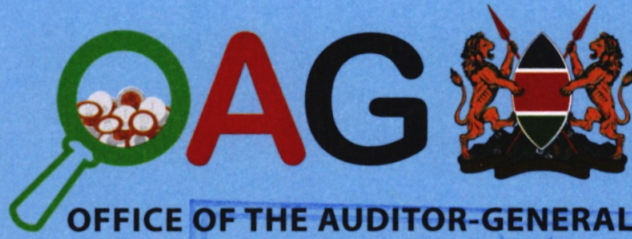


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

REPORT

DATE: 04 DEC 2024

DAY.

WEDNESDAY

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THE TABLE:

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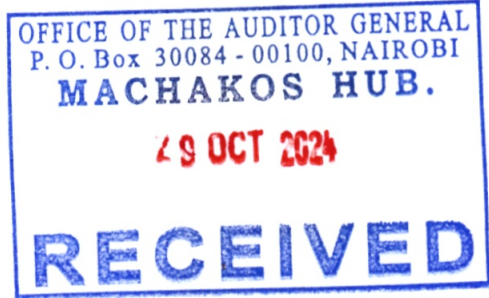
ON

**ETHIOPIA - KENYA ELECTRICITY HIGHWAY
PROJECT (ADB LOAN NO. 2100150027845
MARIAKANI SUBSTATION PROJECT
ID NO:P-Z1-FA0-044)**

**FOR THE YEAR ENDED
30 JUNE, 2024**

**KENYA ELECTRICITY TRANSMISSION
COMPANY LIMITED**





**SUPPLEMENTARY FINANCING FOR THE ETHIOPIA- KENYA ELECTRICITY HIGHWAY (MARIAKANI
SUBSTATION PROJECT)**

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

PROJECT GRANT/CREDIT NUMBER: ADB LOAN NO: 2100150027845 -Z1-FA0-044

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027845 P-Z1-FA0-044)

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

Table Contents	Page
1. Acronyms And Glossary Of Terms	ii
2. Project Information And Overall Performance	iii
3. Statement Of Performance Against Project's Predetermined Objectives	viii
4. Environmental And Sustainability Reporting	ix
5. Statement Of Project Management Responsibilities	xii
6. Report Of The Independent Auditor On Financial Statements For Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project)	xiii
7. Statement Of Receipts And Payments For The Year Ending 30 June 2024	1
8. Statement Of Financial Assets As At 30 June 2024	2
9. Statement Of Cash Flows For The Year Ended 30 June 2024	3
10. Statement Of Comparative Budget And Actual Amounts For Year Ended 30 June 2024	4
11. Significant Accounting Policies	5
12. Notes To The Financial Statements	12
13. Annexes	18

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027845 P-Z1-FA0-044)

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

1. Acronyms and Glossary of Terms

AfD	Agence Francaise de Developement
AfDB	African Development Bank
GOK	Government of Kenya
HVDC	High Voltage Direct Current
IPSAS	International Public Sector Accounting Standards
ICPAK	Institute of Certified Public Accountants of Kenya
ISA	International Standards on Auditing
IDA	International Development Association
KETRACO	Kenya Electricity Transmission Company Limited
KV	Kilovolts
PFSs	Project Financial Statements
RAP	Resettlement Action Plan
UA	Units of Account
USD	United States Dollar
KShs	Kenya Shilling
EUR	Euro
KE	Kenya
CKE	Credit Kenya
OGW	Order of the Golden Warrior
PFM	Public Financial Management Act 2012
PSAB	Public Sector Accounting Standards Board
EACC	Ethics and Anti-Corruption Commission

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027845 P-Z1-FA0-044)

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

2. Project Information and Overall Performance

2.1 Name and Registered Office

Name: The project's official name is Mariakani Substation (Supplementary Financing for the Ethiopia-Kenya Electricity Highway) Project.

Objective: The key objective of the project is to increase electricity access and address the challenges of access and low connectivity.

Address: The project headquarters offices are in Nairobi, Nairobi County, Kenya.

The address of its registered office is:

KETRACO
Block B, Kawi House
Off Red Cross Road, South C
P.O. Box 34942 – 00100 Nairobi

Contacts: The following are the project contacts

Telephone: (+254) 20 – 4956000
E-mail: info@KETRACO.co.ke
Website: www.KETRACO.co.ke

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027845 P-Z1-FA0-044)

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

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	The project start date is June 2019
Project End Date:	The project end date is 31 December 2024
Project Manager:	The project manager is Engineer Moses Kerre
Project Sponsor:	The project sponsor is Government of Kenya

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of Kenya Electricity Transmission Company Limited
Project number	2100150027845
Strategic goals of the project	The strategic goals of the project are as follows: (i) The strategic goal of the project is to evacuate power from planned generation plants and to transmit electricity to areas that are currently not supplied from the national grid.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) To Strengthen the electricity grid system and Enhance power transfer capacity to the coast region (ii) In 2023/2024 we plan to increase system stability and power transfer capacity between Nairobi and Mombasa load centres
Other important background information of the project	The project will Increase stability of power supply to Mombasa -enabling additional evacuation of power from Olkaria and Loiyangalani
Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: (i) Low electricity access and low connectivity. (ii) Enhance electricity access, availability and reliability of the completed Substations and substations and complete construction of key transmission infrastructure.
Project duration	The project started on 19 June 2019 and is expected to run until 31 December 2024

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027845 P-Z1-FA0-044)

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

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

KCB Bank Limited
Moi Avenue
P. O. Box 30081 – 00100
Nairobi.

2.5 Independent Auditor

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

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Dr (Eng) John Mativo,CE	Managing Director	Doctorate (PhD) degree in Civil Engineering from Tokyo Metropolitan University (Japan), a Master's degree in Structural Engineering from Tongji University (China), and a Bachelor's degree in Civil Engineering from the University of Nairobi.	Accounting Officer for KETRACO
CPA Tom Imbo	General Manager, Finance	Master's in Business Administration (Finance, Economics) Certified Public Accountant with ICPAK , Member Services Committee.	General Manager Finance Department in KETRACO
Engineer Moses Kerre	Project Manager	Bachelor of Science (Electrical and Electronic Engineering), Professional Engineer with Engineers Board of Kenya, Corporate Member Institution of Engineers of Kenya	Project Manager
Johnson Muthoka	Senior Manager Wayleaves	Bachelor of Arts Land Economics (Honors), Masters in Urban and Regional Planning (University of Nairobi), full member of Institute of Surveyors Kenya, registered and licensed land economist	Wayleaves acquisition (land economists, land surveyors, social economists, environmental experts)

**Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027845 P-Z1-FA0-044)
Annual Report and Financial Statements for the financial year ended June 30, 2024**

2.7 Funding summary

The Project commenced on 19th June 2019 to 30th October 2024 with an approved amount of AfDB funding from Ethiopia Kenya Savings amounting to UAC 8,674,397, the breakdown is as shown:

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date (30.6.2024)		Undrawn balance to date:	
	Donor currency (UAC)	Kshs Equivalent (Million)	Donor currency (UAC)	Kshs Equivalent (Million)	Donor currency (UAC)	Kshs Equivalent (Million)
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant/Loan						
AfDB Loan No.2100150027845	8,674,397	1,495,197,114	5,572,721	1,049,735,167	2,925,873	504,329,888
Total	8,674,397	1,495,197,114	5,572,721	1,049,735,167	2,925,873	504,329,888

NOTE: The rate used to convert UAC to Kes under donor commitment and the undrawn balance is 172.369 as per the AfDB website, while the amount received to date is paid using the spot rate. While the undrawn balance of UAC 2,925,873 was the unutilized amount at the closure of the loan. The difference of UAC 175,803 relates to invoices settled under The Ethiopia Kenya Project. The main loan funds both The Ethiopia Kenya Project and the Mariakani Project

B. Application of Funds

Application of funds	Amount received to date – (30 Jun 2024)		Cumulative Amount paid to date – (30 June 2024)		Unutilised balance to date (30 Jun 2024)	
	Donor currency-UAC	Kshs	Donor currency-UAC	Kshs	Donor currency-UAC	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
AfDB Loan 2100150027845	5,572,721	1,049,735,167	5,572,721	1,049,735,167	2,925,873	504,329,888
Total	5,572,721	1,049,735,167	5,572,721	1,049,735,167	2,925,873	504,329,888

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027845 P-Z1-FA0-044)

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

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

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

During the period under review, the project received Kshs 976,000,000. Similarly, the project incurred total expenditure of Kshs 1,053,850,397 during the period, representing 101% budget utilization. Cumulative costs for the project amount to Kshs 3,071,415,815 The period under review for the Financial Statements as to 30th June 2024

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

Mariakani Substation is expected to be completed in June 2024 The physical progress is follows:

Phase	Weights	% Progress against Weight	Physical Progress (%)
Engineering	5	5	100
Procurement	60	59.02	98
Construction	30	28	97
Test and Commissioning	5	3.5	70
Total	100	99.70	92

Physical completion and commissioning is expected to be achieved in August 2024

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

iv) Implementation challenges and recommended next steps.

Delays in budgetary allocation which in turn delays processing of invoices submitted by the contractor. Management sort intervention to ensure the project received funding to cover outstanding invoices.

2.9 Summary of Project Compliance:

The project reporting has complied with the applicable laws and regulations, and essential external financing agreements/covenants.

Financial Year	Budget	Actual	Absorption rate (%)
	Kshs	Kshs	
2020/2021	929,177,079	912,870,788	98
2021/2022	1,064,000,000	646,168,025	61
2022/2023	457,250,000	454,755,250	99
2023/2024	976,000,000	1,053,850,397	100

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027845 P-Z1-FA0-044)

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

3. Statement of Performance against Project’s Predetermined Objectives

This project aims to provide reliable and affordable energy from a regional resource base, allowing access to considerable clean regional energy resources, reducing pollution and vulnerability to climate change, thus strengthening environmental resilience. The principal objectives of this project are to:

The key development objectives of the projects are to:

- a) Enhance electricity access, availability and reliability of the completed Substations and substations and complete construction of key transmission infrastructure.
- b) Increase electricity supply by completing Substations for evacuating generated power.
- c) Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region

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
Supplementary Financing For The Ethiopia-Kenya Electricity Highway (Mariakani Substation Project)	To Strengthen the electricity grid system and Enhance power transfer capacity to the coast region	-Increased stability of power supply to Mombasa - enabling additional evacuation of power from Olkaria and Loiyangalani	Completion and Energizing 400/220kV Mariakani substation and upgrading Mombasa-Nairobi Transmission Line to operate at 400kV	In 2023/2024 we plan to increase system stability and power transfer capacity between Nairobi and Mombasa load centres.

4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kenya Electricity Transmission Company Limited (KETRACO) is mandated to plan, design, construct, own, operate and maintain the country's high voltage electricity grid and regional power interconnectors. This primary objective must; however, be twinned with positive impacts to societies that such businesses operate in. These positive impacts include creation of employment opportunities, provision of goods and services, contribution to the economy by paying taxes, contributing towards development of infrastructure and improvement of quality of life for the people.

KETRACO, being an obliging and proactive Company, has mainstreamed corporate social responsibility (CSR) in its operations. Beyond grid matters, the Company has expanded its jurisdiction to improve the well-being of humanity and impact society to be better.

This deliberate move is necessary because it is the society that gives us a "license to operate" and their goodwill is necessary for continued security and room to operate long after our transmission projects construction is over.

Our approach

KETRACO's approach towards CSR is focused on identifying and formulating projects guided by its CSR policy and in response to specific needs that go towards solving a problem that members of the concerned community assess as a priority. To this end, the Company consulted widely internally and beyond on best practices in order to make corporate social responsibility an integral part of its undertakings. During the financial year under review, social, economic and environmental issues were addressed.

Below is a brief highlight of our achievements in each pillar: -

1. Sustainability strategy and profile

KETRACO ensured that its operations were carried out professionally and in humane manner, considering that construction of transmission projects involves acquisition of land for substations and wayleaves access for the lines. This necessitates compensation and at times resettlement of the Projects Affected Persons (PAPs) hence the need to expedite the process harmoniously. In addition, KETRACO actively participated in several engagements with various stakeholders towards improving their quality of life which translates into creating a better society.

This was evident in key areas such as education, health and environmental conservation. In addition, KETRACO offered youth internship opportunities to fresh graduates and industrial attachments to ongoing University students to transfer skills and future career preparation.

2. Environmental and Social Sustainability

Environmental and Social Compliance

KETRACO is committed to sustainable operations in alignment with relevant legislation, including the Environmental Management and Coordination Act (EMCA) 1999, the Climate Change Act 2016, the Sustainable Waste Management Act 2021, and the Land Act 2012. To ensure adherence to these laws and promote responsible environmental stewardship, the company has undertaken the following initiatives.

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027845 P-Z1-FA0-044))

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

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

Between July 2023 and June 2024, KETRACO completed twelve (12) ESIA's, ensuring that new projects meet environmental and social requirements.

The company conducted 20 Environmental and Social Management Plan monitoring activities and four (4) environmental audits to track compliance and assess the effectiveness of its sustainability measures.

Development of an operational framework

KETRACO has developed and reviewed its Environmental and Social Management Framework to enhance its sustainability practices and compliance with current regulations.

Wayleave Compensation Regulations development

The company contributed to the development and review of the Draft Public Rights of Way Compensation Regulations 2023, aiming to address land-related concerns in project implementation.

Integration of Environmental and Social Considerations

Environmental and social considerations have been integrated into several studies, including the proposed transmission lines for Meru-Maua, Musaga-Webuye-Kitale, Sotik Kilgoris, Juja Ruaraka, and Kieni Chogoria.

Community Sensitization and Awareness

The company recognizes the importance of community engagement in promoting environmental awareness. A total of 105 community sensitization meetings were held across various projects, fostering greater understanding and involvement of local communities in environmental issues.

Climate Change Mainstreaming

KETRACO is actively involved in climate change mitigation and adaptation efforts through several key initiatives:

Tree Planting Activities: The company has participated in the National Tree Planting and Restoration Program in collaboration with the State Department for Forestry. Notably, 211,000 seedlings were planted across Kabunda Forest, Mt. Elgon, Ontulili Meru County, Kibwezi Forest, Aberdare Forest, and Bungoma. Additionally, 3,000 seedlings were distributed to staff for home planting.

Land Allocation for Tree Growing: 330 hectares of land were allocated within Londiani Forest for the growth of 330,000 indigenous trees, contributing to reforestation and habitat restoration efforts.

Climate Workshops and Training: KETRACO took part in the Climate Adaptation for Infrastructure Development workshop at the Wangari Maathai Institute and a multi-agency workshop on Carbon Markets convened by NETFUND.

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027845 P-Z1-FA0-044)

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

ENVIROMENTAL AND SUSTAINABILITY REPORTING (Continued)

Corporate Social Responsibility (CSR) Integration

The company has integrated Corporate Social Responsibility (CSR) into the conceptualization of the KTNIP projects. This includes:

- Offering scholarships for Technical and Vocational Education and Training (TVET) to potential students from project areas, thereby supporting local education and skill development.
- Incorporating tree-growing initiatives into project plans (at least 9,000 trees), with contractors required to implement these plans and KETRACO providing oversight and supervision to ensure successful execution.

Figure-1: environmental sustainability chart

Renewable Energy Contribution

In line with its commitment to sustainable energy practices, the company facilitated the evacuation of energy supplied to the national grid from renewable sources. Between July and December 2023, the company's contribution to Kenya's energy mix reached an impressive 84.94%, underscoring its role in advancing the country's renewable energy goals.

3. Safety and Security Measures

During the year ended 30 June 2024, the Company achieved the following;

- Promotional of safe work through effective incident and accident investigations, OSH inspections /audits, robust risk assessment and monitoring implementations of corrective actions for both operational sites and sites under construction. Contributing towards sustainability of KETRACO projects and mandate including public safety
- Sensitized/trained staff and contracted personnel on workplace safety and health measures in the offices and substations. As well as dissemination of vital OSH information to employees.
- Enhanced public safety by listening to safety and health concerns of employees and other stakeholders and guiding appropriately.
- Reviewed and developed the Company Occupational Safety and Health policy.
- The Section played a key role in ensuring safety and health during the completion and energization of Sabaki river crossing restoration works

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027845 P-Z1-FA0-044)

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

5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer of KETRACO and the Project Coordinator for the Mariakani Substation 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 ended on 30th June 2024. 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; selecting and applying appropriate accounting policies; and (v) making accounting estimates that are reasonable in the circumstances.

The Chief Executive Officer of KETRACO and the Project Coordinator for the Mariakani Substation 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 Chief Executive Officer of KETRACO and the Project Coordinator for the Mariakani Substation 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 30th June 2024, and of the Project's financial position as at that date. Chief Executive Officer of KETRACO and the Project Coordinator for the Mariakani Substation 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.

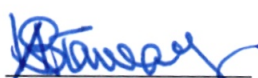
The Chief Executive Officer of KETRACO and the Project Coordinator for the Mariakani Substation Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit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

Approval of the Project financial statements

The Project financial statements were approved by Chief Executive Officer of KETRACO and the Project Coordinator for the Mariakani Substation Project on 15/10 2024 and signed by them.



Chief Executive Officer
DR(ENG) John Mativo, MBS



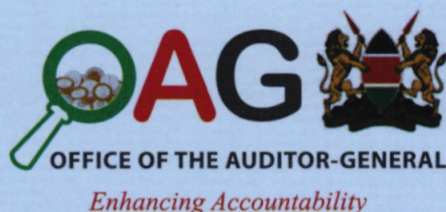
Project Coordinator
ENG(CPA) Anthony Wamukota, OGW



General Manager Finance
Tom Imbo
ICPAK Member Number: 7039

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 ETHIOPIA- KENYA ELECTRICITY HIGHWAY PROJECT (ADB LOAN NO. 2100150027845 - MARIAKANI SUBSTATION PROJECT ID NO:P-Z1-FA0-044) FOR THE YEAR ENDED 30 JUNE, 2024- KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

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 the Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on the 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, risk management environment and 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, is effective in the use of resources, or 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

The accompanying financial statements of Ethiopia- Kenya Electricity Highway Project (ADB Loan No. 2100150027845- Project ID No: P-Z1-FA0-044-Mariakani Substation) set

Report of the Auditor-General on Ethiopia- Kenya Electricity Highway Project (ADB Loan No. 2100150027845- Mariakani Substation Project ID No:P- Z1-FA0-044) for the year ended 30 June, 2024- Kenya Electricity Transmission Company Limited

out on pages 1 to 21, which comprise of the statement of financial assets as at 30 June, 2024 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Ethiopia – Kenya Electricity Highway (Mariakani Substation Project) as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Loan Agreement No. 2100150027845 P-Z1-FA0-044 dated 6 December, 2012 between the African Development Fund (ADF) and the republic of Kenya, the subsidiary Agreement between The Government of the Republic of Kenya and Kenya Electricity Transmission Company dated 18 August, 2020 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Ethiopia – Kenya Electricity Highway-Mariakani Substation Project Management in accordance with ISSAI 130 on the 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.

Emphasis of matter

Pending Bills

Annex 3a to the financial statements discloses pending bills totalling Kshs.7,090,155 which were not paid during the year under review but carried forward to 2024/2025 financial year.

Failure to settle bills during the year in which they relate distorts the financial statements and may adversely affect the budgetary provisions for the subsequent year.

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

Unresolved Prior Year Matters

In the audit report of the previous year, several paragraphs were raised. However, Management has not resolved all the prior year matters as prescribed in the reporting requirements set by the Public Sector Accounting Standards Board. Management has not provided satisfactory explanation for the delay in resolving the issues.

Other Information

Conclusion

The Program Management is responsible for the other information, set out on page iii to xii which comprises Project Information and Overall Performance, Statement of Performance Against Project's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

Basis for Conclusion

In connection with my audit on the Ethiopia – Kenya Electricity Highway- Mariakani Substation Project financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information and I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Cancellation of Finance Agreement

Review of Loan Agreement records between The Republic of Kenya and The African Development Fund revealed that an agreement was entered into on 6 December, 2012.

Report of the Auditor-General on Ethiopia- Kenya Electricity Highway Project (ADB Loan No. 2100150027845- Mariakani Substation Project ID No: P - Z1-FA0-044) for the year ended 30 June, 2024- Kenya Electricity Transmission Company Limited

The Fund as disclosed in Section 2.01 under Article II of the Agreement agreed to lend to the Borrower, an amount not exceeding an equivalent of Seventy-Five Million Units of Account (UA 75,000,000). However, the finance agreement was cancelled as per the statement dated 31 December, 2023. The funding summary in Note 2.7 to the financial statements indicates that as at the time of cancellation, a total amount of UAC 5,572,721 equivalent to Kshs.1,049,735,167 had been drawn during the year under review while undrawn balance was UAC 2,925,873 equivalent to Kshs.504,329,888. The circumstances under which the Bank withdrew from the Project and how the financing agreement was terminated were not clear.

In the circumstances, the overall objectives of the Project may not be met therefore denying the public the expected benefits from the Project.

2. Delay in Project Deliverables

As previously reported, review of Project deliverables revealed that the Project was behind schedule with respect to the completion of procurement at 98%, construction at 97% and testing and commissioning at 70%. During the year under review, the activities executed were valued at Kshs.1,049,735,167 compared to the donor commitment of Kshs.1,495,197,114 or 70% and with undrawn balance of Kshs.504,329,888. This was the situation despite having the completion date reviewed to December, 2024.

In the circumstances, delays in completion of the Project may result in escalation of projected costs or lapse and withdrawal of funding by Project financiers.

The audit was conducted in accordance with ISSAIs 3000 and 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAIs 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance

were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

The 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 controls as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, the Management is responsible for assessing the , Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to cease operations.

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit


My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected

to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I also I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


30 October, 2024


**Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027845 P-Z1-FA0-044)
Annual Report and Financial Statements for the financial year ended June 30, 2024**


7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDING 30 JUNE 2024

The accounting policies and explanatory notes to these project financial statements form an integral part of the project financial statements. The project financial statements were approved on 15/10/ 2024 and signed by:

	Note	FY 2023/2024			FY 2022/2023		Cumulative to date
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payments controlled by the entity	Payments made by third parties	
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS							
Transfer from Government entities	1	0	0	0	6,250,000.00		182,250,000
Loans from external development partners	2	0	1,049,735,167	1,049,735,167	0	448,505,250	2,897,585,521
TOTAL RECEIPTS		0	1,049,735,167	1,049,735,167	6,250,000.00	448,505,250	3,079,835,521
PAYMENTS							
Purchase of goods and services	3	4,115,230		4,115,230	5,544,155		50,767,887
Acquisition of non-financial assets	4		1,049,735,167	1,049,735,167		448,505,250	3,020,647,928
TOTAL PAYMENTS		4,115,230	1,049,735,167	1,053,850,397	5,544,155	448,505,250	3,071,415,815
SURPLUS FOR THE PERIOD		(4,115,230)		(4,115,230)	705,845		8,419,706


Chief Executive Officer
DR (ENG) John Mativo, MBS


Project Coordinator
ENG(CPA)Anthony Wamukota, OGW


General Manager Finance
Tom Imbo
ICPAK Member Number:7039

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027845 P-Z1-FA0-044)

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

8. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2024

	NOTE	FY 2023/2024	FY 2022/2023
		Kshs	Kshs
Bank Balances	5	8,419,706	12,534,936
Cash and cash equivalents	6		
TOTAL FINANCIAL ASSETS		8,419,706	12,534,936
Represented by			
Fund balance b/fwd		12,534,936	11,829,091
Surplus/Deficit for the period		(4,115,230)	705,845
NET FINANCIAL POSITION		8,419,706	12,534,936

The accounting policies and explanatory notes to these project financial statements form an integral part of the project financial statements. The project financial statements were approved on15/10.....2024 and signed by:



Chief Executive Officer
DR (ENG) John Mativo, MBS



Project Coordinator
ENG(CPA) Anthony
Wamukota OGW



General Manager Finance
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Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027845 P-Z1-FA0-044)

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

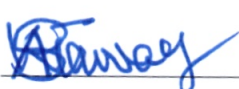
9. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

	NOTES	FY 2023/2024	FY 2022/2023
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts for operating income			
Transfers from Government entities	1	0	6,250,000
		0	0
Payments for operating expenses			
Purchase of goods and services	3	(4,115,230)	(5,544,155)
Net cash flows generated from operating activities		(4,115,230)	705,845
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of non-financial assets	4	(1,049,735,167)	(448,505,250)
NET CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from external development partners	2	1,049,735,167	448,505,250
NET INCREASE IN CASH AND CASH EQUIVALENTS		(4,115,230)	705,845
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		12,534,936	11,829,091
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		8,419,706	12,534,936

The accounting policies and explanatory notes to these project financial statements form an integral part of the project financial statements. The project financial statements were approved on 15/10/ 2024 and signed by



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Project Coordinator
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Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027845 P-Z1-FA0-044)
Annual Report and Financial Statements for the financial year ended June 30, 2024

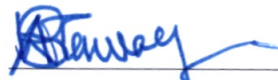
10. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR YEAR ENDED 30 JUNE 2024

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Budget Utilization Difference	Variance
	a	b	c= a+b	d	e= c-d	f= d/c %
Receipts	KShs	KShs	KShs	KShs	Kshs	KShs
Transfer from Government entities	0	0	0	0	0	
Transfer from development Partners	976,000,000	0	976,000,000	1,053,850,397	(77,850,397)	108
Total receipts	976,000,000	0	976,000,000	1,053,850,397	(77,850,397)	108
Payments						
Purchase of goods and services	0	0	0	4,115,230	(4,115,230)	(4,115,230)
Acquisition of non-financial assets	976,000,000		976,000,000	1,049,735,167	(73,735,167)	(73,735,167)
Total payments	976,000,000	0	976,000,000	1,053,850,397	(77,850,397)	(77,850,397)

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 2 to these financial statements.



Chief Executive Officer
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Project Coordinator
ENG(CPA)Anthony Wamukota OGW



General Manager Finance
Tom Imbo
ICPAK Member Number:7039

11. SIGNIFICANT ACCOUNTING POLICIES

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

a) 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.

b) Reporting entity

The financial statements are for the Supplementary Financing For the Ethiopia Kenya (Mariakani Substation Project) under the National Government of Kenya.. The financial statements are for the reporting entity as required by Section 81 of the PFM Act, 2012 .

c) 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.

d) Recognition of receipts

The Project recognises all receipts from the various sources when the event occurs, and the related cash has 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.

SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) External Assistance

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

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.

**Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project
(2100150027845 P-Z1-FA0-044)
*Annual Report and Financial Statements for the financial year ended June 30, 2024***

Significant Accounting Policies (continued)

e) Recognition of payments

The Project recognises all payments when the event occurs, and the related cash has 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.

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.

SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

f) 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.

g) 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.

**Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project
(2100150027845 P-Z1-FA0-044)**

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

Significant Accounting Policies (Continued)

h) 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.

i) 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.

j) 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:
 - 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 6** of this financial statement is a register of the contingent liabilities in the year.

Significant Accounting Policies (Continued)

k) 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.

l) 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.

m) 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*.

n) 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.

o) 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.

**Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project
(2100150027845 P-Z1-FA0-044)**

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

p) 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.

q) 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, 2024

r) 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 Annex 1 of these financial statements.

**Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project
(2100150027845 P-Z1-FA0-044)**

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

12. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from Government entities

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

	2023/2024	2022/2023	Cumulative to-date
	Kshs	Kshs	Kshs
Counterpart funding through State Department of Energy			
Counterpart funds Q1	0	6,250,000	182,250,000
Counterpart funds FY 2023/2024	0	0	0
	0	6,250,000	182,250,000

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027845 P-Z1-FA0-044))
Annual Report and Financial Statements for the financial year ended June 30, 2024

Notes to the Financial Statements (Continued)

2.Loan from External Development Partners

During the financial period to 30 June 2024, 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	Loan received in actual amount	Loans Received as Direct Payment*	Total Amount in KES	Total Amount in KES	Cumulative to Date
					FY 2023/2024	FY 2022/2023	
AfDB	Kshs	UAC	Kshs	Kshs	Kshs	Kshs	Kshs
Grants/Loan Received from Multilateral Donors (International Organisations) ADB:2100150027845	1,049,735,167	5,572,721	1,049,735,167	1,049,735,167	1,049,735,167	448,505,250	2,897,585,521
Total	1,049,735,167	5,572,721	1,049,735,167	1,049,735,167	1,049,735,167	448,505,250	2,897,585,521

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027845 P-Z1-FA0-044))
Annual Report and Financial Statements for the financial year ended June 30, 2024

Notes to the Financial Statements (Continued)

3. Purchase of Goods and Services

	FY 2023/2024		FY 2022/2023		Cumulative to Date
	Payments made in cash	Payments made by thrid parties	Payments made in cash	Payments made by thrid parties	
	Kshs	Kshs	Kshs	Kshs	Kshs
Legal fees	0	0	0	0	0
Other operating costs	4,115,230	0	5,544,155	0	50,767,887
Total	4,115,230	0	5,544,155	0	50,767.8887

Notes to the Financial Statements (Continued)

4.Acquisition of Non-Financial Assets

	FY 2023/2024			FY 2022/2023			Cumulative to date
	Payments made by the entity in cash	Payments made by third parties	Total payments	Payments made by the entity in cash	Payments made by third parties	Total payments	Total Payments
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Consultancy fees	0	0	0	0	0	0	173,830,293
Powerlines	0	1,049,735,167	1,049,735,167	0	448,505,250	448,505,250	2,897,585,521
Total	0	1,049,735,167	1,049,735,167	0	448,505,250	448,505,250	3,071,415,814

Notes to the Financial Statements (Continued)

5. Cash And Cash equivalents

	2023/2024	2022/2023
	Kshs	Kshs
Bank accounts balances (Note 11.A)	8,419,706	12,534,936
Total	8,419,706	12,534,936

6. A Bank Accounts

Project Bank Accounts

	2023/2024	2022/2023
	Kshs	Kshs
<u>Local Currency Accounts</u>	-	-
Kenya Commercial Bank	8,419,706	12,534,936
Total bank account balances	8,419,706	12,534,936

Other Important Disclosures

1. Pending Payable (See Annex 3a)

	Balance b/f 22/23	Additions for the period	Paid during the year	Balance c/f 23/24
Description	Kshs	Kshs	Kshs	Kshs
Supply of goods	296,731,355	760,093,967	1,049,735,167	7,090,155
Total	296,731,355	760,093,967	1,049,735,167	7,090,155

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027854 P-Z1-FA0-044)

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

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

REF ERE NCE NO	AUDIT MATTER	ISSUE/OBSERVATIONS FROM AUDITOR	MANAGEMENT COMMENTS	FOCAL PERSON TO RESOLV E	STATUS	TIMEFRAM E
1	Pending Bills-Supply of Goods	<p>The project management contracted for supply of goods amounting to Kshs.4,064,995,682 as disclosed in Annex 3A. The amount paid to date amounted to Kshs.1,847,850,354. Though Management had cleared all the pending bills at the time of audit in October, 2023, a contractor made interest claims through letters with Ref. No. KE08E-B1-C164 dated 30 May, 2023 as penalties for delayed payments amounting to Ksh 4,611,496.</p> <p>In the circumstances, failure to settle bills in the year they relate to may adversely affect budgetary provisions in subsequent years.</p>	The Claim submitted to KETRACO by the Contractor is subject to internal analysis and verification before payment.	GM. D&C	Ongoing	FY 2024/2025
2	Low Absorption of Funds	<p>The project implementation timeline was expected to be three and half years starting June, 2019 and expected completion date of December, 2023 with total funding of Euro 26,510,000 equivalent of Kshs.4,064,995,682. As at 30 June, 2023, only Kshs.1,847,850,354 had been drawn leaving a balance of Kshs.1,870,633,910 or 54% undrawn with only six months remaining. It is now clear that the project may not absorb all its funds denying citizens the benefits of the loan.</p>	<p>The Mariakani Project is financed mainly by 2 loans 2000200003502 which has a loan amount of Euros 26,510,000. The amount apportioned Mariakani Substation is Euros 14,315,400 (translating to Kes1,847,850,354) which is 99.97% of the funding allocated to the project. The remainder of this loan Euros 12,194,600 (translating to Kes 1,870,633,910) went to financing The Nanyuki – Rumuruti Underground Cable Project. The Mariakani Project was also in part financed by the savings of The Ethiopia Kenya main loan 2100150027845</p>	GM, FINANCE	Resolved	Closed

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027854 P-Z1-FA0-044)

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

			Which was used to clear the outstanding invoices to the contractor			
3	Project Commitment without Funding	As previously reported, according to the Project's work plan attached to the subsidiary agreement, procurement in respect of the project was done on 25 January, 2016 which is also indicated as the contract commencement date. Further, review of the financing agreement and implementation agreement indicates that they were signed on 19 June, 2019 and 18 August, 2020 respectively. It is therefore apparent that the procurement for the Project was done way before the financing agreement was signed which is contrary to Section 45(3)(a) of the Public Procurement and Asset Disposal Act, 2015. The section requires that all procurement processes be within the approved budget of the procuring entity and be planned by the procuring entity concerned through an annual procurement plan. In the circumstances, Management was in breach of the law.	The Mariakani project is financed by two AfDB funds which were signed at different times. The main loan 2100150027845 was signed on 19 th September 2012 while the Supplementary loan 2000200003502 was signed on 19 th June 2019. The procurement was based on the main loan signed in 2012. Statements from Financier with dates on when each loan was signed was duly provided.	GM FINANCE	Resolved	Closed
4	Lack of Reconciliation on Mariakani Project Financing	Review of records revealed that since inception the project has been funded from two sources; advance payment made from the Ethiopia-Kenya Highway Project savings and all additional payments being made from receipts from the supplementary loan. However, Management has not provided for audit verification statement reconciling the funds received and the account balances from the two sources of financing. In addition, the project funds were commingled with other projects funds in a single bank account and cashbook that were maintained for processing and recording financial transactions for the project. This is contrary to	Cognisant of section 76 (1) under the Public Finance Management Regulations, the grant financing Mariakani was disbursed through Direct Payment method and therefore no Project account was required. Advance Payment was made using the savings from the Eastern Electricity Highway Project ABD Loan no 2100150027845 in 2018, while a portion of progress payments to the contractor were charged to the Supplementary loan ADB	GM FINANCE	Resolved	Closed

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027854 P-Z1-FA0-044)

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

		Regulation 76(1) of the Public Finance Management (National Government) Regulations, 2015, provides that, "For the purpose of disbursement of project funds, there shall be opened and maintained a project account for every project at the Central Bank of Kenya unless it is exempted by the Cabinet Secretary, in writing, into which all funds shall be kept and such an account shall be known by the name of the project for which it is opened and each project shall maintain only one bank account."	2000200003502. A reconciliation of payments made under period in review was given as well as a statement of confirmation from the financier.			
5	Delay in Project Deliverables	Review of project deliverables revealed that the project was behind schedule with respect to the completion of the Engineering at 99%, procurements at 98%, construction at 93% and testing and commissioning at 0%. As at 30 June, 2023 the activities executed were valued at Kshs.2,194,361,772 compared to the Donor commitment of Kshs.4,064,995,682 or 54 %. This was despite having the completion date reviewed to December, 2023. In the circumstances, delays in completion of the Project may result in escalation of projected costs or expiry and withdrawal of funding by project financiers.	In the financial year 2023/2024 management requested for additional financing under the Ethiopia Kenya Main Loan to settle pending bills and retentions. Funding of Ksh 891 M was granted which accelerated all payments with regard to the project.	GM, FINANCE	Contractual payments forwarded and paid/Resolved	Closed

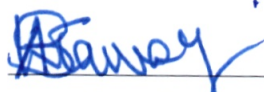
Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027854 P-Z1-FA0-044)

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

6	<p>Automation of the Financial Reporting Process</p>	<p>As previously reported, review of the financial reporting process of the Project revealed significant manual interventions. Although the sub ledgers are extracted from SAP system through the Business Intelligence Reporting Module, the processing of the trial balance and financial statements was done manually on excel worksheets.</p> <p>In the circumstances, the manual intervention could result in errors in the preparation of financial statements.</p>	<p>The company is in the process of fully automating the projects reporting system (Project services module in SAP) and integrating SAP with Integrated Location Intelligence System (ILIS). This will ensure end to end processing of the project financial information in the system and reporting. Subsequently, KETRACO has engaged BI experts who are helping in full automation of the projects module in the SAP..</p>	<p>GM FINANCE</p>	<p>Ongoing</p>	<p>Ongoing</p>
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Chief Executive Officer
DR (ENG) John Mativo, MBS



Project Coordinator
ENG(CPA)Anthony
Wamukota OGW



General Manager Finance
Tom Imbo
ICPAK Member Number:7039

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027854 P-Z1-FA0-044)

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

Annex 2: Variance explanations - Comparative Budget and Actual amounts for FY 2023/2024

Receipts/Payments Item	Final Budget	Actual on Comparable basis	Budget Utilization Difference	Variance
	a	b	c=a-b	d=b/a%
Receipts	KShs	KShs		KShs
Transfer from Government entities	0	0	0	100%
Transfer from development Partners	976,000,000	1,053,850,397	(77,850,397)	
Total receipts	976,000,000	1,053,850,397	(77,850,397)	
Payments				
Purchase of goods and services	0	4,115,230	(4,115,230)	(4,115,230)
Acquisition of non-financial assets	976,000,000	1,049,735,167	(73,735,167)	(73,735,167)
Total payments	976,000,000	1,053,850,397	(77,850,397)	(77,850,397)

Note: The Variances comprised of Forex Differences, Site travel (subsistence) and distributed costs

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027854 P-Z1-FA0-044)

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

Annex 3a: Analysis of Pending Bills

Supplier of Goods or Services	Date Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance FY 23/24	Outstanding Balance FY 22/23
Supply of goods		Kshs	Kshs	Kshs	Kshs
China CAMC Engineering	2019	1,495,197,114	1,049,735,167	7,090,155	296,731,355
Grand Total		1,495,197,114	1,049,735,167	7,090,155	296,731,355

Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project (2100150027845 P-Z1-FA0-044)
 Annual Report and Financial Statements for the financial year ended June 30, 2024

Annex 4: Summary of Fixed Assets Register

Asset class	Opening Cost	*Purchases/additions in the year	Closing Cost
	KShs	KShs	KShs
	01-Jul-23	2023/2024	30-Jun-24
	(a)	(b)	(c)= (a)+ (b)
Infrastructure Assets Powerline Transmission Equipment	<u>1,970,912,761</u>	<u>1,049,735,167</u>	<u>3,020,647,928</u>
Total	<u>1,970,912,761</u>	<u>1,049,735,167</u>	<u>3,020,647,928</u>

**Supplementary Financing For The Ethiopia- Kenya Electricity Highway (Mariakani Substation Project
(2100150027845 P-Z1-FA0-044)**

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