and Advances	-	-
Salary advances	-	-
<b>Total</b>	-	-



NOTES TO THE FINANCIAL STATEMENTS (Continued)

12b: Breakdown of Imprests and Advances

Name of Officer or Institution	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance 2022	Balance 2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Officer	-	-	-	-	-
Officer	-	-	-	-	-
Programme 1	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

13. Deposits and Retention Monies

Description	2021-2022	2020-2021
	Kshs	Kshs
Retention	-	-
Deposits	-	-
<b>Total</b>	-	-

14. Fund Balance Brought Forward

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts	-	19,984,093
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
<b>Total</b>	-	19,984,093

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 15. Prior Year adjustment

	Balance b/f FY (2020/2021 audited financial statements)	Adjustments	Adjusted balance b/f FY 2020/2021
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	-	-	-
Cash in hand	-	-	-
Accounts Payables	-	-	-
Receivables	-	-	-
Others ( <i>specify</i> )	-	-	-
Total	-	-	-

## 16. Changes in Receivable

Description	2020-2021	2019-2020
	Kshs	Kshs
Opening Receivables as at 1 <sup>st</sup> July 2022	-	-
Closing account receivables as at 30 <sup>th</sup> June 2022	-	-
Change in Receivables	-	-

## 17. Changes in Accounts Payable

Description	2021-2022	2020-2021
	Kshs	Kshs
Deposit and Retentions as at 1 <sup>st</sup> July 2022	-	-
Closing accounts payables as at 30 <sup>th</sup> June 2022	-	-
Change in payables	-	-

## 12. OTHER IMPORTANT DISCLOSURES

### 1. Pending Accounts Payable (See Annex 3a)

	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	-	-	-	-
Construction of civil works	-	-	-	-
Supply of goods	-	-	-	-
Supply of services	15,570,403	-	-	15,570,403
<b>Total</b>	<b>15,570,403</b>	<b>-</b>	<b>-</b>	<b>15,570,403</b>

### 2. Pending Staff Payables (See Annex 3b)

	Balance b/f FY 2020/20 21	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Senior management	-	-	-	-
Middle management	-	-	-	-
Union employees	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



**OTHER IMPORTANT DISCLOSURES (Continued)**

**3. Other Pending Payables (See Annex 3c)**

	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	-	-	-	-
Amounts due to County Government entities	-	-	-	-
Amounts due to third parties	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**4. External Assistance**

	2021-2022	2020-2021
Description	Kshs	Kshs
External assistance received as grants	-	-
External assistance received as loans	-	-
External assistance received in kind- as payment by third parties		
<b>Total</b>	<b>-</b>	<b>-</b>

*a). External assistance relating loans and grants*

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
External assistance received as loans	-	-
External assistance received as grants	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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**OTHER IMPORTANT DISCLOSURES (Continued)**

*b) Undrawn external assistance*

	Purpose for which the undrawn external assistance may be used	FY 2021/2022	FY 2020/2021
Description		Kshs	Kshs
Undrawn external assistance - loans	Construction	114,374,061	114,374,061
Undrawn external assistance - grants		-	-
<b>Total</b>		<b>114,374,061</b>	<b>114,374,061</b>

*c) Classes of providers of external assistance*

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
<b>Total</b>	<b>-</b>	<b>-</b>



**OTHER IMPORTANT DISCLOSURES (Continued)**

*d. Non-monetary external assistance*

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
Goods	-	-
Services	-	-
<b>Total</b>	-	-

*e Purpose and use of external assistance*

Payments made by third parties	FY 2021/2022	FY 2020/2021
	Kshs	Kshs
Compensation to employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to other Government entities	-	-
Other grants and transfers	-	-
Social Security benefits	-	-
Acquisition of assets	-	-
Finance Costs including loan interest	-	-
Repayment of principal on domestic and foreign borrowing	-	-
Other payments	-	-
<b>Total</b>	-	-



OTHER IMPORTANT DISCLOSURES (Continued)

*f. External Assistance paid by third parties on behalf of the Entity by Source*

This relates to external assistance paid directly by third parties to settle obligations on behalf of the entity.

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
International assistance organization- China		
Exim Bank		
<b>Total</b>		

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**13. PRIOR YEAR AUDITOR-GENERAL'S RECOMMENDATIONS**

Reference No.on the external audit Report	Issue/ Observations from Auditor	Management comments	Status: (Resolved / Resolved)	Not	Timeframe:
	<p><b>Lack of Land Ownership Documents for Solar Power Plant</b></p> <p>Review of the financial records confirmed that an amount of Kshs. 12,692,273,348 was incurred on implementation of a 50 MW Solar project in the financial year 2019/2020.</p> <p>However, information provided for audit review confirmed that the land on which the project is located is being claimed by Raya Community Trust Help Group. It was also confirmed that the group has already instituted a legal suit against the corporation seeking compensation for the 220 acres of land on which the project is located.</p> <p>Management explained that compensation to the affected community was to be done through the County Government of Garissa. The compensation payment through the County Government has been rejected by the Raya Community who are seeking to have the compensation paid directly to them. Further, the amount claimed by the Raya Community has not</p>	<p>Garissa ELC CAUSE NO. 15 OF 2018 – Raya Community Trust Self Help Group vs. MOE &amp; 5 Others;</p>			<p>The matter has now been set for hearing on 24<sup>th</sup> November, 2022.</p>
			<p><u>Current Status (as at 30<sup>th</sup> September, 2022)</u></p> <p>The matter came up for mention on 27<sup>th</sup> September, 2022 for purposes of confirming whether parties have complied with Order 11 of the Civil Procedure Rules.</p>		

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Reference No on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	been quantified.  In the circumstances, the ownership of the Solar Power Plant valued at Kshs. 12,692,273,348 could not be determined since it is located on a disputed parcel of land.			

*[Handwritten signature]*

.....  
**Chief Executive Officer**  
**CPA Peter Mbugua**

*[Handwritten signature]*

.....  
**Eng. Jonathan Mbutu**  
**Project Manager**



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14. ANNEXES

ANNEX1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR FY 2021-2022

Receipts/Payments Item	Final Budget	Actual on comparable basis	Budget Utilisation Difference	% of Utilisation	Comments on Variance (Below 90% and over 100%)
<b>RECEIPTS</b>	a	b	c=a-b	d=b/a %	
Transfer from Government entities	-	-	-	-	
Proceeds from domestic and foreign grants	-	-	-	-	
Proceeds from borrowings	-	-	-	-	
Miscellaneous receipts	-	-	-	-	
<b>Total Receipts</b>	-	-	-	-	
<b>PAYMENTS</b>					
Compensation to employees	-	-	-	-	
Purchase of goods and services	-	-	-	-	
Social security benefits	-	-	-	-	
Acquisition of non-financial assets	-	-	-	-	
Transfers to other government entities	-	-	-	-	
Other grants and transfers	-	-	-	-	
<b>Total Payments</b>	-	-	-	-	
<b>Surplus or Deficit</b>					

## ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

Head of Accounting Unit  
Ministry Of Energy

Sign-----

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**ANNEX 3A - ANALYSIS OF PENDING BILLS**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2021-2022	Outstanding Balance 2020/21	Comments
	a	b	c	d=a-c		
	Kshs	Kshs	Kshs	Kshs	Kshs	
Consultancy						
Maknes	39,472,294	01.07.2016	39,472,294	-	-	
Sub-Total	39,472,294		39,472,294	-	-	
Works						
China Jiangxi Coop (CJIC)	13,500,000,000	01.07.2016	13,385,625,939	114,374,061	15,570,403	
Sub-Total	13,500,000,000		13,385,625,939	114,374,061	15,570,403	
Grand Total	13,539,472,294		13,425,098,233	114,374,061	15,570,403	



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ANNEX 3B - ANALYSIS OF PENDING: STAFF BILLS

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To- Date	Outstanding Balance 2020-2021	Outstanding Balance 2019/20	Comments
Permanent Employees - Management							
1.							
2.							
Sub-Total							
Permanent Employees - Others							
3.							
4.							
Sub-Total							
Temporary employees							
5.							
6.							
Sub-Total							
Others (specify)							
7.							
8.							
Sub-Total							
Grand Total							

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**ANNEX 3C - ANALYSIS OF OTHER PENDING PAYABLES**

Name	Brief Description	Original Amount	Date Contracted	Payable Amount Paid To-Date	Outstanding Balance 20xx	Outstanding Balance 20xx	Comments
Amounts due to National Govt Entities							
1.							
2.							
Sub-Total							
Amounts due to County Govt Entities							
3.							
4.							
Sub-Total							
Amounts due to Third Parties							
5.							
6.							
Sub-Total							
Others (specify)							
7.							
8.							
Sub-Total							
Grand Total							

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**ANNEX 4 – SUMMARY OF FIXED ASSETS REGISTER**

Asset class	Opening Cost (KShs) 2020/2021	Donations in form of assets (KShs) 201/2022	*Purchases/ Additions in the Year (KShs) 2021/2022	**Disposals in the Year (KShs) 2021/2022	Transfers in/(out) Kshs 2021/2022	Closing Cost (KShs) 2022
	(a)	(b)	(c)	(d)	(e)	(e) = (a) + (b) + (c) - (d) + (-) d
Land						
Buildings and structures						
Transport equipment						
Office equipment, furniture and fittings						
ICT Equipment,						
Other Machinery and Equipment						
Heritage and cultural assets						
Biological assets						
Infrastructure assets roads, rails						
Intangible assets						
Work in Progress						
<b>Total</b>						

Notes

\* Purchases/ Additions in the year reconciled to the amount in Statement of Receipts and Payments

\*\* The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold. The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year. Ensure this section is complete covering all the entities assets. Ensure the complete fixed asset register is separately prepared as per circular number 5/2020 and follow up reminder of circular No. 12/2020 of The National Treasury



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ANNEX 5 – CONTINGENT LIABILITIES REGISTER

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



## ANNEX 7 DISASTER EXPENDITURE REPORTING TEMPLATE

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ANNEX 8: OTHER SUPPORT DOCUMENTS

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30<sup>th</sup> June 2022
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)
- v. GOK IFMIS comparison Trial Balance

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