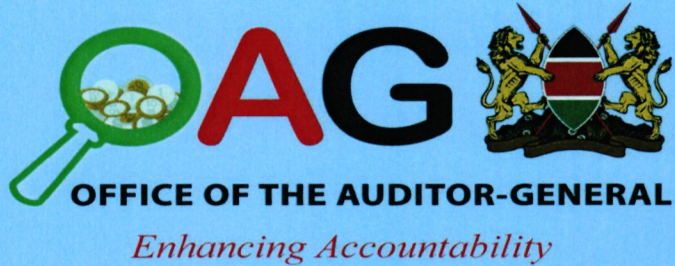


REPUBLIC OF KENYA



REPORT

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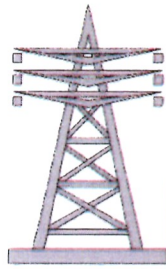
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ON

**220KV AND 132KV TRANSMISSION LINES
AND SUBSTATIONS (EXIM BANK OF INDIA
FUNDED) PROJECTS**

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

**KENYA ELECTRICITY TRANSMISSION
COMPANY LIMITED**



KETRACO



220KV AND 132KV TRANSMISSION LINES AND SUBSTATIONS (EXIM BANK OF INDIA FUNDED) PROJECTS

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED (KETRACO)

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

ABBREVIATIONS

| | |
|---------|---|
| EXIM | Export Import |
| 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 |
| kV | Kilovolts |
| PFSs | Project Financial Statements |
| PIU | Project Implementing Units |
| PSASB | Public Sector Accounting Standards Board |
| RAP | Resettlement Action Plan |
| SORE | Statement of Receipts and Expenditure |
| UA | Units of Account |
| USD | United States Dollar |
| MDAs | Ministries, Departments and Agencies |
| JV | Joint Venture |
| FCPA | Fellow of the Institute of Certified Accountants of Kenya |
| CPA | Certified Public Accountant of Kenya |
| ISO | International Organisation for Standardisation |
| Ag | Acting |
| BSc | Bachelor of Science |
| IEK | Institution of Engineers of Kenya |
| BA | Bachelor of Arts |
| UON | University of Nairobi |
| ISK | Institution of Surveyors of Kenya |
| MA | Master of Arts |
| OGW | Order of Grand Warrior |
| ICPAK | Institute of Certified Public Accountants |
| OLK | Olkaria-Lessos-Kisumu Transmission Line Project |
| HRAC | Human Resource Advisory Committee |

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The Project's Official Name is 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects.

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:

Exim Bank of India Funded Projects
 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

1.2 Project Information

| | |
|----------------------|--|
| Project Start Dates: | KETRACO/PT/010 /2012-LOT 1A-14/11/2013 KETRACO/PT/010 /2012-LOT 1B-13/11/2013 KETRACO/PT/010 /2012-LOT 3A-03/12/2013 KETRACO/PT/010 /2012-LOT 3B-03/12/2013 |
| Project End Dates: | The project end date is KETRACO/PT/010 /2012-LOT 1A-31/12/ 2018- (Expected Completion Date), Terminated in September 2018 KETRACO/PT/010 /2012-LOT 1B-31/03/2020 KETRACO/PT/010 /2012-LOT 3A-31/07/2021 31/10/2021 KETRACO/PT/010 /2012-LOT 3B- 31/10/2021 |
| Project Manager: | The project manager is Engineer Samson Akuto |
| Project Sponsor: | The project sponsors are Government of Kenya and Exim Bank of India |

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

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 numbers | KETRACO/PT/010 /2012-LOT 1A KETRACO/PT/010 /2012-LOT 1B KETRACO/PT/010 /2012-LOT 3A KETRACO/PT/010 /2012-LOT 3B |
| Strategic goals of the project | The strategic goal of the project is to increase electricity access and address the challenges of access and low connectivity |
| Achievement of strategic goals | The project management aims to achieve the goals through the following means: Lot 1A – Construction of 220kV Substations at Tukwel, Ortum and Kitale Lot 1B – Construction of 220kV Transmission Line Turkwel – Ortum – Kitale Lot 3A – Construction of 132/33kV Machakos-Konza-Kajiado-Namanga Transmission Line Lot 3B – Construction of 132/33kV Substations at Machakos, Konza, Kajiado and Namanga |
| Other important background information of the project | <p>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:</p> <ul style="list-style-type: none"> (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. <p>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.</p> <p>The Indian Funded Projects comprises of projects which are funded jointly by the Government of Kenya through the Ministry of Energy and Petroleum and The National Treasury and a line of credit obtained from Government of India – backed EXIM Bank of India. The line of credit agreement was signed on 16 November 2010 for USD 61.60 Million. The Consultant and Contractors’ details are as follows:</p> |

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

1.3 Project overview (continued)

| Name | Description | Project | Contract Amount-USD | Expected completion date |
|--|------------------------------------|---|--|---|
| Powergrid Corporation of India Limited | Consultant-signed on 25 April 2012 | Engineering and project management services | USD 2,366,533 revised to USD 2,826,643 | 24 October 2016 revised to 30 June 2017 at which time the contract ended. |
| Jyoti Structures Limited | Contractor-signed on 16 April 2013 | Lot 1A – 220kV Substations at Turkwel, Ortum and Kitale | USD 19,072,680 Revised to USD 18,100,120 | 30 October 2016 revised to 31 December 2018. The Company went into liquidation in July 2018. KETRACO terminated the contract in September 2018. |
| KEC International | Contractor-signed on 16 April 2013 | Lot 1B – 220kV Transmission Line Turkwel – Ortum – Kitale | USD 11,861,976 | 30 July 2016 revised to 31 March 2020. |
| Joint Venture of Shyama Power India Ltd and Mirador Commercial PVT Limited | Contractor-signed on 16 April 2013 | Lot 3A – 132/33kV Machakos-Konza-Kajiado-Namanga Transmission Line | USD 8,358,759 | 30 October 2016 revised to 31 October 2021 |
| Shyama Power India Limited | Contractor-signed on 16 April 2013 | Lot 3B – 132/33kV Substations at Machakos, Konza, Kajiado and Namanga | USD 20,906,659 | 30 October 2016 revised to 31 October 2021 |

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

1.3 Project Overview (continued)

| | | | | |
|--|--|--|---------------------------------|---|
| | The projects funded through the line of credit from EXIM bank are divided into 3 parts, and their status as at 30 June 2021 is as follows: | | | |
| | Project | Contractor | Status | Main challenge |
| 1 | Lot 1A- Turkwel- Ortum-Kitale Substations | Jyoti Structures- Terminated in 2018 Shyama Power- Contracted-Awaiting advance payment | 78% complete | Termination of the first contractor due to bankruptcy. Release of advance payment for Shyama Power who are the contractors brought on board to complete the project. |
| 2 | Lot 1B- Turkwel- Ortum-Kitale Transmission Line | KEC International | 100% Complete- 30 March 2020 | |
| 3 | Lot 3A- Machakos- Konza- Kajiado- Namanga Transmission Line | Shyama Power India Ltd | 83% complete | Wayleave availability and lack of funding from Treasury to facilitate completion of some foundation works, tower erection and stringing works |
| 4 | Lot 3B- Machakos- Konza- Kajiado- Namanga Substations | Shyama Power India Ltd | 100% complete | |
| Current situation that the project was formed to intervene | Low electricity access and low connectivity. | | | |

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

1.4 Bankers

The following are the bankers for the current year:

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

1.5 Auditors

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 GPO
 Nairobi

1.6 Roles and Responsibilities

Below is a list of the different people involved with the project:

| Names | Title designation | Key qualification | Responsibilities |
|---------------------------------|--|--|---|
| 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 | Ag. General Manager, Design and Construction | Bachelor's degree in civil engineering; CPA final. He is registered by the Engineers Board of Kenya (EBK) as a professional engineer. Member of the Institution of Engineers of Kenya (IEK). | Project Coordinator |
| CPA Tom Imbo | General Manager, Finance | Master of Business Administration (Finance) and Bachelor of Education (Economics, Business Administration) degrees; Certified Public Accountant of Kenya; Member of the Member Services Committee of ICPAK. | Project Reporting |
| Engineer Samson Akuto | Project Manager | BSC Electrical Engineering | Project Engineer |
| Johnson Muthoka | Senior Manager Wayleaves | BA Land Econ (Hons), MA (urban and regional planning (UON), Full member of ISK, registered and Licensed land economist | Wayleaves Acquisition (Land Economists, Land surveyors, Social Economists, Environmental Experts) |

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

1.7 Funding summary:

(A) Source of funds

The Project financing has an approved budget of USD 61,600,000, equivalent to KShs 6,643,560,000 and Government counterpart funding of KShs 2,097,027,175 as highlighted in the table below:

Below is the funding summary:

| Source of funds | Donor commitment | | Amount received to date – (30 June 2021) | | Undrawn balance to date (30 June 2021) | |
|---|-------------------|----------------------|--|----------------------|--|----------------------|
| | USD (A) | KShs (A') | USD (B) | KShs (B') | USD (A)-(B) | KShs (A')-(B') |
| (i) Loan EXIM Bank of India Ltd | 61,600,000 | 6,643,560,000 | 53,403,463 | 5,221,912,614 | 8,196,537 | 1,421,647,386 |
| (ii) Counterpart funds Government of Kenya | - | 2,097,027,175 | - | 2,097,027,175 | - | - |
| Total | 61,600,000 | 8,740,587,175 | 53,403,463 | 7,318,939,789 | 8,196,537 | 1,421,647,386 |

(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 USD (A) | currency- KShs (A') | Donor USD (B) | currency- KShs (B') | Donor USD (A)-(B) | currency- KShs (A')-(B') |
| (ii) Loan Exim Bank of India | 61,600,000 | 6,643,560,000 | 53,403,463 | 5,221,912,614 | 8,196,537 | 1,421,647,386 |
| (ii) Counterpart funds Government of Kenya | - | 2,097,027,175 | - | 2,097,027,175 | - | - |
| Total | 61,600,000 | 8,740,587,175 | 53,403,463 | 7,318,939,789 | 8,196,537 | 1,421,647,386 |

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

1.8 Summary of Overall Project Performance:

i) Budget Performance Against Actual Amounts

During the year under review, the project received KShs 573,404,460 against a final budget of KShs 1,711,000,000. Similarly, the project incurred total expenditure of KShs 750,055,135 during the year, against a final budget of KShs 1,711,000,000 representing 44% budget utilization. The project's cumulative receipts and payments to-date amounts to KShs 7,318,939,789 and KShs 7,220,954,861 respectively.

ii) Physical Progress and Achievements of the Project

EXIM Bank of India finances the Turkwel-Ortum-Kitale Transmission Line and Substations and the Machakos-Konza-Kajiado-Namanga Transmission Line and Substations. So far, the Turkwel-Ortum-Kitale Transmission Line was completed on 31 March, 2020.

The Machakos and Konza substations have been completed and commissioned. The Transmission Line from Machakos to Konza has been completed. The Isinya-Namanga Transmission line is expected to be completed by 31 October, 2021.

iii) Comments on value-for-money achievements

The following value for money achievements will be realised once the project is completed:

1. Power stability in the North Rift region because it is a second line from Turkwel generation plant.
2. Lowering of power losses as the line reduces in length to load centre.
3. Supply to towns along the line like Ortum and environs.
4. Supply of power to new cement factory at Ortum.
5. Bulk power supply to Machakos, Konza, Kajiado and Namanga
6. Power reliability in Machakos, Konza Kajiado and Namanga which are towns prone to blackouts
7. Less power losses due to use of high-capacity line.
8. Start up to Konza industrial park

iv) Absorption rate

| YEAR | FINAL BUDGET | ACTUAL SPENT | ABSORPTION |
|----------------|---------------------|---------------------|-------------------|
| | A | B | C=B/A |
| 2016/2017 | 791,242,000 | 792,048,881 | 100.1% |
| 2017/2018 | 1,025,000,000 | 737,037,092 | 71.9% |
| 2018/2019 | 845,115,000 | 334,011,618 | 39.5% |
| 2019/2020 | 781,000,000 | 338,502,600 | 43.3% |
| 2020/2021 | 1,711,000,000 | 810,191,801 | 47.4% |
| OVERALL | | | 58.4% |

v) Implementation Challenges and Way Forward

The contractor for Turkwel-Ortum-Kitale Substations was terminated in September, 2018 for non – performance. The contractor to complete the works left by M/s Jyoti Structures was identified and is scheduled to commence in September 2021 upon release of advance payment.

The transmission line from Isinya to Namanga is oncourse for completion 80% of the project funds have been disbursed. The overall contract implementation stands at 83%.

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 PREDETERMINED OBJECTIVES

Introduction

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

The key development objectives of the project's 2018-2022 are to:

- a) Enhance electricity access, availability and reliability of the completed transmission lines and substations and complete construction of key transmission infrastructure.
- b) Increase electricity supply by completing transmission lines 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 |
|--|---|---|--|--|
| The EXIM Bank of India Funded Projects | To strengthen the electricity grid system and enhance power transfer capacity | Increased stability of power supply enabling additional evacuation of power from Turkwel Gorge Dam. | Number of substations and transmission lines completed | In FY 2019/20 the Turkwel-Ortum-Kitale transmission line was completed and await the completion of the TOK substations in order for energization to take place. At the same time, the substations at Isinya and Namanga are substantially complete and are awaiting completion of the Isinya-Namanga transmission to be energised. |

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.

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

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING (continued)

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

2. Environmental performance (continued)

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. 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.

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING (continued)

3. Employee welfare (continued)

Safety and security measures (continued)

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.

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.

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

4. Market place practices (continued)

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 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects 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 30 June 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 statements, 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 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects 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 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects 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 30 June 2021, and of the Project's financial position as at that date. Chief Executive Officer of KETRACO and the Project Coordinator for the 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects 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 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects 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 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects on 30 June 2021 and signed by them.


.....
Chief Executive Officer

FCPA Fernandes Barasa, OGW


.....

Overall Project Coordinator

Antony Wamukota


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General Manager, Finance

Tom Imbo

ICPAK Member No:7039

5. REPORT OF THE INDEPENDENT AUDITORS ON THE 220KV AND 132KV TRANSMISSION LINES AND SUBSTATIONS (EXIM BANK OF INDIA FUNDED) PROJECTS

To the Auditor General

Opinion

We have audited the accompanying financial statements of the 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects set out on pages 17 to 38 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 the 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects 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.

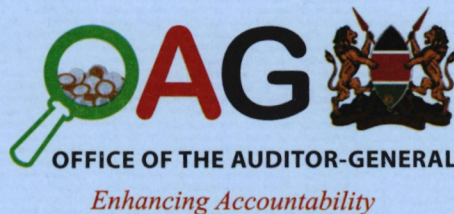
Other Information

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.

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON 220KV AND 132KV TRANSMISSION LINES AND SUBSTATIONS (EXIM BANK OF INDIA FUNDED) PROJECTS FOR THE YEAR ENDED 30 JUNE, 2021 - 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, 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 of the Auditor-General on 220 KV AND 132 KV Transmission Lines and Substations (Exim Bank of India Funded) Projects for the year ended 30 June, 2021- Kenya Electricity Transmission Company Limited

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of 220 KV AND 132 KV Transmission Lines and Sub-stations (Exim Bank of India Funded) Projects set out on pages 17 to 38, which comprise the statement of financial assets and liabilities 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 LLP, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results 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 220 KV AND 132 KV Transmission Lines and Substations (Exim Bank of India funded) projects 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 Dollar Credit Line Agreement dated 16 November, 2010 and the Public Finance Management Act 2015.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of 220 KV AND 132 KV Transmission Lines and Sub-stations (EXIM Bank of India Funded) Project Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Liquidation of Contractor

As reported in prior years, the contractor of Lot 1A 220KV Turkwel-Ortum-Kitale substations was contracted on 16 April, 2013 at a contract sum of US\$19,972,680 that was later revised to US\$18,100,120. As at the time of the contract termination, the contractor had achieved overall completion status of 73%. The contractor was put into liquidation in July, 2018 by the courts in India resulting in challenges in completing the project due to lack of financing. According to Management, another contractor is in process of being identified to take over the remaining works.

Consequently, the project may not be completed on time and may also experience cost overruns.

My opinion is not qualified with respect to this matter.

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. I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1. Delay in Project Completion

The Lot 1A -220KV Substation at Turkwel, Ortum and Kitale and Lot 3A- 132/33KV Machakos, Konza-Kajiado - Namanga Transmission line reported 73% and 82% completion rate respectively, by 30 June, 2021. Lot 1A of the project is currently suspended and significant works remain undone. Further, construction works are yet to commence at the main strategic substation in Turkwel and this may result in underutilization of the project. In addition, Lot 3A was expected to be completed by 30 December, 2019, but as at 30 June, 2021 the completion rate was 82% .

In the circumstances, the project deliverables may not be realized and hence delay delivery of benefits to the intended beneficiaries.

2. Long Outstanding Wayleave Compensation

According to the financial records, the expected compensation to land owners for wayleave acquired since inception of the project amounted to Kshs.1,240,413,982 out of which Kshs.1,027,453,943 had been paid leaving a balance of Kshs.171,030,249 unpaid. Management attributed failure to pay the amount due to lack of budgetary allocation from The National Treasury and lengthy land negotiations between the land owners, the Kenya Electricity Transmission Company and the County Government of Kajiado.

3. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects actual receipts of Kshs.573,404,460 against the budgeted receipts of Kshs.1,711,204,897 resulting in a shortfall of Kshs.1,137,800,437 or 66% of the final receipt budget. Further, the actual expenditure for the year amounted to Kshs.750,055,134 against the budgeted expenditure of Kshs.1,711,204,897 resulting to under absorption of Kshs.901,013,097. Management attributed this to late disbursement of funds from The National Treasury and reduced proceeds from borrowing due to termination of contractual works.

4. Pending Bills-Goods and Services

As disclosed under Note 12:1 to the financial statements, the Project had pending accounts payables totaling to Kshs.543,475,069 (2019/2020-Kshs.270,044,247) as at

Report of the Auditor-General on 220 KV AND 132 KV Transmission Lines and Substations (Exim Bank of India Funded) Projects for the year ended 30 June, 2021- Kenya Electricity Transmission Company Limited

30 June, 2021. During the year under review, the project management made payments amounting to Kshs.75,279,460 while accumulating bills amounting to Kshs.531,618,176. Management did not explain why the bills were not paid during the year they were incurred. The project is at risk of incurring significant interest costs and penalties with the continued delay in payment.

Other Information

The Management are responsible for the other information, which comprises (the statement of performance against project's predetermined objectives, statement of corporate social responsibility and the statement of project management responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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. Purchase of Goods and Services

The statement of receipts and payments reflects purchase of goods and services of Kshs.147,031,687 as disclosed under Note 11.3 to the financial statements.

According to the records provided for audit review, the Project stalled in 2018 after the contractor went under liquidation and therefore operating expenditure should no longer be in the Project as there were no ongoing activities.

Further, according to the financial statements, the total pending bills as at 30 June, 2020 were Kshs.87,136,353 which increased to Kshs.543,475,069 in the year under review. Included in the pending bills balance is an amount of Kshs.147,031,687 which includes professional fees of Kshs.77,697,166, other operating expenses of Kshs.60,542,212 and site travel of Kshs.8,670,936 which were not part of the pending bills at the beginning of the year. Management has not explained how the expenditure arose.

In the circumstances, the propriety and validity of the expenditure of Kshs.147,031,687 in respect purchase of goods and services as at 30 June, 2021 could not be confirmed.

2. Transfers to Olkari – Lessos - Kisumu Transmission Line

The statement of receipts and payments together with Note 11.7 of the financial statements includes an amount of Kshs.128,315,126 that is indicated to have been transferred to Olkaria Lessos – Kisumu transmission construction project. However, the financial statements for Olkaria-Lesos – Kisumu Transmission Line Project does not include a receipt from this project.

Consequently, the accuracy, completeness and validity of the payments amounting to Kshs.128,315,126 for the year ended 30 June, 2021 could not be confirmed.

3. Purchase of Transmission Equipment

Note 11.4 to the financial statements reflects payment for transmission equipment amounting to Kshs.322,417,866 (2020 – Kshs.178,849,360). However, the contractor stopped working on the project in July, 2018 after they went into liquidation and the contract was terminated. The Management has not provided details of the expenditure on transmission equipment.

Under the circumstances, the propriety and validity of expenditure of Kshs.322,417,866 on transmission equipment could not be confirmed.

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 in compliance, 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 for 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.

Basis for Conclusion

Financial Reporting

As reported in the previous year, 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 compilation of the Trial Balance and financial statements is done manually on excel worksheet.

Consequently, the manual intervention exposes the project reporting to risk of misstatements.

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.

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 basis of accounting unless Management is aware of the intention to liquidate the Project or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements 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 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 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 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 as a going concern or 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


22 December, 2021


Kenya Electricity Transmission Company Limited
 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects
 Report and Financial Statements
 For the Year Ended 30 June 2021


6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 June 2021

| | Notes | 2020/2021 | | | 2019/2020 | | | Cumulative to-date KShs |
|--|-------|---|--|----------------------|--|--|--------------------|-------------------------------|
| | | Receipts and payments controlled by the entity KShs | Payments made by third parties KShs | Total KShs | Receipts and payment controlled by the entity KShs | Payments made by third parties KShs | Total KShs | |
| Receipts | | | | | | | | |
| Transfer from Government entities | 11.1 | 498,125,000 | - | 498,125,000 | 392,778,750 | - | 392,778,750 | 2,097,027,175 |
| Loans from External Development Partners | 11.2 | - | 75,279,460 | 75,279,460 | - | 64,178,154 | 64,178,154 | 5,221,912,614 |
| Total Receipts | | 498,125,000 | 75,279,460 | 573,404,460 | 392,778,750 | 64,178,154 | 456,956,904 | 7,318,939,789 |
| Payments | | | | | | | | |
| Purchase of goods and services | 11.3 | 147,031,687 | - | 147,031,687 | 50,726,838 | - | 50,726,838 | 472,372,236 |
| Acquisition of non-financial assets | 11.4 | 527,743,987 | 75,279,460 | 603,023,447 | 223,597,608 | 64,178,154 | 287,775,762 | 6,619,583,043 |
| Transfers to OLK | 11.7 | 128,315,126 | - | 128,315,126 | - | - | - | 128,315,126 |
| Total Payments | | 803,090,800 | 75,279,460 | 878,370,260 | 274,324,446 | 64,178,154 | 338,502,600 | 7,220,270,405 |
| (Deficit)/Surplus | | (304,965,800) | - | (304,965,800) | 118,454,304 | - | 118,454,304 | 98,669,384 |

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 30.06.2021 and signed by:


 Chief Executive Officer
 FCPA Fernandes Barasa, OGW


 General Manager, Finance
 Tom Imbo
 ICPAK Member No:7039


 Overall Project Coordinator
 Antony Wamukota

7. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2021

| | Notes | 2020/2021 | 2019/2020 |
|----------------------------------|-------|-------------------|--------------------|
| | | KShs | KShs |
| Financial Assets | | | |
| Cash and cash equivalents | | | |
| Bank balances | 11.5 | 98,669,384 | 403,635,183 |
| Total Financial Assets | | 98,669,384 | 403,635,183 |
| Represented By: | | | |
| Fund balance b/fwd. | 11.6 | 403,635,184 | 285,180,880 |
| (Deficit)/surplus for the year | | (304,965,800) | 118,454,304 |
| Net Financial Position | | 98,669,384 | 403,635,184 |

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.....^{30 Jul}..... 2021 and signed by:



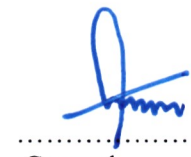
 Chief Executive Officer

FCPA Fernandes Barasa, OGW



 Overall Project Coordinator

Antony Wamukota



 General
 Manager-Finance
 Tom Imbo
 ICPAK Member No. 7039

8. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

| | Notes | 2020/2021 | 2019/2020 |
|--|-------|----------------------|--------------------|
| | | KShs | KShs |
| Cash Flows from Operating Activities | | | |
| Receipts for operating income | | | |
| Transfers from Government entities | 11.1 | 498,125,000 | 392,778,750 |
| Payments for operating expenses | | | |
| Purchase of goods and services | 11.3 | (147,031,687) | (50,726,837) |
| Transfers to OLK | 11.7 | (128,315,126) | - |
| Net cash generated from operating activities | | 222,778,187 | 342,051,913 |
| Cash Flows from Investing Activities | | | |
| Acquisition of non-financial assets | 11.4 | (603,023,447) | (287,775,764) |
| Cash Flows from financing Activities | | | |
| Loan from external development partners | 11.2 | 75,279,460 | 64,178,154 |
| Net (decrease)/increase in Cash and Cash Equivalent | | (304,965,800) | 118,454,304 |
| Cash and Cash Equivalent at Beginning of the Year | | 403,635,184 | 285,180,880 |
| Cash and Cash Equivalent at End of the Year | 11.5 | 98,669,384 | 403,635,184 |


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.....^{30/11}.....2021 and signed by:


 Chief Executive Officer

FCPA Fernandes Barasa, OGW


 Overall Project Coordinator

Antony Wamukota


 General
 Manager-Finance
 Tom Imbo
 ICPAK Member No.
 7039

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNT

| RECEIPTS | ORIGINAL BUDGET | ADJUSTMENTS | FINAL BUDGET | ACTUAL ON COMPARABLE BASIS | BUDGET UTILISATION DIFFERENCE | % OF UTILISATION |
|---------------------------------------|----------------------|--------------------|----------------------|----------------------------|-------------------------------|------------------|
| | a KShs | b KShs | c=a+b KShs | d KShs | e=c-d KShs | f=d/c % |
| TRANSFERS FROM GOVT ENTITIES | 300,000,000 | 437,000,000 | 737,000,000 | 498,125,000 | 238,875,000 | 68% |
| PROCEEDS FROM BORROWINGS | 974,204,897 | - | 974,204,897 | 75,279,460 | 898,925,437 | 8% |
| TOTAL RECEIPTS | 1,274,204,897 | 437,000,000 | 1,711,204,897 | 573,404,460 | 1,137,800,437 | 34% |
| PAYMENTS | | | | | | |
| PURCHASE OF GOODS AND SERVICES | 250,000,000 | - | 250,000,000 | 147,031,687 | 102,968,313 | 59% |
| ACQUISITION OF NON-FINANCIAL SERVICES | 1,024,204,897 | 437,000,000 | 1,461,204,897 | 603,023,447 | 858,181,450 | 41% |
| | 1,274,204,897 | 437,000,000 | 1,711,204,897 | 750,055,134 | 961,149,763 | 44% |

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


 Chief Executive Officer

FCPA Fernandes Barasa, OGW


 Overall Project Coordinator

Antony Wamukota


 General Manager-Finance

Tom Imbo
 ICPAK Member No. 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 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

10.3.1 Reporting currency

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

10.4 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 recognised in the financial statements the time associated cash is received

10 SIGNIFICANT ACCOUNTING POLICIES (Continued)

10.4 Significant Accounting Policies (continued)

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 and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

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.

i) Compensation of 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 incurred and paid for.

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

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

10. SIGNIFICANT ACCOUNTING POLICIES (Continued)

10.4 Significant Accounting Policies (continued)

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 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.

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.

h) 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.

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

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)

10.4 Significant Accounting Policies (continued)

j) 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.

k) 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 are 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.

l) 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 under review has been included in an annex to these financial statements.

m) 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 payments to third parties column in the statement of receipts and payments. During the year no amount of loan disbursements were received in form of direct payments from third parties.

n) 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.

10. SIGNIFICANT ACCOUNTING POLICIES (Continued)

10.4 Significant Accounting Policies (continued)

o) 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.

p) 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, 2020.

q) 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.

11. NOTES TO THE FINANCIAL STATEMENTS

11.1 Transfer from Government of Kenya

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

| | 2020/2021 | 2019/2020 | Cumulative to-date |
|--|--------------------|--------------------|----------------------|
| | KShs | KShs | KShs |
| Counterpart funding through State Department of Energy | | | |
| Counterpart funds Quarter 1 | 75,000,000 | 115,278,750 | 503,933,049 |
| Counterpart funds Quarter 2 | 184,250,000 | 185,000,000 | 793,787,311 |
| Counterpart funds Quarter 3 | 238,875,000 | 92,500,000 | 633,807,385 |
| Counterpart funds Quarter 4* | - | - | 168,169,430 |
| Total | 498,125,000 | 392,778,750 | 2,099,697,175 |

* Quarter 4 amount of KShs 238,875,000 was received on 6 July 2021.

11.2 Loans 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 in cash | Loans received as direct payment | Total amount | |
|--|---------------|-------------------------|------------------------|----------------------------------|-------------------|-------------------|
| | | 2020/2021 | 2020/2021 | 2020/2021 | 2020/2021 | 2019/2020 |
| | | USD | KShs | KShs | KShs | KShs |
| Loans Received from Multilateral Donors | | | | | | |
| EXIM Bank of India Ltd | 2021 | 707,180 | - | 75,279,460 | 75,279,460 | 64,178,154 |
| Total | | 707,180 | - | 75,279,460 | 75,279,460 | 64,178,154 |

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 | | |
| | KShs | KShs | KShs | KShs | KShs |
| License fees | - | - | - | - | 2,344,863 |
| Professional fees | 77,697,166 | - | 77,697,166 | 1,596,800 | 135,752,162 |
| Bank charges and fees | 121,373 | - | 121,373 | 87,297 | 11,059,088 |
| Other operating expenses | 60,542,212 | - | 60,542,212 | 32,678,448 | 235,435,200 |
| Site travel | 8,670,936 | - | 8,670,936 | 16,364,293 | 86,132,895 |
| Survey | - | - | - | - | 1,648,028 |
| Total | <u>147,031,687</u> | <u>-</u> | <u>147,031,687</u> | <u>50,726,838</u> | <u>472,372,236</u> |

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 | | |
| | KShs | KShs | KShs | KShs | KShs |
| Consultancy fees | - | - | - | 4,197,095 | 302,097,306 |
| Transmission equipment | 247,138,406 | 75,279,460 | 322,417,866 | 178,849,360 | 5,290,031,795 |
| Wayleaves compensation | 280,605,581 | - | 280,605,581 | 104,729,307 | 1,027,453,942 |
| Total | <u>527,743,987</u> | <u>75,279,460</u> | <u>603,023,447</u> | <u>287,775,762</u> | <u>6,619,583,043</u> |

11. NOTES TO THE FINANCIAL STATEMENTS(Continued)

11.5 CASH AND CASH EQUIVALENTS

| | 2020/2021 | 2019/2020 |
|-----------------------|-------------------|--------------------|
| | KShs | KShs |
| Bank account balances | 98,669,384 | 403,635,184 |
| Total | 98,669,384 | 403,635,184 |

The project does not have a separate bank account. The cash is held in the KCB Bank Kenya Limited Consolidated account. [A/c No 1111251622]

11.6 FUND BALANCE BROUGHT FORWARD

| | 2019/2020 | 2018/2019 |
|---------------|-------------|-------------|
| | KShs | KShs |
| Bank accounts | 403,635,184 | 285,180,883 |

11.7 TRANSFER TO OLKARIA-LESSOS-KISUMU TRANSMISSION LINE PROJECT

| | 2020/2021 | 2019/2020 |
|-----------------|-------------|-------------|
| | KShs | KShs |
| Transfer to OLK | 128,315,126 | 285,180,883 |

Out of the total GOK budget of KShs 737,000,000 allocated to the project, KShs 128,315,126 was used to settle bills related to the Olkaria-Lessos-Kisumu Transmission Line Project. It was the decision of management that since the Machakos-Konza-Kajiado-Namanga project had activities which did not require immediate funding, the same could be utilised in the OLK project. An application was made to the Principal Secretary, Ministry of Energy, for incorporation of this in the overall Ministry of Energy Estimates. An approval was issued from the Principal Secretary, Ministry of Energy and the Principal Secretary, Interior and Citizen Services, who is also the chairperson of the National Development Implementation Committee (NDITC).

12. OTHER IMPORTANT DISCLOSURES

12.1 PENDING ACCOUNTS PAYABLE (See Annex3A)

| Description | Balance b/f | Additions for the year | Paid during the year | Balance c/f |
|-----------------|--------------------------|---------------------------|----------------------------|---------------------------|
| | 2019/2020 | | | 2020/2021 |
| | KShs | KShs | KShs | KShs |
| Supply of goods | 87,136,353 | 531,618,176 | (75,279,460) | 543,475,069 |
| Total | <u>87,136,353</u> | <u>531,618,176</u> | <u>(75,279,460)</u> | <u>543,475,069</u> |

12.2 OTHER PENDING PAYABLES

| Description | Balance b/f | Adjustment* | Additions for the year | Paid during the year | Balance c/f |
|-------------------------------------|---------------------------|-----------------|---------------------------|-----------------------------|---------------------------|
| | 2019/2020 | | | | 2020/2021 |
| | KShs | KShs | KShs | KShs | KShs |
| Project Affected Persons parties | <u>182,907,894</u> | - | <u>268,727,937</u> | <u>(280,605,582)</u> | <u>171,030,249</u> |
| Total | <u>182,907,894</u> | <u>-</u> | <u>268,727,937</u> | <u>(280,605,582)</u> | <u>171,030,249</u> |

13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR RECOMMENDATIONS

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

| Reference No. on the external audit Report | Issue / observations from Auditor | Management comments | Focal point person to resolve the issue | Status | Timeframe |
|--|-----------------------------------|--|---|----------|-----------|
| 1.0 | Liquidation of the Contractor | As reported in the prior year, the contractor for Lot 1A 220KV Turkwel-Ortum-Kitale substations was contracted on 16 April, 2013 with a contract sum of USD 19,972,680 later revised to USD 18,100,120. As at the date of the audit, the contractor had achieved an overall completion status of 78%. The contractor was put into liquidation in July, 2018 by courts in India resulting in challenges in completing the Project due to lack of finances. According to Management, another contractor is in the process of being identified as a replacement to take over the remaining works. Consequently, the project may not be completed on time and may also experience cost overruns. | GM-Design and Construction | Resolved | FY 2022 |
| | | Management responses The contractor for Lot 1A (Turkwel, Ortum and Kitale Substations) was declared bankrupt in 2018 in India whereupon works were suspended in September 2018. Since then, KETRACO has procured another contractor competitively based on the Financier rules. Work is supposed to commence in the FY 2021/2022 and will take 10 months to complete. | | | |
| 2.0 | Pending Bills-Goods and services | According to Note 11.1 and 11.2 to the financial statements, the project had pending accounts payables totalling KShs.270,044,247 (2019: KShs. 263,844,328) as at 30 June, 2020. During the year under review, the Project Management made payments totalling | GM-Finance | Resolved | FY 2022 |

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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 |
|--|-----------------------------------|--|---|-------------|--------------|
| | | <p>KShs.168,907,461 while accumulating bills totalling KShs.175,107,380. Management has not explained why bills were not settled during the year they occurred. The project is at risk of incurring significant interest costs and penalties with their continued delay in payment.</p> <p>Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge</p> <p>Management Response 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. Most of these were subsequently settled in the Financial Year 2021/2022.</p> | | | |
| 3.0 | Long Unpaid Wayleave Compensation | <p>The expected compensation to landowners for wayleaves acquired since inception of the Project amounts to Kshs.958,943,467 out of which KShs. 929,756,255 was certified payable. The project Management has so far paid KShs 746,848,361 leaving an unpaid balance of KShs 182,907,894. The Management has attributed failure to pay the amounts due to lack of budgetary allocation from The National Treasury and lengthy land negotiations between land owners, Kenya Electricity Transmission Company and the County Government of Kajjado.</p> | GM-Finance | In progress | FY 2021/2022 |

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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 |
|--|-----------------------------------|---|---|-------------|-----------|
| | | <p>Management Response The slow wayleaves compensation is occasioned by insufficient documentation from certified land owners for the grant easement registration in acquiring the right of way. It is also due to disputed compensation amounts. In this regard, management working together with the County Government of Kajiado successfully reached consensus with the landowners and compensation is going on. The wayleave trace has been opened up for works to continue.</p> <p>The Covid 19 disruptions from in the calendar year 2020 also affected the wayleaves acquisition process especially in the last quarter of the year under review, especially with the closure to travel and slow operation in numerous county lands offices. We anticipate that with the easing of restrictions and the interventions by the County administration, the balances will reduce.</p> | | | |
| 4.0 | Delayed Project Implementation | <p>The Lot 1A -220KV Substations at Turkwel, Ortom and Kitale and Lot 3A- 132/33KV Machakos-Konza-Kajiado-Namanga Transmission Lines- reported 78% and 60% completion rate respectively, by 30 June 2020. Lot 1A of the Project is currently suspended and significant work remains undone. Works are yet to commence at the main strategic substation in Turkwel, which may lead to underutilization of the Project. Lot 3A was expected to be complete by 30 December 2019, hence the Project is behind schedule and may delay delivery of services to the intended beneficiaries.</p> | GM-Design and Construction | In progress | FY 2022 |

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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 |
|--|-----------------------------------|---|---|----------|-----------|
| 5.0 | Budgetary Control and Performance | <p>Consequently, the Project may also experience cost overruns and possible withdrawal of funding by the project financier.</p> <p>Management Response As for the substation at Turkwel, the position is that the take off bay at Turkwel for Lot 1A project is complete and awaiting connection of the line and completion of Ortum and Kitale terminal station where power is to be stepped down from 220kV to 132kV.</p> <p>As for Lot 3A, Isinya Namanga has wayleaves challenges (as noted above) that the government has moved in to resolve. Compensation is progressing and the wayleave trace has been opened up for works to continue.</p> <p>The statement of comparative budget and actual amounts for the year ended 30 June 2020, reflects actual receipts of KShs.781,000,000 resulting in a shortfall of Kshs.324,043,096 or 41% of the final receipt budget. Further, actual expenditure for the year amounted to KShs.338,502,600 against the actual receipts of KShs.781,000,000 resulting to under absorption of KShs.442,497,400 or 57% of the final receipt budget. Management attributed this to late disbursement of the 4th Quarter which was disbursed in July, 2020 and reduced proceeds from borrowing due to termination of contractual works. Consequently, the underfunding and low expenditure may affect the planned activities and impact negatively on service delivery to the public.</p> | GM, Finance | Resolved | 2021 |

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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 |
|--|---|--|---|-------------|----------------------------|
| | | <p><u>Management response</u> The slow wayleaves compensation is occasioned by insufficient documentation from certified land owners for the grant easement registration in acquiring the right of way. It is also due to disputed compensation amounts. In this regard, management working together with the County Government of Kajiado successfully reached consensus with the landowners and compensation is going on. The wayleave trace has been opened up for works to continue.</p> <p>The Covid 19 disruptions from in the calendar year 2020 also slowed down the wayleaves acquisition process in the year under review, especially with the closure to travel and slow operation in numerous county lands offices. We anticipate that with the easing of restrictions and the interventions by the County administration, the balances will reduce.</p> | | | |
| 6.0 | Automation of the Financial Reporting Process | <p>Review of the financial reporting process for the Project revealed significant manual interventions. Although the subledgers are extracted from SAP system through the Business Intelligence Reporting Module, the processing of the trial balance and financial statements is done manually on excel worksheets. Consequently, the manual interventions may result to errors in the project financial statements.</p> <p><u>Management Response</u> The Company is in the process of fully automating the projects reporting system (Project services module</p> | GM, Finance | In progress | 30 th June 2022 |

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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 |
|--|-----------------------------------|---|---|--------|-----------|
| | | <p>in SAP) and Integrating SAP with Integrated Location Intelligence System (ILIS) this will ensure end to end processing of project financial information in the system and reporting.</p> <p>The implementation is currently on-going and is expected to be completed by 31 December 2021</p> | | | |



 Chief Executive Officer
 FCPA Fernandes Barasa, OGW:



 Overall Project Coordinator
 Antony Wamukota

Date:

Date:

14. ANNEXES

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

| | Final Budget | Actual on Comparable Basis | | Budget Utilisation Variance | Comments on Variance | % of Utilisation |
|---|----------------------|----------------------------|----------------------|-----------------------------|----------------------|------------------|
| | | a | b | | | |
| | KShs | KShs | KShs | c=a-b | | d=c/a % |
| Receipts During the Year | | | | | | |
| Transfer from Government entities | 737,000,000 | 498,125,000 | 238,875,000 | (i) | | 32% |
| Loan from external development partners | 974,204,897 | 75,279,460 | 898,925,437 | | | 92% |
| Total Receipts | 1,711,204,897 | 573,404,460 | 1,137,800,437 | | | 66% |
| Payments During the Year/Period | | | | | | |
| Purchase of goods and services | 250,000,000 | 207,168,353 | 42,831,647 | (ii) | | 83% |
| Acquisition of non-financial assets | 1,461,204,897 | 603,023,448 | 858,181,449 | (iii) | | 41% |
| Total Payments | 1,711,204,897 | 810,191,801 | 901,013,096 | | | 47% |

Explain all variances (% of utilization) below 90% and above 100%

Explanations: -

- (i) Quarter 4 disbursement for 2020/2021 of KShs 238,875,000 was received on 6th July 2021
- (ii) Purchases of goods and services were marginally lower than budget
- (iii) Reduced acquisition of non-financial assets was because the TOK substations project did not commence in the year as planned

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(ii) ANNEX 3A - ANALYSIS OF PENDING BILLS

| Supplier of Goods or Services | Original Amount | Date Contracted | Amount for Certified Work To-Date | Amount Paid To-Date | | Outstanding Balance | | Comments |
|---|----------------------|-----------------|-----------------------------------|----------------------|--------------------|---------------------|-------------------|----------|
| | | | | 2021 | 2020 | 2021 | 2020 | |
| | KShs | | KShs | KShs | KShs | KShs | KShs | |
| | a | b | c | | | d=a-c | | |
| Construction of buildings | | | | | | | | |
| I. NONE | | | | | | | | |
| Sub-Total | | | | | | | | |
| Construction of civil works | | | | | | | | |
| Jyoti Structures Ltd | 1,828,112,120 | 16-Apr-13 | 1,135,320,552 | 1,121,870,292 | 13,450,260 | 13,450,260 | 13,450,260 | |
| Shyama Power India Ltd | 2,955,807,277 | 16-Apr-13 | 2,524,207,670 | 2,524,207,670 | 235,375,951 | 67,429,580 | 67,429,580 | |
| KEC International Limited | 1,171,958,500 | 16-Apr-13 | 1,354,445,950 | 1,293,604,614 | 60,841,336 | 6,256,513 | 6,256,513 | |
| Outstanding Shyama power invoices to be paid once GOK funds are available | - | | - | - | 233,807,522 | - | - | |
| Sub-Total | 5,955,877,896 | | 5,013,974,172 | 4,939,682,576 | 543,475,069 | 87,136,353 | 87,136,353 | |
| Supply of goods | | | | | | | | |
| 3. NONE | | | | | | | | |
| Sub-Total | | | | | | | | |
| Supply of services | | | | | | | | |
| Power Grid Corporation of India | 285,490,943 | 25-Apr-12 | 293,690,426 | 293,690,426 | - | - | - | |
| Sub-Total | 285,490,943 | | 293,690,426 | 293,690,426 | - | - | - | |
| Grand Total | 6,241,368,839 | | 5,307,664,598 | 5,233,373,002 | 543,475,069 | 87,136,353 | 87,136,353 | |

ANNEX 3C - ANALYSIS OF OTHER PENDING PAYABLES

| Name | Brief Transaction Description | Original Amount | Date Payable Contracted | Amount Paid To-Date | Outstanding Balance | | Comments |
|-------------------------------------|-------------------------------|----------------------|-------------------------|----------------------|---------------------|--------------------|----------|
| | | | | | 2021 | 2020 | |
| | | a | b | c | d=a-c | | |
| | | KShs | | KShs | KShs | KShs | |
| Amounts due to Third Parties | | | | | | | |
| 1. | Project affected persons | 1,240,413,982 | 2019/2020 | 1,027,453,943 | 171,030,249 | 182,907,894 | |
| Sub-Total | | 1,240,413,982 | | 1,027,453,943 | 171,030,249 | 182,907,894 | |
| Grand Total | | 1,240,413,982 | | 1,027,453,943 | 171,030,249 | 182,907,894 | |

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

| Asset class | Opening Cost | | *Purchases/Additions in the Year 2020/21 | **Disposals in the Year 2020/21 | Closing Cost 2020/21 |
|------------------------------------|----------------------|--------------------|--|---------------------------------|----------------------|
| | 2019/20 | (KShs) | | | |
| | (a) | (b) | (c) | (d)= (a)+ (b)-(c) | (KShs) |
| Motor vehicles | 29,124,656 | - | - | - | 29,124,656 |
| Powerline (Transmission Equipment) | 5,989,528,944 | 603,023,448 | - | - | 6,592,552,392 |
| Total | 6,018,653,600 | 603,023,448 | - | - | 6,621,677,048 |

Notes

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

** The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold.