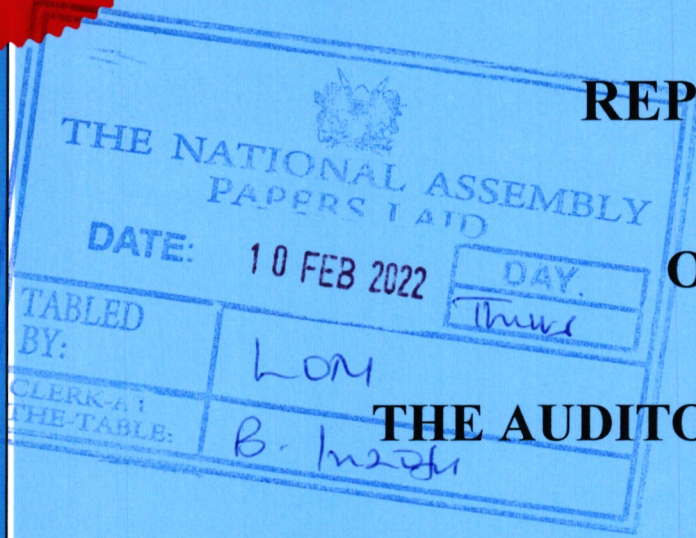
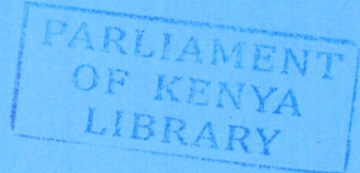


*Enhancing Accountability*



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

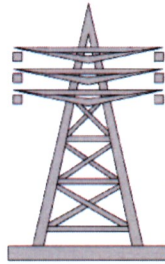
**ON**

**MULTINATIONAL KENYA-TANZANIA  
POWER INTERCONNECTION PROJECT  
(KENYAN COMPONENT)  
ADF LOAN NO. 2100150032846)**

**FOR THE YEAR ENDED  
30 JUNE, 2021**

**KENYA ELECTRICITY TRANSMISSION  
COMPANY LIMITED**





**KETRACO**



**THE KENYA TANZANIA POWER INTERCONNECTION PROJECT - (KENYAN COMPONENT)**

**KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED**

**PROJECT GRANT/CREDIT NUMBER: ADF LOAN NO: 2100150032846**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30 JUNE, 2021**

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

**ABBREVIATIONS**

ADF	African Development Fund
EUR	Euro
GAAP	Generally Accepted Accounting Principles
GOK	Government of Kenya
HVDC	High Voltage Direct Current
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
KETRACO	Kenya Electricity Transmission Company
KTPIP	Kenya Tanzania Power Interconnection Project
NCPE	North China Power Engineering Company
kV	Kilovolts
PFSs	Project Financial Statements
RAP	Resettlement Action Plan
SORP	Statement of Receipts and Payments
UA	Units of Account
UAC	Unit of Currency
US	United States Dollar
OGW	Order of Grand Warrior

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## **1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

### **1.1 Name and registered office**

#### **Name**

The project's official name is The Kenya Tanzania Power Interconnection Project (Kenyan Component).

#### **Objective**

The key objective of the project is to contribute to the delivery of adequate and reliable power supply which will catalyse the growth and competitiveness of the rural economy and the development of social institutions such as schools and hospitals.

#### **Address**

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

The address of its registered office is:

Kenya Tanzania Power Interconnection Project (Kenyan Component)  
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](mailto:info@ketraco.co.ke)

Website: [www.ketraco.co.ke](http://www.ketraco.co.ke)

**Kenya Electricity Transmission Company Limited**  
**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Reports and Financial Statements**  
**For the financial year ended 30 June, 2021**

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

**1.2 Project Information**

<b>Project Start Date:</b>	The project start date is 14 February 2017
<b>Project End Date:</b>	The project end date is 31 December 2021
<b>Project Manager:</b>	The project manager is Engineer Ruth Mburu
<b>Project Sponsor:</b>	The project sponsors are Government of Kenya and African Development Fund (ADF)

**1.3 Project Overview**

Line Ministry/State Department of the project	The project is under the supervision of the Kenya Electricity Transmission Company Limited, a state corporation under the State Department of Energy
Project number	P-Z1-FA0-086ADF, LOAN NO: 2100150032846
Strategic goals of the project	The strategic goals of the project are as follows: (i) To contribute to the delivery of adequate and reliable power supply. (ii) To improve the affordability of electricity in the East Africa region through cross-border exchanges of cheap and cleaner surplus power from neighbouring countries. (iii) To Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: <u>Planning, designing, building and maintaining a new electricity transmission line.</u>
Other important background information of the project	The project is implemented by Kenya Electricity Transmission Company Limited (KETRACO) which was incorporated on 2 December 2008 and registered under the Companies Act, Cap 486 pursuant to Sessional Paper No. 4 of 2004 on Energy. The Company was established to develop new high voltage electricity transmission infrastructure that will form the backbone of the National Transmission Grid, in line with Kenya Vision 2030. Its core business is to plan, design, build and maintain new electricity transmission lines and associated substations. These new lines will include 132kV, 220kV, 400kV and 500kV High Voltage Direct Current (HVDC). In carrying out this mandate, the Company is expected to develop a new and robust grid system in order to:  i) Improve quality and reliability of electricity supply throughout the country; ii) Transmit electricity to areas that are currently not supplied from the national grid; iii) Evacuate power from planned generation plants; and iv) Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region.  The project is being financed by African Development Fund (ADF) and the Government of Kenya through the Ministry of Energy and The National Treasury.  As the owner of the project, KETRACO provides the organizational set up for the activities, qualified staff and basic office infrastructure for efficient execution of the project.

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

**1.3 Project Overview (continued)**

<p>Current situation that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas:</p> <p>(i) Inadequate and unreliable power supply.</p> <p><b>Key Data: Kenya Tanzania Power Interconnection Project Lot K1 (Isinya-Namanga)</b></p> <p>Scope: Design, manufacture, supply, civil work, erection, testing and commissioning of 400kV double circuit overhead HVAC transmission line Contractor: North China Power Engineering Company (NCPE) Contract No: KETRACO/PT017/2014 Contract Award Date: 18 October 2016 Contract Effective Date: 14 February 2017 Original Contract Price: US\$ 22,428,704 plus KShs 439,444,244 Contract Completion Date: Twenty-two (22) months from Contract effective date.</p> <p>The scope comprises:</p> <p><b>a. Transmission lines:</b> Construction of a 400kV 510km Transmission line (TL) 510kms double circuit between Tanzania (414km) and Kenya(96km)</p> <p><b>b. Substations:</b> It includes the construction of a 400kV substation in Arusha and extension of Singida substation in Tanzania and the construction of 400kV substation at Isinya in Kenya (Component A4 - System Reinforcement financed by World Bank).</p> <p><b>c. Rural Electrification:</b> 80km of 33kv lines and LV system and customer connections along the 400kV TL in Tanzania and Rural Electrification, consisting of 147km of 33kV line, 34 transformers and connection to customers in Kenya</p> <p><b>d. Consultancy services for studies:</b> Interconnection Tariff Study and The Feasibility study for the 2nd Interconnection between Kenya and Tanzania (Menengai – Mwanza)</p> <p><b>Engineering Services for Kenya Tanzania Power Interconnection Project Lot K1 (Isinya-Namanga)</b></p> <p><b>Key contractual data</b></p> <p>Scope: Project Supervision and Management Consultant: M/s Intec GOPA International Energy Consultants of Germany. Contract No: KETRACO/PT/016/2014-PA/001/2015/HQ/C/024 Contract Signed On: 09 May 2016 Contract Price: EUR 2,024,137.50 and KShs 16,262,400 Contract Completion: 24 months from contract effective date</p>
<p>Project duration</p>	<p>The project started on 14 February 2017 and is expected to run until 31 December 2021. Pre-construction costs amounting to KShs 22,904,446 was incurred in the financial year 2015/2016.</p>

**Kenya Electricity Transmission Company Limited**  
**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
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**1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.4 Bankers**

Below is the bank account for the current year.

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

**1.5 Auditors**

The project is audited by;

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

Delegated Auditor:  
Deloitte & Touche LLP  
Certified Public Accountants (Kenya)  
Deloitte Place, Waiyaki Way, Muthangari  
P. O. Box 40092 – 00100  
Nairobi.

**1.6 Roles and Responsibilities**

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
FCPA Fernandes Barasa	Managing Director	Fellow and a former Chairman of the Institute of Certified Public Accountants of Kenya; also a lead ISO auditor. He has a wealth of experience in Public Finance and risk management as well as corporate governance among others.	Managing Director
Engineer Anthony Wamukota	General Manager Design and Construction	Bachelor's Degree in civil engineering, Certified Public Accountant, Member of Institute Of Engineers	Wayleaves Acquisition (Land Projects Coordinator)
Tom Imbo	General Manager Finance	Masters Business Administration, Bachelor of Education, Certified Public Accountant	Project reporting
Johnson Muthoka	Senior Manager Wayleaves	BA Land Econ (Hons), Master of Arts (urban and regional planning (University of Nairobi), Full member of Institute of Survey of Kenya, registered and Licensed land economist	Wayleaves Acquisition (Land Economists, Land surveyors, Social Economists, Environmental Experts)
Engineer Ruth Mburu	Project Manager	Bachelor's Degree in Civil Engineering	Project coordinator
Dickens Makana	Project Accountant	Bachelor of Commerce (Finance), Certified Public Accountants (Section 6)	Preparation of project financial reports

**Kenya Electricity Transmission Company Limited**  
**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Report and Financial Statements**  
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**1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.7 Funding summary**

The Project financing is for duration of 6 years from 2015 to 2021 with an approved budget of ADF funding amounting to UA. 27,500,000 equivalent to KShs. 4,274,435,000 (translated at 30 June 2021 at the rate of 1UA=KShs 155.434) and Government counterpart funding of KShs. 921,354,692 as highlighted in the table below:

**A. Source of Funds**

Source of funds	Donor Commitment-		Amount received to date – (30 June 2021)		Undrawn balance to date	
	Donor currency (UA) (A)	KShs (A')	Donor currency (UA) (B)	KShs (B')	Donor currency (UA) (A)-(B)	KShs (A')-(B')
<b>(i) Loan</b>						
ADB Loan No.2100150032846	27,500,000	4,274,435,000	16,858,765	2,423,460,023	10,641,235	1,850,974,977
<b>(ii) Counterpart funds</b>						
Government of Kenya	-	921,354,692	-	921,354,692	-	-
<b>Total</b>	<b>27,500,000</b>	<b>5,195,789,692</b>	<b>16,858,765</b>	<b>3,344,814,715</b>	<b>10,641,235</b>	<b>1,850,974,977</b>

**B. Application of Funds**

Application of funds	Amount received to date – (30 June 2021)		Cumulative Amount paid to date – (30 June 2021)		Unutilised balance to date (30 June 2021)	
	Donor currency (UA) (A)	KShs (A')	Donor currency (UA) (B)	KShs (B')	Donor currency (UA) (A)-(B)	KShs (A')-(B')
<b>(i) Loan</b>						
ADB Loan No.2100150032846	16,858,765	2,423,460,023	2,423,460,023		-	-
<b>(ii) Counterpart funds</b>						
Government of Kenya	-	921,354,692	682,156,941		-	239,197,751
<b>Total</b>	<b>16,858,765</b>	<b>3,444,814,715</b>	<b>3,105,616,964</b>		<b>-</b>	<b>239,197,751</b>

**Kenya Electricity Transmission Company Limited**  
**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Report and Financial Statements**  
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**1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.8 Summary of Overall Project Performance:**

- i) During the year under review, the project received KShs 704,107,193 against a final budget of KShs 669,000,000 representing 105% budget utilization. The project's cumulative receipts and payments to-date amount to KShs 3,344,814,715 and KShs 3,105,616,964 respectively.
- ii) Physical progress based on outputs, outcomes and impacts since project commencement.

**Kenya Tanzania Power Interconnection Project Lot K1**

Contract effective 14 February 2017:

- The overall implementation status of this project as at 30 June 2021 was at 86% .
  - Transmission line **Lot K1** is effective and show an overall progress of 86% as compared to a planned progress of 100%;
  - Rural Electrification **Lot K2** is effective and show an overall progress of 82% compared to a planned progress of 100%;
- Isinya 400Kv substation 99% complete.

Subject	Weight	Planned	Actual	Comment
Design	5%	100%	100%	Milestone achieved.
Supply of equipment and material	60%	100%	100%	Milestone achieved
Civil works foundations	15%	100%	99.60%	Milestone achieved
Tower erection works	10%	100%	58.60%	Delayed due to ROW issues.
Conductor, earthwire and OPGW stringing works	8%	90%	1.80%	Delayed due to ROW issues.
Line testing & commissioning works	2%	0%	0%	Delayed due to ROW issues.
Total progress	100%	100%	86%	

- iii) Value for money achievements:

The project is still ongoing. It is expected that when the project is complete there will be adequate and reliable power supply. The affordability of electricity in the East Africa region through cross-border exchanges of cheap and cleaner surplus power from neighbouring countries will also be improved through providing a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region.

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

**1.8 Summary of Overall Project Performance:**

- iv) Absorption rate for each year since the commencement of the project;

<b>Financial Year</b>	<b>% Of Variance</b>
2020/21	105%
2019/20	72%
2018/19	79%
2017/18	12%
2016/17	17%

- v) Implementation Challenges

Implementation of the project has delayed due to work stoppages by local communities and court cases. KETRACO obtained court orders which allowed construction works to continue.

The covid19 pandemic also caused delays in project implementation due to disruptions.

**1.9 Summary of Project Compliance:**

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

**2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES**

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 is to:

- Contribute to the delivery of adequate and reliable power supply which will catalyse the growth and competitiveness of the rural economy and the development of social institutions such as schools and hospitals.

**2 STATEMENT OF PERFORMANCE AGAINST PROJECT’S PREDETRMINED OBJECTIVES  
(Continued)**

**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
The Kenya Tanzania Project	The ultimate development objective of the project is to improve the supply, reliability and affordability of electricity in the Eastern Africa region through cross-border exchange of cheap and cleaner sur-plus power from neighbouring countries. the project will help to improve the supply of electricity in Tanzania in the short to medium term with imports from Ethiopia.	Project Ongoing.	Number of substations and transmission lines complete.	Overall Project status is at 86%

**3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

Kenya Electricity Transmission Company Limited (KETRACO) has the obligation 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.

**3 CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING  
(Continued)**

**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 for the purpose of transferring skills and future career preparation.

**2. Environmental performance**

KETRACO's environmental and social impact assessment plans are anchored on environmental laws, regulations, standards and best practices. The Company ensures compliance with all relevant national and international environmental and other statutory regulatory provisions that apply to its projects to ensure sound environmental management practice. The Company undertakes annual environmental audits and has valid permits and licenses for its operations. The Company is guided by the following environmental and social management laws and regulations in its execution of its projects:

The Environmental Management and Coordination Act, Cap 387; The Environmental Impact (Assessment and Auditing) Regulations, 2003; Environmental Management and Coordination (Environmental Impact Assessment and Audit) Regulations, 2003; Environmental Management and Coordination (Water Quality) Regulations of 2006; Environmental Management and Coordination (Waste Management) Regulations of 2006; Environmental Management and Co-ordination (Controlled Substances) Regulations, 2007; The Environmental Management and Co-ordination (Conservation of biological diversity and resources, and access to genetic resources and benefits sharing) Regulations, 2006; The Environmental Management and Coordination (Wetlands, Riverbanks, Lakeshores and seashores management ) Regulations, 2009; Environmental Management and Coordination (Noise and Excessive Vibration Pollution Control) Regulations, 2009; Environmental Management and Coordination (Air Quality) Regulations, 2008; Occupational Safety and Health Act (OSHA 2007); Wildlife Management and Conservation Act, 2013; Forest Act 2015; Public Health Act (Cap. 242) 36; The Environment and Land Court Act, 2011; Water Act, 2002.

**3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING  
(Continued)**

**3. Employee welfare**

*Competence management*

KETRACO has developed many policies that guide recruitment among them being the Gender policy which is in line with a third rule enshrined in the constitution. The skills gap analysis report was received from the consultant and training priority areas picked for discussion during HRAC meeting as intervention for skills gaps identified. The company also developed reward and performance system policy that help in recognizing performance and sanctions. A committee to handle staff appraisals was formed during the year (Performance management review committee), an ad-hoc committee answerable to HRAC.

*Safety and security measures*

During the year ended 30 June 2021, the Company achieved the following;

1. Championed the roll out of ISO 45001: 2018 – Occupational health and safety management system certification journey in the company through staff awareness trainings, development of safety procedures and carrying out internal audits. The Section also developed a Safety and Health policy being a management tool for OSH in the organization.
2. Participated in the development of the Energy (Incident and Accident Reporting) Regulations as well being incorporated in the Ministerial OSH Committee.
3. 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.
4. 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.
5. Participated in the management of COVID-19 pandemic through development of guidelines, protocols, and purchase of protective equipment.
6. Enhanced public safety by listening to safety and health concerns of employees and other stakeholders and guiding appropriately.
7. Developed guidelines on statutory occupational safety and health training requirements for the company.
8. Participated in the development of the Energy (Incident and Accident Reporting) Regulations.

### **3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING (Continued)**

#### **4. Market place practices**

KETRACO continues to comply with the Treasury Circular No. 09/2015 on creation of the Government Advertising Agency (GAA) to coordinate public sector advertising; and Office of the President Circular No. OP/CAB.58/4A on establishment of MyGov publication. In addition, we are guided by the company's core values and endeavour to responsibly update our stakeholders on our mandate through various Information, Education and Communication (IEC) materials published in print, broadcast and / or electronic media.

On matters procurement, we complied with 30% of access to government procurement opportunities (AGPO) requirement by ensuring that youth, women and persons with disabilities supplied goods and services. Further, KETRACO complied with 40% Government requirement on local content procurement where goods and services were procured locally by the company. These procurement opportunities have created diverse financial benefits for the special groups as well as enhancing the KETRACO corporate image and reputation.

During this Financial Year the company revised its integrity and ethics instruments namely: Corruption and Fraud Prevention Policies, Whistle Blowing Policy and the Gifts and Benefit policy. A sensitization exercise was conducted via Microsoft teams to all staff to enlighten them on the need to promote an ethical culture within and outside the organisation. The policies were also uploaded to the companies SharePoint for ease of reference on any matter of interest. These policies shall also be uploaded to the company's website for public viewing and reference.

As part of the signed performance contract on corruption prevention the company updated the Corruption Risk Assessment and mitigation plan which is shared with the Ethics and Anti-Corruption Commission (EACC). On a quarterly basis the corruption prevention committee held update meetings and reported on implementation status with supporting documents to EACC.

On a continuous basis the corruption reporting channels remain operational for use by all. They include a dedicated email address and phone number all uploaded in the company website. The company has also installed corruption reporting boxes on each floor at its headquarters in KAWI House.

The Company continued implementing corruption prevention measures as identified in the corruption risk assessment and mitigation plan. In addition, Integrity Committee quarterly meetings were held and quarterly reports of the corruption risk assessment reports and the implementation of the mitigation plans were prepared and submitted to EACC.

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

KETRACO has remained committed to engaging with local communities in project affected areas, the general public, sector partners and other stakeholders aiming at cultivating their goodwill, cooperation and amicable association. In this regard, KETRACO ensured that all CSR projects were implemented through a consultative process with stakeholders' right from the initial project planning through to commissioning.

In addition, the host communities in the areas where the projects traverse benefited from employment opportunities by KETRACO and its contractors. This has boosted the living standards of the communities in the project areas.

#### 4 STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer of KETRACO and the Project Coordinator for The Kenya Tanzania Power Interconnection Project (Kenyan Component) 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, 2021.

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

The Chief Executive Officer of KETRACO and the Project Coordinator for The Kenya Tanzania Power Interconnection Project (Kenyan Component) 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 Kenya Tanzania Power Interconnection Project (Kenyan Component) 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, 2021, and of the Project's financial position as at that date. The Chief Executive Officer of KETRACO and the Project Coordinator for The Kenya Tanzania Power Interconnection Project (Kenyan Component) 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 Kenya Tanzania Power Interconnection Project (Kenyan Component) 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 Chief Executive Officer of KETRACO and the Project Coordinator for The Kenya Tanzania Power Interconnection Project (Kenyan Component) on 30/06/2021 2021 and signed by them.



Chief Executive Officer  
FCPA Fernandes Barasa, OGW



Project Coordinator  
Antony Wamukota



General Manager - Finance  
CPA Tom Imbo  
ICPAK Member Number: 7039

## 5 **REPORT OF THE INDEPENDENT AUDITOR ON THE KENYA TANZANIA POWER INTERCONNECTION PROJECT (KENYAN COMPONENT)**

To the Auditor General

### **Opinion**

We have audited the accompanying financial statements of Kenya Tanzania Power Interconnection Project (Kenyan Component) set out on pages 17 to 34 which comprise the statement of financial assets as at 30 June 2021, and the statement of receipts and payments, statement of cash flows, and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of Kenya Tanzania Power Interconnection Project as at 30 June 2021, and of its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) financial reporting framework under the cash basis of accounting.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Information**

The Chief Executive Officer of KETRACO and the Project Coordinator are responsible for the other information. The other information comprises the information included in the financial statements but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibility of the Project Management for the financial statements**

The Chief Executive Officer of KETRACO and the Project Coordinator are responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS) financial reporting framework under the cash basis of accounting and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer of KETRACO and the Project Coordinator are responsible for assessing the Project's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the Chief Executive Officer of KETRACO and the Project coordinator either intend to terminate the Project, or have no realistic alternative but to do so.

**5 REPORT OF THE INDEPENDENT AUDITOR ON THE KENYA TANZANIA POWER INTERCONNECTION PROJECT (KENYAN COMPONENT) (continued)**

**Auditor's Responsibilities for the audit of the Project financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Chief Executive Officer of KETRACO and the Project Coordinator's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue sustaining its services. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Chief Executive Officer of KETRACO and the Project Coordinator regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Fred Aloo, Practicing certificate No. 1537.**

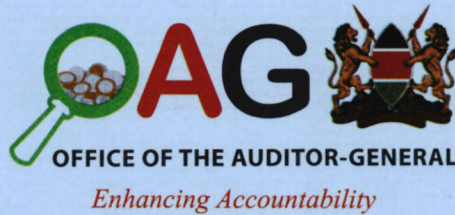


**For and on behalf of Deloitte & Touche LLP  
Certified Public Accountants (Kenya)  
Nairobi**

**Date:** *2 December* 2021

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON MULTINATIONAL KENYA-TANZANIA POWER INTERCONNECTION PROJECT (KENYAN COMPONENT) (ADF LOAN NO. 2100150032846) FOR THE YEAR ENDED 30 JUNE, 2021 - KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED**

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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, gazetted notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

The accompanying financial statements of Multi-National Kenya-Tanzania Power Interconnection Project (Kenyan Component) ADF Loan No. 2100150032846) set out

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*Report of the Auditor-General on Multi-National Kenya-Tanzania Power Interconnection Project (Kenyan Component) (ADF LOAN No. 2100150032846) for the year ended 30 June, 2021 - Kenya Electricity Transmission Company Limited*

on pages 17 to 35, which comprise the statement of financial assets as at 30 June, 2021, 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, have been audited on my behalf by Deloitte and Touche, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the result of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Multi-National Kenya-Tanzania Power Interconnection Project (Kenyan Component) as at 30 June, 2021, 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. 2100150032846 dated 30 July, 2015 between the Republic of Kenya and the African Development Fund and the Public Finance Management Act, 2012

### **Basis for Opinion**

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

### **Key Audit Matters**

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

### **Other Matter**

#### **1. Long Outstanding Wayleave Compensation**

As reported in the previous year, the total compensation payments owed to landowners for wayleaves acquired since inception of the Project on 5 December, 2012 amounted to Kshs.1,363,055,825 as disclosed in Annex C of the financial statements. The amount certified and payable amounted to Kshs.734,992,812 and the payments made were Kshs.500,507,996 leaving a balance of Kshs.234,484,816 unpaid as at 30 June, 2021. It was observed that continued delay in wayleave compensation hindered the timely implementation of the Project.

Management has attributed the failure to pay the amount to lack of budgetary allocation from The National Treasury and lengthy land valuation negotiations due to absentee landowners and various court injunctions on disputed cases.

Since the implementation of the Project is behind schedule, any further delay in resolving these issues is likely to delay its completion and may lead to cost escalation.

## **2. Delay in Project Implementation**

The Project started on 14 February, 2017 with an expected completion time of April, 2020. As at 30 June, 2021, the Project was at 86% completion with over 100%-time lapse. Though Management has explained that delays were caused by delay in acquiring wayleaves, long negotiation for land compensation and protracted legal cases, it is clear that delay in project implementation could lead to cost overruns and the Project may not be able to utilize the available loan funding.

## **3. Pending Bills - Goods and Services**

As reported in the previous year, the total value of the works and services contracted under the Project amounted to Kshs.3,455,587,779 as disclosed on Annex 3A of the financial statements. The amount certified as payable totalled Kshs.2,561,907,217 out of which payments totalling Kshs.2,323,460,022 were made over the years leaving an unpaid balance of Kshs.138,447,196.

Delay in settling pending bills may result to wasteful expenditure on interest, penalties and litigation costs.

## **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, 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**

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 about whether the activities, financial transactions and information reflected in the financial statements are complying, 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 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, except the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, 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.

### **Automation of the Financial Reporting Process**

Review of the financial reporting process revealed significant manual interventions. Although the subledgers and ledgers are extracted from the Intelligence Business reporting module of the SAP system, the processing of the trial balance and financial statements is done manually on excel worksheets.

Consequently, the manual interventions may result in errors in the financial statements.

### **Basis for Conclusion**

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

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by African Development Fund (ADF), I report based on my audit, that:

- i. 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;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

### **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 that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to 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 the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of


effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Project's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 that 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 as a going concern or 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 that 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 that are identified during the audit.

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

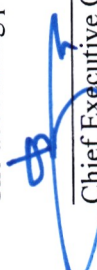
16 December, 2021


**Kenya Electricity Transmission Company Limited**  
**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Report and Financial Statements**  
**For the financial year ended 30 June, 2021**


**6 STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2021**

Note	2020/2021		2019/2020		Cumulative to-date (from inception) KShs
	Receipts and payments controlled by the entity KShs	Payments made by third parties KShs	Receipts and payment controlled by the entity KShs	Payments made by third parties KShs	
<b>RECEIPTS</b>					
Transfer from Government entities	100,000,000	-	590,000,000	-	921,354,692
Loan from external development partners	-	604,107,193	-	731,199,572	2,423,460,023
<b>TOTAL RECEIPTS</b>	<b>100,000,000</b>	<b>604,107,193</b>	<b>590,000,000</b>	<b>731,199,572</b>	<b>3,344,814,715</b>
<b>PAYMENTS</b>					
Purchase of goods and services	33,448,147	-	106,461,433	-	178,074,197
Acquisition of non-financial assets	64,511,047	604,107,193	276,642,414	731,199,572	2,927,542,768
<b>TOTAL PAYMENTS</b>	<b>97,959,194</b>	<b>604,107,193</b>	<b>383,103,847</b>	<b>731,199,572</b>	<b>3,105,616,965</b>
<b>SURPLUS</b>	<b>2,040,806</b>	<b>-</b>	<b>206,896,153</b>	<b>-</b>	<b>239,197,750</b>

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

  
**Chief Executive Officer**  
 FCPA Fernandes Barasa, OGW

  
**Project Coordinator**  
 Antony Wamukota


  
**General Manager - Finance**  
 CPA Tom Imbo  
 ICPAK Member Number: 7039

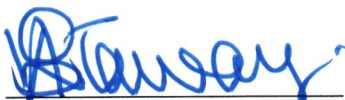
**Kenya Electricity Transmission Company Limited**  
**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Report and Financial Statements**  
**For the financial year ended 30 June, 2021**


**7. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2021**

	Note	2020/2021	2019/2020
		KShs	KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	11.5	239,197,749	237,156,943
<b>Total Cash and Cash Equivalents</b>		<b>239,197,749</b>	<b>237,156,943</b>
<b>TOTAL FINANCIAL ASSETS</b>		<b>239,197,749</b>	<b>237,156,943</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	11.6	237,156,943	30,260,790
Surplus for the year		2,040,806	206,896,153
<b>NET FINANCIAL POSITION</b>	<b>11.5</b>	<b>239,197,749</b>	<b>237,156,943</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 25/11 2021 and signed by:

  
 Chief Executive Officer  
 FCPA Fernandes Barasa, OGW

  
 Project Coordinator  
 Antony Wamukota


  
 General Manager - Finance  
 CPA Tom Imbo  
 ICPAK Member Number: 7039

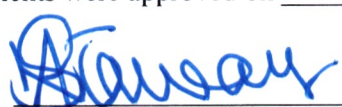
*Kenya Electricity Transmission Company Limited  
Kenya Tanzania Power Interconnection Project (Kenyan Component)  
Reports and Financial Statements  
For the financial year ended 30 June, 2021*

8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020-2021 KShs	2019-2020 KShs
<b>Cash flows from operating activities</b>			
<b>Receipts from operating activities</b>			
Transfer from Government entities	11.1	100,000,000	590,000,000
<b>Payments from operating activities</b>			
Purchase of goods and services	11.3	(33,448,147)	(106,461,433)
<b>Net cash flow from operating activities</b>		<b>66,551,853</b>	<b>483,538,567</b>
<b>Cash flows from investing activities</b>			
Acquisition of assets	11.4	(668,618,240)	(1,007,841,986)
<b>Net cash flow from Investing Activities</b>		<b>(668,618,240)</b>	<b>(1,007,841,986)</b>
<b>Cash flows from financing activities</b>			
Proceeds from foreign borrowings	11.2	604,107,193	731,199,572
<b>Net cash flow from Financing Activities</b>		<b>604,107,193</b>	<b>731,199,572</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,040,806</b>	<b>206,896,153</b>
<b>Cash and cash equivalent at beginning of the year</b>		<b>237,156,943</b>	<b>30,260,790</b>
<b>Cash and cash equivalent at end of the year</b>	11.5	<b>239,197,749</b>	<b>237,156,943</b>

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 30/06 2021 and signed by:

  
\_\_\_\_\_  
Chief Executive Officer  
FCPA Fernandes Barasa, OGW

  
\_\_\_\_\_  
Project Coordinator  
Antony Wamukota


  
\_\_\_\_\_  
General Manager - Finance  
CPA Tom Imbo  
ICPAK Member Number: 7039

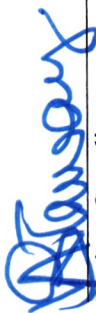
**Kenya Electricity Transmission Company Limited**  
**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Report and Financial Statements**  
**For the financial year ended 30 June, 2021**


**8. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

Receipts/Payments Item	Original Budget a KShs	Adjustments b KShs	Final Budget c=a+b KShs	Actual on Comparable Basis d KShs	Budget Utilization Difference e=c-d KShs	% of Utilization f=d/c %
<b>Receipts</b>						
Transfer from Government entities	50,000,000	100,000,000	150,000,000	100,000,000	50,000,000	67%
Proceeds from borrowings	519,000,000	-	519,000,000	604,107,193	(85,107,193)	116%
<b>Total Receipts</b>	<b>569,000,000</b>	<b>100,000,000</b>	<b>669,000,000</b>	<b>704,107,193</b>	<b>(35,107,193)</b>	<b>105%</b>
<b>Payments</b>						
Purchase of goods and services	33,448,147		33,448,147	33,448,147	-	100%
Acquisition of non-financial assets	535,551,853	100,000,000	635,551,853	668,618,239	(33,066,386)	105%
<b>Total Payments</b>	<b>569,000,000</b>	<b>100,000,000</b>	<b>669,000,000</b>	<b>702,066,386</b>	<b>(33,066,386)</b>	<b>105%</b>

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements. The Project had been allocated KShs 569 million but was reviewed upwards to KShs 669 million. This was done during supplementary Budget 1, by the National Treasury.

  
 Chief Executive Officer  
 FCPA Fernandes Barasa, OGW

  
 Project Coordinator  
 Antony Wamukota

  
 General Manager - Finance  
 CPA Tom Imbo  
 ICPAK Member Number: 7039

## **10. SIGNIFICANT ACCOUNTING POLICIES**

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

### **10.1 BASIS OF PREPARATION**

#### **10.2 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.

#### **10.3 Reporting entity**

The financial statements are for the Kenya Tanzania Power Interconnection Project (Kenyan Component) under the National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

#### **10.4 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.

## **10.5 SIGNIFICANT ACCOUNTING POLICIES**

### **a) Recognition of receipts**

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

#### **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 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 the time associated cash is received.

### **b) 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.

**10 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Proceeds from borrowing**

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

**d) 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

**e) Recognition of payments**

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

**f) Compensation of employees**

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

**g) 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.

**i) Interest on borrowing**

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

**ii) 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.

**iii) 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.

**h) 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.

**10. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) 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.

**j) 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.

**k) Accounts receivable**

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.

**l) 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..

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans.

**10. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**m) 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.

**n) 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' items to provide a sense of the overall net cash position of the Project at the end of the year. 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.

**o) 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.

**p) 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 604,107,193 being loan disbursements were received in form of direct payments from third parties.

**q) 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.

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**10. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**r) 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.

**s) 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 30 June, 2021.

**t) Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

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**11. NOTES TO THE FINANCIAL STATEMENTS**

**11.1 Receipts From Government of Kenya**

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

	2020/2021	2019/2020	Cumulative to-date (from inception)
	KShs	KShs	
<b>Counterpart funding through Ministry Of Energy</b>			
Counterpart funds Quarter 1	12,500,000	50,000,000	112,500,000
Counterpart funds Quarter 2	37,500,000	360,000,000	449,262,398
Counterpart funds Quarter 3	50,000,000	180,000,000	330,447,812
Counterpart funds Quarter 4*	-	-	29,144,482
<b>Total (See Annex 2)</b>	<b>100,000,000</b>	<b>590,000,000</b>	<b>921,354,692</b>

\*Fourth quarter transfer from the Government of Kenya for 2020/2021 amounting to KShs. 50,000,000 was received on 6 July 2021 and therefore have not been included in this report.

**11.2 Loan From External Development Partners**

During the 12 months to 30 June 2021 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received as direct payment*	Total amount in KShs	
				2020/21	2019/20
			KShs		
<b>Loans Received from Bilateral Donors (Foreign Governments)</b>					
ADB Loan No.2100150032846	01/07/2020-30/06/2021	3,886,583	604,107,193	604,107,193	731,199,572
<b>Total</b>		<b>3,886,583</b>	<b>604,107,193</b>	<b>604,107,193</b>	<b>731,199,572</b>

Translated as at 30 June 2021 at the rate of 1UA=KShs 155.434

\* The direct payment grants represent payments for goods and services done directly by the donor on behalf of the project.

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

**11.3 Purchase of Goods And Services**

	2020/2021			2019/2020	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Consultancy/legal Fees	19,144,192	-	19,144,192	33,255,130	53,602,882
Domestic travel and subsistence	9,977,400	-	9,977,400	11,627,745	54,103,292
Foreign travel and subsistence	851,264	-	851,264	2,434,680	
Other operating payments	-	-	-	174,593	274,522
Administrative Costs	3,475,291	-	3,475,291	58,969,285	70,093,500
<b>Total</b>	<b>33,448,147</b>	<b>-</b>	<b>33,448,147</b>	<b>106,461,433</b>	<b>178,074,196</b>

**11.4 Acquisition of Non-Financial Assets**

	2020/2021			2019/2020	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Consultancy fees	-	-	-	-	3,574,750
Powerline (transmission equipment)	-	604,107,193	604,107,193	731,199,572	2,423,460,022
Wayleaves	64,511,047	-	64,511,047	276,642,414	500,507,996
<b>Total</b>	<b>64,511,047</b>	<b>604,107,193</b>	<b>668,618,240</b>	<b>1,007,841,986</b>	<b>2,927,542,768</b>

**11.5 Cash and Cash Equivalents**

	2020/2021	2019/2020
	KShs	KShs
Bank accounts	239,197,749	237,156,943
<b>Total</b>	<b>239,197,749</b>	<b>237,156,943</b>

The project does not have a separate bank account. The cash is held in KCB Bank Kenya Limited [A/c No 1206560752]

**11.6 Fund Balance Brought Forward**

	2020/21	2019/20
	KShs	KShs
Bank accounts	237,156,943	30,260,790
<b>Total</b>	<b>237,156,943</b>	<b>30,260,790</b>

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**12. OTHER IMPORTANT DISCLOSURES**

**12.1 PENDING ACCOUNTS PAYABLE (See Annex 3A)**

	Balance b/f 2019/2020	Additions for the period	Paid during the year	Balance c/f 2020/2021
Description	KShs	KShs	KShs	KShs
Supply of goods	167,421,073	488,537,708	(582,930,321)	73,028,461
Supply of services	17,269,853	69,325,754	(21,176,872)	65,418,735
<b>Total</b>	<b>184,690,926</b>	<b>557,863,462</b>	<b>(604,107,193)</b>	<b>138,447,196</b>

**12.2 OTHER PENDING PAYABLES (See Annex 3C)**

	Balance b/ 2020/2021	Additions for the year	Paid during the year	Balance c/f 2020/2021
Description	KShs	KShs	KShs	KShs
Project Affected Persons	228,942,550	70,053,313	(64,511,047)	234,484,816
<b>Total</b>	<b>228,942,550</b>	<b>70,053,313</b>	<b>(64,511,047)</b>	<b>234,484,816</b>

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**13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

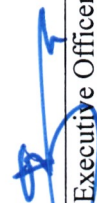
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue	Status:	Timeframe:
1. Pending Bills – Goods and Services	As reported in previous years, the total value of works and services contracted under the project amounted to KShs. 3,303,669,940, as disclosed in Annex 2A to the financial statements. The amounts certified as payable amounted to KShs. 2,004,043,756 out of which payments totalling KShs. 1,819,352,830 were made over the years resulting in outstanding bills totalling KShs. 184,690,926 as at 30 June, 2020. Delay in settling the pending bills may result in wasteful expenditure on penalties and litigation costs.	Since the Project Account are reported on cash basis, The balances outstanding as at 30 June 2020 are attributable to outstanding invoices for goods/services received but not settled as at that date as they were still being subjected to reviews by our Technical team. All these have subsequently been settled.	Tom Imbo, General Manager-Finance	The Amounts were settled in August 2020	N/A
2. Long Outstanding Wayleave Compensation	As previously reported, the total compensation payments owed to land owners for wayleaves acquired since inception of the project on 5 December 2012 amounted to KShs 740,936,855, as disclosed in annex 2B to the financial statements. The amounts certified as payable totalled to KShs 664,939,500 and payments made were KShs 435,996,950 leaving a balance of KShs 228,942,550 unpaid as at 20 June,	The slow wayleaves compensation is occasioned by insufficient documentation for the compensation packages and land disputes to facilitate	Eng. Anthony Wamukota, General Manager Design and Construction	Most of the pending wayleave compensation have since been paid. The process of processing	N/A

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	2020. Management has attributed the failure to pay the balance to lack of budgetary allocation by the National Treasury, lengthy negotiations on land valuation, absentee landlords and legal disputes on ownership of some of the lands. Since the implementation of the project is behind schedule, any further delay in resolving these issues is likely to delay its completion.	registration of easement in acquiring the right of way. The Covid 19 disruptions from March to June also affected the wayleaves acquisition process especially in the last quarter of the year under review, with the closure to travel and slow operation in numerous county lands offices.		the pending compensation is still ongoing.	
3. Budgetary control and performance	During the year under review, the project was budgeted to receive loans from external partners totalling KShs 1,000,000,000 but received KShs 731,199,572 only, resulting to a revenue shortfall of KShs 268,800,428 or 27% of the budget. Further, the project was budgeted to spend KShs 1,540,000,000 but spent KShs 1,114,303,419 resulting in under absorption of KShs 425,696,581 or 28% of the budget. Further analysis indicated that KShs 417,546,970 of the expenditure totalling KShs 425,696,581 was incurred in acquisition of non-financial assets	The budget balance was utilized to accrue for pending payments due to be paid to the contractor whose work was delayed by the Covid 19 restrictions during the nationwide lockdown, the contractor resumed works and all payments were	Engineer Anthony Wamukota, General Manager Design and Construction  Tom Imbo, General Manager-Finance	All pending payments were processed in the Financial year 2020/2021.	N/A

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue	Status:	Timeframe:
	where KShs 1,425,388,956 was budgeted but only KShs 1,007,841,986 was spent.	processed in the Financial 2020/2021.			

  
 Chief Executive Officer  
 FCPA Fernandes Barasa, OGW

Date

  
 Project Coordinator  
 Antony Wamukota

Date

  
 General Manager - Finance  
 CPA Tom Imbo  
 ICPAK Member Number: 7039

Date

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14. ANNEXES

**ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	<b>a</b>	<b>b</b>	<b>c=a-b</b>	<b>d=b/a %</b>	
	KShs	KShs	KShs	KShs	
<b>Receipts</b>					
Transfer from Government entities	150,000,000	100,000,000	50,000,000	67%	(i)
Proceeds from borrowings	519,000,000	604,107,193	(85,107,193)	116%	(ii)
<b>Total Receipts</b>	<b>569,000,000</b>	<b>704,107,193</b>	<b>(35,107,193)</b>	<b>105%</b>	
<b>Payments</b>					
Purchase of goods and services	33,448,147	33,448,147	-	100%	
Acquisition of non-financial assets	635,551,853	668,618,239	(33,066,386)	105%	(ii)
<b>Total payments</b>	<b>669,000,000</b>	<b>702,066,386</b>	<b>(33,066,386)</b>	<b>105%</b>	

- i) Since we are reporting on cash basis, The difference of KShs 50,000,000 was received after the financial year under review. The funds were subsequently received in the month of July 2021.
- ii) Some invoices received in the last financial year were in process as at 30 June 2020, they were paid in the current financial year and hence the utilization of 116%

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

Supplier of Goods or Services	Original Amount		Date Contracted	Amount of Work Certified		Amount Paid To-Date		Outstanding Balance 2021		Outstanding Balance 2020	
	KShs	a		KShs	c	KShs	d	KShs	e=c-d	KShs	KShs
<b>Supply of goods</b>											
KTPIP – NCPE		2,310,156,512	18.10.2016	1,904,237,811		1,847,780,915		56,456,897		109,793,784	
		439,444,244	18.10.2016	245,264,703		245,264,703		-		44,689,427	
M/s JV of Unique System FZE and Philafe Engineering Limited		176,136,603	07.05.2018	109,994,772		97,301,660		12,693,111		12,937,862	
		120,797,818	07.05.2018	85,012,989		81,134,537		3,878,453		-	
<b>Sub-Total</b>		<b>3,046,535,177</b>		<b>2,344,510,275</b>		<b>2,271,481,815</b>		<b>73,028,461</b>		<b>167,421,073</b>	
<b>Supply of services</b>											
Intec GOPA		240,872,363	09.05.2016	165,855,806		147,912,607		17,943,199		14,017,373	
		16,262,400	09.05.2016	4,065,600		4,065,600		-		3,252,480	
STUDIO		83,103,517	30.12.2019	33,609,772		-		33,609,772			
MERCADOS		68,814,322	15.11.2019	13,865,764		-		13,865,764			
<b>Sub-Total</b>		<b>409,052,602</b>		<b>217,396,942</b>		<b>151,978,207</b>		<b>65,418,735</b>		<b>17,269,853</b>	
<b>Grand Total</b>		<b>3,455,587,779</b>		<b>2,561,907,217</b>		<b>2,423,460,022</b>		<b>138,447,196</b>		<b>184,690,926</b>	

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

Name	Brief transaction description	Original amount	Date payable contracted	Amount of Work Certified to date	Amount paid to date	Outstanding balance 2021	Outstanding balance 2020
		a		b	c	d=b-c	
		KShs		KShs	KShs	KShs	KShs
<b>Amounts due to Third Parties</b>							
Project Affected Persons	Wayleaves compensation	1,363,055,825	2016-2021	734,992,812	500,507,996	234,484,816	228,942,550
		<b>1,363,055,825</b>		<b>734,992,812</b>	<b>500,507,996</b>	<b>234,484,816</b>	<b>228,942,550</b>

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

Asset class	Opening Cost KShs 2020/2021	Donations in form of assets KShs 2020/2021	Purchases/ Additions in the Year KShs 2020/2021	Closing Cost KShs 2020/2021
	(a)	(b)	(c)	(e)= (a)+ (b)+c
Powerline (Transmission Equipment)	2,258,924,530	-	668,618,239	2,927,542,769
<b>Total</b>	<b>2,258,924,530</b>	<b>-</b>	<b>668,618,239</b>	<b>2,927,542,769</b>

*Notes*

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

