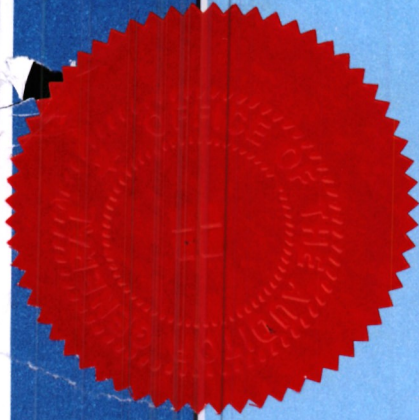


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CLERK AT THE TABLE:	Enibys Muriuki

THE AUDITOR-GENERAL

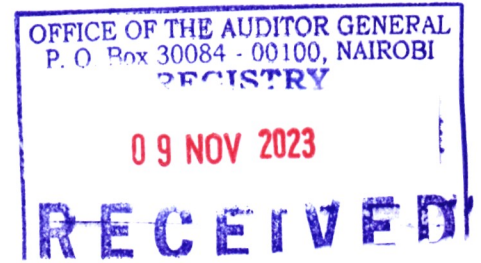
ON

**KENYA ELECTRICITY MODERNIZATION
PROJECT (KEMP) (IDA CR. NO.5587 KE)**

**FOR THE YEAR ENDED
30 JUNE, 2023**

STATE DEPARTMENT FOR ENERGY





KENYA ELECTRICITY MODERNISATION PROJECT

STATE DEPARTMENT FOR ENERGY

PROJECT CREDIT NUMBER: 5587KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

Kenya Electricity Modernisation Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

Table Contents	Page
1. Acronyms and Glossary of Terms	ii
2. Project Information and Overall Performance	iii
3. Statement of Performance against Project's Predetermined Objectives	xiv
4. Environmental and Sustainability reporting.....	xviii
5. Statement of Project Management responsibilities.....	xxii
6. Report of the Independent Auditor on Financial Statements for Kenya Electricity Modernisation Project	xxiv
7. Statement of Receipts and Payments for the year ended 30th June 2023.	1
8. Statement of Financial Assets as at 30 th June 2023	2
9. Statement of Cashflow for the year ended 30 th June 2023	3
10. Statement of Comparison of Budget and Actual amounts for year ended 30 th June 2023	4
11. Significant Accounting Policies	5
12. Notes to the Financial Statements	12
12. Annexes.....	19

1. Acronyms and Glossary of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
Comparative FY	Financial year preceding the current financial year.

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is Kenya Electricity Modernization Project (KEMP),

Objective

The key objective of the project is to increase access to electricity, improve reliability of electricity services and to strengthen KPLC's financial situation.

Address

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

The address of its registered office is:

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

NAIROBI

Contacts: The following are the project contacts

Telephone: (254) 33101112

E-mail: ps@energy.go.ke

Website: www.energy.go.ke

**Kenya Electricity Modernisation Project
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	The project start date is 17 th September 2015
Project End Date:	The project end date is 30 June 2023
Project Manager:	The project manager is Mr. Rodney Sultani
Project Sponsor:	The project sponsor is International Development Association, which will contribute 100% of project costs.

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the State Department for Energy
Project number	IDA CR. 5587KE
Strategic goals of the project	The strategic goals of the project are as follows: (i) To increase access to electricity. (ii) To improve reliability of electricity service (iii) To strengthen KPLC's financial situation.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: The implementing agencies (IAs) are the Ministry of Energy (MoE), KPLC, and REA.
Other important background information of the project	The project is being implemented in conjunction with other Energy Sector Agencies and Parastatals.
Areas that the project was formed to intervene	The project was formed to intervene in the following areas: (i) Access to Electricity. (ii) Reliability of Electricity Service (iii) KPLC financial situation.

Kenya Electricity Modernisation Project

Annual Report and Financial Statements for the financial year ended June 30, 2023

Project duration	The project started on 17 th September 2015 and was expected to run until 30 th June 2020. This has extended thrice thus 31 st December 2021, 31 st December 2022 and 30 th June 2023 respectively
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Kenya Electricity Modernisation Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the current year:

(i) Special Account

Central Bank of Kenya Ltd

Account No. 1000250698

(ii) Project Account

Central Bank of Kenya

Account No. 1000309875

2.5 Independent Auditor

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

2.6 Roles and Responsibilities

List the different people who are working on the project.

Names	Title Designation	Key Qualifications	Responsibilities
Alex Kamau Wachira	Principal Secretary	MBA, BSc, C, Eng, MIEE R Connsul' Eng FIEX	Accounting Officer
Rodney Sultani	Project Coordinator	MSc. Project Management, BSc Civil Engineering.	Manager
CPA Rose Barasa	Deputy Accountant General	MBA, (Strategic Management)	Accounting & ERD
Mr. Stephen Alexius Njue	Senior Deputy Director Budget	MBA(Finance)	Finance
CPA Geoffrey Tsalwa Imbayi	Financial Management Specialist	MSc. Finance, B. COM. Finance CPA (K)	Financial Management

2.7 Funding summary

The Project is for duration of 8 years from 2015 to 30th June 2023 with an approved budget of USD 4,520,000 equivalent to Kshs 456,000,000 as highlighted in the table below:

Kenya Electricity Modernisation Project**Annual Report and Financial Statements for the financial year ended June 30, 2023****Project information and overall performance (continued)**

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30 June 2023)		Undrawn balance to date	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
(i) Loan						
International Development Association (IDA)	4,520,000	456,000,000	3,702,071	364,159,088	817,929	91,840,912
Total	4,520,000	456,000,000	3,702,071	364,159,088	817,929	91,840,912

Kenya Electricity Modernisation Project

Annual Report and Financial Statements for the financial year ended June 30, 2023

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2023)		Cumulative Amount paid to date – (30 th June 2023)		Unutilised balance to date (30 th June 2023)	
	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	(A)	(A')	(B')	(B')	(A)-(B)	(A')-(B')
(i) Loan						
International Development Association	3,267,216	364,159,088	2,912,180	354,628,481	202,777	9,530,607
Total	3,267,216	364,159,088	2,912,180	354,628,481	202,777	9,530,607

**Kenya Electricity Modernisation Project
Annual Report and Financial Statements for the financial year ended June 30, 2023**

2.8 Summary of Overall Project Performance:

2.8.1 Budget performance against actual amounts for current year and cumulative to date.

During the year under review, the project received Kshs. 16,935,727 against a final budget of Kshs. 184,000,000 and incurred a total expenditure of Kshs. 37,663,878 against a budget of Kshs 184,000,000 resulting to under absorption of Kshs 146,336,122 or **80%**. The projects' cumulative receipts and payments are Kshs 364,159,088 and Kshs 354,628,481 respectively.

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

Activities planned for the reporting period	Activity Implementation Status	Narration (Please give a short description/explanation)
National Electrification Strategy		
Develop and launch the National Electrification Strategy	National Electrification Strategy developed and launched.	Completed.
Regulations for enforcing quality of electricity		
Develop regulation for enforcing quality electricity	Standards developed for enforcing quality electricity	Completed
Mini- Grid development- Preparation of preliminary designs		
Complete final payments to design-to-design contractors and close the contracts.	Final payments made and two (2) contracts closed. Processing of final payments for the third contractor.	Completed
Preparation of preliminary designs	None All designs completed and final payments made.	Completed
Cost of Service	Scope of work satisfactory completed.	Completed
Consultant for Revenue protection		
Payment to the consultant for revenue protection	Scope of work satisfactory completed.	Completed
Senior Procurement Specialist		
Contract closure	Scope of work satisfactory completed.	Completed
Management and supervision Consultant- Electrification works.		

Kenya Electricity Modernisation Project

Annual Report and Financial Statements for the financial year ended June 30, 2023

Project Supervision and management to continue	Supervision works ongoing	On going
Training	To date 163 participants drawn from (MoE, KPLC, KEGEN, KETRACO, REA, GDC, ERC, KNEB and NT) have been trained in various courses supported by the World Bank through the project. Scope of works satisfactory completed.	Completed. There is no more funding available for this activity. No training was planned for during the quarter.
Submission of the Final Report of the Power Market Design Study.	The Power Market Study was completed in November 2021 when the consultant submitted the final report and training report. This study will assist the Ministry in undertaking further reforms of the electricity supply industry, including development of a competitive wholesale and retail markets as spelled in the sector policy. The output of the study also fulfills the requirement of section 131 of the Energy Act, 2019 on the regular review of the power market by EPRA, in consultation with the Cabinet Secretary.	Implementation complete, final payment made.
Submission of Systems Operation and Dispatch Guidelines Draft Final report.	The study on System's Operation and Dispatch Guidelines is complete. The Consultant has submitted all reports, which has been reviewed by the Sector and comments sent to the Consultant. The consultant also conducted training delivered a Training Report.	Contract concluded and all reports submitted to MoE.

Kenya Electricity Modernisation Project

Annual Report and Financial Statements for the financial year ended June 30, 2023

SCADA /EMS Link between KPLC and ERC	The Consultant has delivered all the equipment and has configured the SCADA equipment. The EPRA team designated to operate the SCADA system were trained at the ABB premises in Sweden.	Activity completed, awaiting final payment.
Development of Technical specifications and standardization guidelines.	Contract has been signed by the Consultant and is awaiting signature by MoE's PS. inception report submitted and approved.	The activity was not completed thus Task 3 and 4 were not finalized as at 30th June 2023 when the project closed.
Procurement of Consultancy Services for Customer satisfaction survey	The final inception report with comments addressed was submitted during the quarter. There was a delay in acquisition of data from Kenya Power but this has been sorted out. The consultant is working in close contact with KPLC to refine the questionnaires that will be tested before the survey campaign. This will help us to produce accurate surveying material for higher quality results for this assignment.	This activity is still ongoing though any liability that accrues after 30th June 2023 shall be paid by GOK funds

2.8.3 Absorption

The absorption rate is 20% as at 30th June 2023 compared to the disbursement plan in the Project Appraisal Document (PAD) this was due to low budget allocation granted by the National Treasury. As at to date the Bank has disbursed USD 3,267,216 against a commitment of USD 4,520,000.

2.8.4 Implementation challenges and recommended way forward

- a) The consultant on technical specification and standardization was unable to deliver before the project's closing date.

2.9 Summary of Project Compliance:

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

3. 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. This component will finance consultancy services, feasibility studies for new investments, training actions and other activities to support, among others:

The key development objectives of the project's 2018-2023 plan are to:

- (i) Preparation of the National Electrification Strategy (NES).** The objective of the NES is to achieve universal access to electricity services meeting applicable standards on quality in a sustainable manner in the shortest possible time. The strategy should also optimize allocation of resources from a country perspective. MoEP will implement this activity.
- (ii) Detailed National Technical Specifications and Standardization.** This assistance will support the technical and economic optimization of the design and construction of electricity networks needed to supply new users located in areas that are currently not electrified, meeting applicable standards on service quality. This will result in the addition of new standardized construction units to those currently applied by KPLC and REA. MoEP will implement this activity.
- (iii) Regulations for enforcing quality on electricity service.** Assistance to ERC to implement a regime on service quality, based on systematic monitoring of key parameters through direct access of the records of the information systems used by KPLC. This will also be combined with assessment of KPLC's customers' complaints and commercial systems. MoEP through ERC will implement this activity.

(iv) Training and capacity building. This will finance training and capacity building and communications for the sector entities, including MoEP, KPLC, REA, KETRACO, KenGen and ERC.

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.

Kenya Electricity Modernisation Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Kenya Electricity Modernization Project	Preparation of the National Electrification Strategy (NES)	Increased efficient	Report	This has been achieved
	Detailed national technical specifications and standardization	Support the technical and economic optimization of the design and construction of electricity networks needed to supply new users located in areas that are currently not electrified, meeting applicable standards on service quality	1 Report	Implementation not completed
	Regulations for enforcing quality	Service quality, based on	1 report	Procurement Completed

Kenya Electricity Modernisation Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

	on electricity service delivery	systematic monitoring of key parameters through direct access of the records of the information systems used by KPLC		
	Training and capacity building	Improve on service delivery in the Energy Sector	No staff trained	163 personnel were trained

4. Environmental and Sustainability reporting

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

1. Sustainability strategy and profile

The Ministry is committed to promoting sustainable environmental management and utilization of natural resources to generate socio-economic benefits. Measures were put in place in 2019/20 to ensure sustainable energy resource management. Among them include: Implementation of the Energy Act 2019 through development and review of various regulations (in draft form) that guides on sustainable utilization of the energy resources; Formulation of the Kenya Energy Efficiency and Conservation Strategy and Bio-energy strategy (which aims at promote the development and utilization of bio-energy resources in Kenya in a sustainable manner) both of which are at draft stage; among others. Other strategies put in place included protection of riparian land and reforestation of hydro dam catchment areas through direct involvement and also supply of seedlings to the communities living in project areas.

2. Environmental performance

- a. The proposed project was screened by World Bank and assigned an Environmental Category B Partial Assessment, on the assumption that no major civil works will be funded and no major physical or economic displacement will take place. Four safeguard policies have been triggered for the project. They include (a) OP/BP 4.01 (Environmental Assessment); (b) OP/BP 4.04 (Natural Habitats); (c) OP/BP 4.10, (Indigenous Peoples); and (d) OP/BP 4.12 (Involuntary Resettlement).
- b. The World Bank operational policy on Environmental Assessment (OP/BP 4.01) has been triggered, due to the implementation of the activities outlined under Components 1–3. The main potential environmental impacts anticipated for the project are (a) civil works that would be limited to construction of the mini-grids in remote areas (Component 1), installation of stand-alone systems for households (Component 2), installation of solar PV for water pumping (Component 3), and construction of distribution lines to connect new customers and (b) environmental, health, and safety concerns are likely to be associated with recycling and disposal of spent batteries at the end of their useful lives, which is usually 3–5 years after deployment. Rechargeable batteries for storing solar energy may run on nickel-

cadmium (Ni-Cad), nickel metal hydride (NiMH), lithium-ion (Li-ion), lead-acid (Pb-A), or lead-gel (Pb-gel). These batteries should not be disposed in standard landfills because they can create long-lasting environmental and human health impacts (for example, headaches, abdominal discomfort, seizures and comas, cancers, irritation of skin and respiratory system, burns and damage to skin and eyes, and corrosion) due largely to the heavy metals such as mercury, lead, cadmium, and nickel and acids. The entire management processes including de-manufacturing, collection, storage, recycling, transport, and disposal may present a challenge to this project and, given the scope of this World Bank operation, could result in environmental and social risks and impacts, although these impacts are reversible and localized and can be easily and cost-effectively mitigated.

- c. The operational policy on Natural Habitats (OP/BP 4.04) has been triggered, on the assumptions that the project activities under Components 1 and 3 are likely to affect the natural habitats through erection of poles, construction of the mini-grids, and the installation of the solar water pumping equipment.

3. Employee welfare

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

For skill improvements and career progression the State Department of Energy is guided by Human Resource Development Policy for the Public Service, June, 2015 and Guidelines on Managing Training in the Public Service. This enabled the State Department of Energy to conducts individual trainings programmes required for career progression/promotion and those required in the Schemes of Service for various cadres and also group trainings for various cadres. The State Department of Energy ensured that all staffs were put on Performance Appraisal System (PAS) as guided by guidelines for Implementation of Performance Rewards and Sanctions in the Public Service and also Performance Rewards and Sanctions framework.

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

4. Market place practices-

a) Responsible Supply chain and supplier relations-

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

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

b) Responsible ethical practices

Strict adherence to Annex IV of World Bank Regulations on Banks Anti-corruption guidelines

c) Regulatory impact assessment

Safeguard citizen and stakeholder's rights.

5. Community Engagements

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

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

5. Statement of Project Management responsibilities

The Principal Secretary for the State Department for Energy and the **Project Coordinator** for **Kenya Electricity Modernization Project** are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2023.

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

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

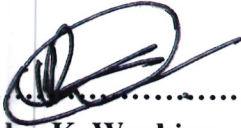
The Principal Secretary for the State Department for Energy and the Project Coordinator for **Kenya Electricity Modernization Project** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2023, and of the Project's financial position as at that date. The Principal Secretary for the State Department for Energy and the Project Coordinator for **Kenya Electricity Modernization Project** further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary for the State Department for Energy and the Project Coordinator for **Kenya Electricity Modernization Project** confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

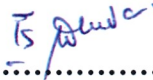
Kenya Electricity Modernisation Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

Approval of the Project Financial Statements

The Project financial statements were approved by the Principal Secretary for the State Department for Energy and the Project Coordinator for **Kenya Electricity Modernization Project** on 09/11/ 2023 and signed by:



.....
Alex K. Wachira
Principal Secretary



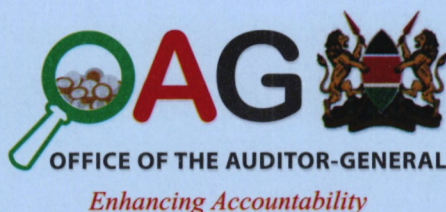
.....
Rodney Sultani
Project Coordinator



.....
CPA Rose Baraza
Project Accountant
ICPAK Member No: 5586

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY MODERNIZATION PROJECT (KEMP) (IDA CR. NO.5587 KE) FOR THE YEAR ENDED 30 JUNE, 2023 – STATE DEPARTMENT FOR ENERGY

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the 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 controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Electricity Modernization Project (KEMP) - State Department for Energy set out on pages 1 to 19, which comprise of the statement of financial assets as at 30 June, 2023, and statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual

Report of the Auditor-General on Kenya Electricity Modernization Project (IDA CR. NO.5587 KE) for the year ended 30 June, 2023 - State Department for Energy

amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Electricity Modernization Project (KEMP) as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No.5587KE dated 29 June, 2015, between the International Development Association (IDA) and the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs. I am independent of the Kenya Electricity Modernization Project (IDA Cr. No. 5587 KE) 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.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted receipts of Kshs.184,000,000 and actual receipts of Kshs.16,935,727 resulting to underfunding of Kshs.167,064,273 or 91%. Similarly, the Project budgeted for Kshs.184,000,000 for purchase of goods and services but incurred an expenditure of Kshs.37,663,878 resulting to under absorption of Kshs.146,336,122 or 80%. Management attributed or the under absorption to slow implementation of the consultancies. However, there were pending bills totalling to Kshs.51,040,247 relating to consultancy services and no plausible reason was given as to why the pending bills where not settled in the year yet there was adequate budgetary allocation.

The under absorption of funds may have affected service delivery to the intended beneficiaries of the project.

Key Audit Matters

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

Other Information

The Management are responsible for the other information, which comprises the statement of performance against Project's predetermined objectives and responsibilities,

statement of corporate social responsibility/sustenance reporting and the statement of 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, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Unsupported Pending Bills

Annex 4A to the financial statements is on pending bills totalling to Kshs.51,040,247 payable to a Sweden AB Company for design, supply, installation, testing and commissioning of SCADA / EMS Extension to EPRA. A letter from EPRA reference number. EPRA/DCS/ICT/15/JA/mo dated 22 December, 2022 indicates that the contract for the SCADA was entered between Ministry of Energy and the contractor on 31 March, 2020. No contract agreement was provided to support the pending bill. Additionally, procurement records were not provided for audit. Even though the Ministry had adequate budget in the year under review, the pending amount related to two invoices (no. 93543103 dated 10 December, 2021 for USD.265,571.25 and 93563049 dated 20 December, 2022 for USD. 35,409.5). However, the reason for failure to clear these long outstanding invoices was not provided.

In the circumstances, the pending bills balance of Kshs.51,040,247 could not be ascertained and Management was in breach of the law.

2. Non-Remittance of Taxes to Kenya Revenue Authority (KRA)

Records held at the State Department for Energy indicate that taxes totalling to Kshs.12,812,739 were withheld during payments to consultants offering services under the project on diverse dates but had not been remitted to the Kenya Revenue Authority (KRA). This is contrary to the provisions of Section 42(4)C of the Tax Procedures Act, 2015 which states that a person who is required under this section to withhold tax commits an offence if the person fails to withhold the whole amount of the tax which should have been withheld or fails to remit the amount of the withheld tax to the Commissioner by the twentieth day of the month following that in which the deduction was made. Under Section 42(4)D of the Act, a person who commits an offence under subsection 4C is liable on conviction to a penalty of ten per cent of the amount involved.

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

3. Inadequate Contracts Management and Implementation

A contract for Development of National Specifications and Standardization was awarded to a local private firm and a contract was signed on 26 January, 2022 at a contract sum of USD.448,931.60 inclusive of all taxes. The consultant was sourced through Quality and Cost-Based Selection Method. The contract period was nine (9) months with a commencement date of 15 days from the date of the contract. As at 30 June,2023, only 35% of the consultancy (Inception and Interim report) had been completed. A total of USD 157,125.9 (Approximately Kshs.19,861,386) had been paid under the contract as at 30 June, 2023. It was noted that under clause 24.1 of the special conditions of the consultancy contract, the consultant was to ensure that a professional liability insurance with a minimum coverage of not less than the total ceiling amount of the contract was in place prior to commencing the services. No evidence was provided that the consultant provided an insurance cover which left the project exposed to professional liability risks

With the contract having expired in November, 2022 and project closed on 30 June,2023, there is no indication that the objectives of Part D(1)(b) of the project, as outlined in the project financing agreement, will be attained. No explanations were provided for failure to execute the contract to completion.

Annex 4(b) to the financial statements reflects pending payables to Energy and Petroleum Regulatory Authority (EPRA) of Kshs.3,164,126.70 which relates to reimbursements due to EPRA, being 10% of total contract sum for a consultancy on Study on the Level of Customer Satisfaction in the Electricity Sector in Kenya.

However, the consultancy on the Study of the Level of Customer Satisfaction in the Electricity Sector in Kenya was not within the scope of the project activities described in Part D.1(a), D.1(b) D.1(c) and D.1(e) of the financing agreement between International Development Association (IDA) and the Republic of Kenya dated 29 June, 2015. No subsidiary agreement was provided for audit review to support the consultancy.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

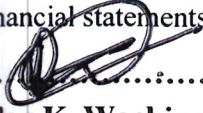
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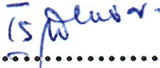
17 November, 2023


7. Statement of Receipts and Payments for the year ended 30th June 2023.

		2022/2023	2021/2022	
	Note	Receipts and payments controlled by the entity	Receipts and payment controlled by the entity	Cumulative to-date (From inception)
		KShs	KShs – (Restated)	KShs (Restated)
RECEIPTS				
Loan from external development partners	12.1	16,935,727	54,595,551	364,159,088
TOTAL RECEIPTS		16,935,727	54,595,551	364,159,088
PAYMENTS				
Purchase of goods and services	12.2	37,663,878	45,453,388	337,990,682
Acquisition of non-financial assets	12.3	-	-	16,637,799
TOTAL PAYMENTS		37,663,878	45,453,388	354,628,481
SURPLUS/(DEFICIT)		(20,728,151)	9,142,163	9,530,607

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


 Alex K. Wachira
 Principal Secretary


 Rodney Sultani
 Project Coordinator



 CPA Rose Baraza
 Project Accountant
 ICPAK Member No: 5586

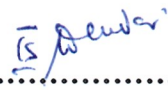
**Kenya Electricity Modernisation Project
Annual Report and Financial Statements for the financial year ended June 30, 2023**


8. Statement of Financial Assets as at 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents			
Bank Balances	12.4 A	9,530,607	29,961,958
Total Cash and Cash equivalents		9,530,607	29,961,958
Total Financial Assets		9,530,607	29,961,958
Represented By			
Fund Balance B/fwd.	12.5	29,961,958	21,116,595
Prior Year adjustments	12.6	296,800	(296,800)
Surplus/(Deficit) for the Year		(20,728,151)	9,142,163
Net Financial Position		9,530,607	29,961,958

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 09/11/2023 and signed by:


.....
Alex K. Wachira
Principal Secretary


.....
Rodney Sultani
Project Coordinator

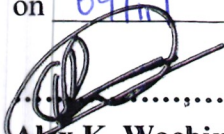

.....
CPA Rose Baraza
Project Accountant
ICPAK Member No: 5586


Kenya Electricity Modernisation Project
Annual Report and Financial Statements for the financial year ended June 30, 2023


9. Statement of Cashflow for the year ended 30th June 2023

Description	Note	2022-2023 KShs	2021-2022 KShs
CASHFLOW FROM OPERATING ACTIVITIES			
Payments			
Purchase of goods and services	12.2	37,663,878	45,453,388
Total payments		37,663,878	45,453,388
Adjusted for:			
Prior year adjustment		296,800	-296,800
Net receipts/(payments)		-37,367,078	-45,750,188
CASHFLOW FROM FINANCING ACTIVITIES			
Proceeds from Foreign Borrowings	12.1	16,935,727	54,595,551
Net cash flow from financing activities		16,935,727	54,595,551
NET INCREASE IN CASH AND CASH EQUIVALENTS		-20,431,351	8,845,363
Cash and cash equivalent at BEGINNING of the year	12.4	29,961,958	21,116,595
Cash and cash equivalent at END of the year	12.4	9,530,607	29,961,958

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The State Department for Energy financial statements were approved on 09/11/2023 and signed by:


 Alex K. Wachira
 Principal Secretary


 Rodney Sultani
 Project Coordinator



 CPA Rose Baraza
 Project Accountant ICPAK
 Member No 5586


**Kenya Electricity Modernisation Project
Annual Report and Financial Statements for the financial year ended June 30, 2023**


10. Statement of Comparison of Budget and Actual amounts for year ended 30th June 2023

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget e=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Receipts						
Proceeds from borrowings	40,000,000	144,000,000	184,000,000	16,935,727	167,064,273	9%
Total Receipts	40,000,000	144,000,000	184,000,000	16,935,727	(167,064,273)	9%
Payments						
Purchase of goods and services	40,000,000	144,000,000	184,000,000	37,663,878	146,336,122	20%
Total Payments				37,663,878	(146,336,122)	
Surplus or Deficit	-	-	-	(20,728,151)	(20,728,151)	20%

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


.....
Alex K. Wachira
Principal Secretary


.....
Rodney Sultani
Project Coordinator


.....
CPA Rose Baraza
Project Accountant
ICPAK Member No: 5586

11. Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

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

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

b) Reporting entity

The financial statements are for the Kenya Electricity Modernization project under the State Department of Energy. The financial statements are for the reporting entity Kenya Electricity Modernization Project as required by Section 81 of the PFM Act, 2012 .

c) Reporting currency

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

d) Recognition of receipts

Kenya Electricity Modernization project recognises all receipts from the various sources when the event occurs, and the related cash has been received.

i) Transfers from the Exchequer

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

Significant Accounting Policies (continued)

ii) External Assistance

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

iii) Other receipts

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

iv) Donations and grants

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

v) Proceeds from borrowing.

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

vi) Undrawn external assistance

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

Significant Accounting Policies (continued)

e) Recognition of payments

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

i) Compensation to employees

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

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

Significant Accounting Policies (continued)

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

f) In-kind donations

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

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Significant Accounting Policies (Continued)

h) Restriction on cash

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

i) Imprests and Advances

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

j) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

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

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. No contingent liabilities were found.

Significant Accounting Policies (Continued)

k) Contingent Assets

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

l) Pending bills

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

m) Budget

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

Significant Accounting Policies (Continued)

n) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments.
and are disclosed in the payment to third parties' column in the statement of receipts and payments.

o) Exchange rate differences

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

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2023.

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s).

12. Notes to the Financial Statements

1. Loan from External Development Partners

During the financial period to 30 June 2023, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Description	FY 2022/23			FY 2021/22	Cumulative to date	
Name of Donor	Date received	Amount in loan currency	Loans received in actual amount	Total amount in Kshs	Total amount in Kshs	
		(Kshs)	Kshs	Kshs	Kshs	
International Development Association	13/03/2023	152,239.88	16,935,726.75	16,935,726.75	54,595,551	364,159,088
Total		152,239.88	16,935,726.75	16,935,726.75	54,595,551	364,159,088

Notes to the Financial Statements (Continued)

2. Purchase of Goods and Services

Description	FY 2022/23		FY 2021/22	Cumulative to-date
	Payments made in Cash	Total payments	Total payments	
	Kshs	Kshs	Kshs (Restated)	Kshs
Training payments				95,254,600
Other operating payments	37,663,878	37,663,878	*45,453,388	242,736,082
Total	37,663,878	37,663,878	45,453,388	337,990,682

*The expenditure under operating payments was over stated by Kshs. 296,800 which relates to the ineligible expenditures charged in the project account. This amount was refunded to the project account in the current financial year hence the restatement of the amount in the comparable financial year.

3. Acquisition of Non-Financial Assets

Description	FY 2022/23			FY 2021/22	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs.	Kshs.	Kshs	Kshs	Kshs
Purchase of office furniture & general equipment	-	-	-	-	147,000
Research, studies, project preparation, design & supervision	-	-	-	-	16,490,799
Total	≡	≡	≡	≡	<u>16,637,799</u>

Kenya Electricity Modernisation Project, Credit Number: 5587KE
Annual Report and Financial Statements for the financial year ended June 30, 2023

Notes to the Financial Statements (Continued)

4. Cash And Cash equivalents

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Bank accounts (Note 7.A)	9,530,607	29,961,958
Total	<u>9,530,607</u>	<u>29,961,958</u>

Kenya Electricity Modernisation Project has one (1) number of project accounts spread within the project implementation area and one (1) number of foreign currency designated accounts managed by the National Treasury as listed below:

4. A Bank Accounts

Project Bank Accounts

Details	FY 2022/23	FY 2021/22
	Kshs	Kshs
<u>Local Currency Accounts</u>		
Central Bank of Kenya (A/c No.. 1000390875)	9,530,607	29,961,958
Total bank account balances	<u>9,530,607</u>	<u>29,961,958</u>

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2023 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

Notes to the Financial Statements (Continued)

Special Deposit Accounts Movement Schedule

Description	FY 2022/23	FY 2021/22
	Kshs	(Restated) Kshs
(i) Central Bank of Kenya [A/c No 1000309875]		
Opening balance	4,180,700	38,634,142
Total amount deposited in the account	80,006,116	20,142,109
Total amount withdrawn (as per Statement of Receipts & Payments)	(16,935,726)	(54,595,551)
*Closing balance (as per SDA bank account reconciliation attached)	<u>67,251,090</u>	<u>4,180,700</u>

(The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as Appendix to support these closing balance.

**The exchange rate used as at 30th June 2022 was Kshs. 117.8325 per USD and Kshs 137.7668 per USD as at 30th June 2023.*

Kenya Electricity Modernisation Project, Credit Number: 5587KE
Annual Report and Financial Statements for the financial year ended June 30, 2023

Notes to the Financial Statements (Continued)

5. Fund Balance Brought Forward

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Bank accounts	29,961,958	21,116,595
Total	29,961,958	21,116,595

6. Prior Year adjustment

	Balance b/f Previous FY (audited financial statements)	Adjustments	Adjusted balance b/f Previous FY
Description of the error	Kshs	Kshs	Kshs
* advances	-	296,800	-296,800
Total	-	296,800	-296,800

**The were ineligible payments that were charged in the project account in the previous financial year which were inadvertently omitted in the financial statements under accounts receivable but the funds were paid back in the project account in the current Financial Year by the Gok funds.*

Kenya Electricity Modernisation Project, Credit Number: 5587KE
Annual Report and Financial Statements for the financial year ended June 30, 2023

Other Important Disclosures

1. Pending Accounts Payable (See Annex 3)

	Balance b/f from Comparative FY	Additions for the year	Paid during the year	Balance c/f For Current FY
Description	Kshs	Kshs	Kshs	Kshs
Accounts payables	9,699,586	74,035,202	9,699,586	74,035,202
Total	9,699,586	74,035,202	9,699,586	74,035,202

2. External Assistance

	FY 2022/23	FY 2021/22
Description	Kshs	Kshs
External assistance received as loans	16,935,727	54,595,551
Total	16,935,727	54,595,551

a). External assistance relating loans and grants

	FY 2022/23	FY 2021/22
Description	Kshs	Kshs
External assistance received as loans	16,935,727	54,595,551
Total	16,935,727	54,595,551

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2022/23	FY 2021/22
Description		Kshs	Kshs
Undrawn external assistance - loans		91,840,912	108,776,639
Total		91,840,912	108,776,639

Kenya Electricity Modernisation Project, Credit Number: 5587KE
Annual Report and Financial Statements for the financial year ended June 30, 2023

Other Important Disclosures (Continued)

c) Classes of providers of external assistance

	FY 2022/23	FY 2021/22
Description	Kshs	Kshs
International assistance organization	16,935,727	54,595,551
Total	16,935,727	54,595,551

The external assistance was for economic development as stipulated in the financing agreement

**Kenya Electricity Modernisation Project, Credit Number: 5587KE
Annual Report and Financial Statements for the financial year ended June 30, 2023**

12. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Budgetary Control and Performance	The management stated that there were delays in payments/ non-payment because of insufficient budgetary allocations. It also affected performance of the consultant for the National Technical Specifications and Standardization study.	Resolved	



.....
Alex Kamau Wachira
Principal Secretary



.....
Rodney Sultani
Project Coordinator

**Kenya Electricity Modernisation Project, Credit Number: 5587KE
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Annex 2: Variance explanations - Comparative Budget and Actual amounts for Current FY

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Proceeds from borrowings	184,000,000	16,935,727	167,064,273	9%	The under absorption was due to low expenditure hence requisition of funds could not be done since the project requests based on the statement of expenditure within a period
Total Receipts	184,000,000	16,935,727	167,064,273	9%	
Payments					
Purchase of goods and services	184,000,000	37,663,878	146,336,122	20%	This was low due to slow in the implementation of the consultancies
Total payments	184,000,000	37,663,878	(146,336,122)	20%	

**Kenya Electricity Modernisation Project, Credit Number: 5587KE
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Annex 3: Analysis of Pending Bills

Supplier of Goods or Services	Date Contracted/ invoiced,	Original Amount	Amount Paid To-Date	Outstanding Balance Current FY	Outstanding Balance Previous FY	Comments
		a	b	c=a-b		
Supply of services						
Hitachi Energy Sweden AB	03/02/2023	51,040,247.25	-	51,040,247.25		
Energy and Petroleum Regulatory Authority	19/05/2022	7,829,686.15		7,829,686.15		
Energy and Petroleum Regulatory Authority	02/03/2023	3,164,126.70		3,164,126.70		
Kenya Revenue Authority	16/09/2022	3,892,117.50		3,892,117.50		
Kenya Revenue Authority	12/10/2022	1,678,830.00		1,678,830.00		
Kenya Revenue Authority		6,430,195.00		6,430,195.00		
Grand Total		74,035,202.60		74,035,202.60		

**Kenya Electricity Modernisation Project, Credit Number: 5587KE
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Annex 5: Other Support Documents

- i. Bank Reconciliations statement as at 30th June 2023
- ii. Board of Survey Report
- iii. Special Deposit Account(s) reconciliation statement(s)

**KENYA ELECTRICITY MODERNIZATION PROJECT DA-D (MEP)
STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT RECONCILIATION
FOR THE YEAR ENDED 30 JUNE 2023**

Credit No.: IDA LOAN NO. CREDIT NO.55870-KE DA-D

Bank Account No.: 1000250698 Held with CENTRAL BANK OF KENYA

		NOTES	AMOUNT USD	AMOUNT USD
1	Amount advanced by IDA			3,702,071.30
	Less:			
2	Total amount documented			3,202,096.36
3	Outstanding amount to be documented			499,974.94
	Represented by:			
4	Ending Special account Balance as as 30 June 2023			488,151.45
5	Amounts claimed but not credited as at 30 June 2023			-
6	Amounts withdrawn and not claimed			11,823.49
7	Service Charges (if not included in lines 5 and 6 above)			
8	Interest earned (if included in Special Account)			-
9	Total advance to Special Account Year ended 30 June 2023			499,974.94

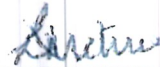
Discrepancy between total appearing on line 3 and 9

-

Notes:

- 1 Explain the discrepancy between totals appearing on lines 3 and 9 above (e.g amount due to be refunded to cover ineligible expenditures paid from the Special/Designated Account)
- 2 Indicate if amount appearing on line 6 is eligible for financing by IDA and provide reasons for not claiming the expenditures

The amount appearing on line 6 is eligible for financing by World Bank and shall be documented in subsequent IFRs


**AUTHORISED REPRESENTATIVE
RESOURCE MOBILISATION DEPARTMENT
THE NATIONAL TREASURY**

DATE: 28-08-2023

SPECIAL ACCOUNT STATEMENT

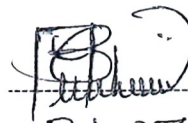
For period ending	30th JUNE, 2023
Account No.	1000250698
Depository Bank	CENTRAL BANK OF KENYA.
Address	CENTRAL BANK OF KENYA.
Related Loan	ELECT MOD PROJ -ME&P A/C 'D'5587KE
Credit Agreement	
Currency	USD

Part A - Account Activity

Beginning balance of 1st July, 2022 as per C.B.K. Ledger Account	35,480.06
Add:	
Total Amount deposited by World Bank	587,113.93
Total Interest earnings if deposited in account	
Total amount refunded to cover ineligible expenditure	
Deduct:	
Total amount withdrawn	134,442.54
Total service charges if not included above in amount withdrawn	
Ending balance on 30th June, 2023	488,151.45

**AUTHORISED REPRESENTATIVE
CENTRAL BANK OF KENYA**

SIGNATURE: _____



DATE _____

24.07.2023

**AUTHORISED REPRESENTATIVE
EXTERNAL RESOURCES
DEPARTMENT-TREASURY**

SIGNATURE: _____



DATE _____

28-08-2023

NOTE: The ending balance as per Central Bank of Kenya Ledger Account and the off-shore Special Account as at 30th June, 2023 have been reconciled and a copy of the supporting Reconciliation Statement is attached.

Run Date: 19/07/2023
 CENTRAL BANK OF KENYA
 BANKI KUU YA KENYA
 P.O.BOX 60000-0200
 NAIROBI

Run Time: 13:59:30

STATEMENT OF ACCOUNT

ACCOUNT NUMBER : 1000250698

ACCOUNT TITLE : ELECT MOD PROJ -ME&P A/C 'D'5587KE
 30/06/2023

STATEMENT PERIOD: From 01/07/2022 To

NO.	DATE	REFERENCE NO	DETAILS	DEBIT	CREDIT BALANCE
OPENING BAL :				35,480.06	
NO.	Value Date	Refernee.No	Details	Debit	Credit
1	08/12/2022	FT2234269LXN	FUNDING	0.00	98,962.48
2	22/02/2023	FT23053P94CV	PA129620	-134,442.54	0.00
3	12/06/2023	FT23163YW1J7	FUNDING	0.00	92,840.45
4	13/06/2023	FT23164HCLPV	FUNDING	0.00	395,311.00

CLOSING BALANCE : 488151.45

END OF ACCOUNT STATEMENT

Favourites

TAME.STMT.OF.ACCT.EPRM

[More Options](#)

[Clear Selection](#)

Account equals ▼ 1000250698
Statement From equals ▼ 20220701
Statement To equals ▼ 20230630

TAME.STMT.OF.ACCT.EPRM



Loan: IDA 55870 (IDA - IDA Credit) | **Status:** Disbursing and Repaying | **Country:** Kenya |

Project: P120014 - KE Electricity Modernization Project

[Loan Overview](#) | [Disbursements](#) | [History](#) | [Repayments](#) | [Amortization Schedule](#) | [Audit Submission](#) | [D](#)

[Applications](#) | [eSignatorie\(s\)](#) | [Beneficiaries](#) | [Contracts](#) | [Designated/UN Accounts](#) | [Special/UN Commitments](#)

Designated Account Detail- DA-D

Account Details

Account Holder	ELECTRICITY MODERNISATION PROJECT	DA Currency	USD
Account Holder's Bank	CENTRAL BANK OF KENYA HAILE SELASSIE AVENUE NAIROBI Swift: CBKEKENXXX	Current Authorized Allocation	500,000.00
Account Number	XXXXXXXX98	Associated Categories	4 - (GD, WK, NC,CS, PRT D1(a) AND D1(c)) 5 - (DISB - TRAINING PRT D.1 (e))
Intermediary Bank	STANDARD CHARTERED BANK 1 BASINGHALL AVENUE LONDON Swift: SCBLGB2LXXX	Other Financing Sources	

Transaction Details

Currency (USD) [View Transaction List](#)

Total Deposits Less Refunds	3,702,071.30
Documented	3,202,096.36
Outstanding Balance	499,974.94
Waived Documentation Amount	0.00
Transaction in Process	0.00

Loans with Inactive Advances

Replenishment applications are to be submitted in accordance with the instructions provided in the Disbursement Letter.

If the DA is inactive for six months, the Bank notifies the borrower that it will request a refund of the outstanding balance unless, within 90 days, the borrower submits satisfactory evidence of eligible expenditures financed through the DA.

To discuss other arrangements, including refund of funds deposited to the Designated Account, the borrower representative should contact the Finance Officer.



Loan: IDA 55870 (IDA - IDA Credit) | Status: Disbursing and Repaying | Country: Kenya |

Project: P120014 - KE Electricity Modernization Project

Loan Overview | Disbursements | History | Repayments | Amortization Schedule | Audit Submission | D

Applications | eSignatorie(s) | Beneficiaries | Contracts | Designated/UN Accounts | Special/UN Commitments

Withdrawal Applications

Disbursement Milestone

Loan Approval Date 31-Mar-2015	Loan Signing Date 29-Jun-2015	Loan Made Effective 17-Sep-2015	Authorized Signatories Submitted to WB 09-Mar-2023	Authorized Signatories Approved 09-Mar-2023	Loan Is Ready for Disbursing Online 11-Aug-2023
-----------------------------------	----------------------------------	------------------------------------	---	--	--

Submit Withdrawal Application

Transaction List

Showing results 1 - 10 of 442 entries

Filter by DA-D

Paid Summary Value Date

Search

Borrower Reference	Application					Paid					
	Type	Status	Ccy	Amount	Category Summary	Ccy	Amount	Date received	Value Date	Logged by	Last Updated
MOE-26	DA-D	Completed	USD	395,311.00	DA-D	USD	395,311.00	09-Jun-2023	12-Jun-2023	Borrower	12-Jun-2023
MOE-25	DA-D	Completed	USD	92,840.45	4	USD	92,840.45	08-Jun-2023	09-Jun-2023	Borrower	09-Jun-2023
MOE-24	DA-D	Completed	USD	98,962.48	4	USD	98,962.48	02-Dec-2022	07-Dec-2022	Borrower	07-Dec-2022
MOE-20	DA-D	Completed	USD	52,346.62	4	USD	52,346.62	24-Jan-2022	26-Jan-2022	Borrower	26-Jan-2022
MOE-21	DA-D	Completed	USD	99,893.24	4	USD	99,893.24	24-Jan-2022	26-Jan-2022	Borrower	26-Jan-2022
MOE-22	DA-D	Completed	USD	25,306.41	4	USD	25,306.41	24-Jan-2022	26-Jan-2022	Borrower	26-Jan-2022
MOE-19	DA-D	Completed	USD	86,091.33	4	USD	86,091.33	10-Mar-2021	10-Mar-2021	Borrower	10-Mar-2021
MOE-18	DA-D	Completed	USD	27,828.33	4	USD	27,828.33	08-Dec-2020	08-Dec-2020	Borrower	08-Dec-2020
MOE-17	DA-D	Completed	USD	99,197.15	Multiple	USD	99,197.15	08-Dec-2020	08-Dec-2020	Borrower	08-Dec-2020
MOE-14	DA-D	Completed	USD	1,155.98	5	USD	1,155.98	19-Jun-2020	22-Jun-2020	Borrower	22-Jun-2020

Loans with Inactive Advances



Loan: IDA 55870 (IDA - IDA Credit) | Status: Disbursing and Repaying | Country: Kenya |

Project: P120014 - KE Electricity Modernization Project

Loan Overview | Disbursements | History | Repayments | Amortization Schedule | Audit Submission | D

Applications | eSignatorie(s) | Beneficiaries | Contracts | Designated/UN Accounts | Special/UN Commitments

Withdrawal Applications

Disbursement Milestone

Loan Approval Date 31-Mar-2015	Loan Signing Date 29-Jun-2015	Loan Made Effective 17-Sep-2015	Authorized Signatories Submitted to WB 09-Mar-2023	Authorized Signatories Approved 09-Mar-2023	Loan is Ready for Disbursing Online 11-Aug-2023
--	---	---	--	---	---

Submit Withdrawal Application

Transaction List

Showing results 1 - 10 of 466 entries

Filter by

DA-D

Documented C

Value Date

Search

Borrower Reference	Application					Paid					Logged by	Last Updated
	Type	Status	Ccy	Amount	Category Summary	Ccy	Amount	Date received	Value Date			
MOE-26	DA-D	Completed by WB	USD	395,311.00	DA-D		0.00	02-Jun-2023			Geoffrey Imbayi	12-Jun-2023
MOE-25	DA-D	Completed	USD	92,840.45	4	USD	92,840.45	08-Jun-2023	09-Jun-2023		Borrower	09-Jun-2023
MOE-23	DA-D	Draft	USD	166,666.25	4		0.00				Geoffrey Imbayi	31-May-2023
MOE 24	DA-D	Completed	USD	98,962.48	4	USD	98,962.48	02-Dec-2022	07-Dec-2022		Borrower	07-Dec-2022
MOE-20	DA-D	Completed	USD	52,346.62	4	USD	52,346.62	24-Jan-2022	26-Jan-2022		Borrower	26-Jan-2022
MOE-21	DA-D	Completed	USD	99,893.24	4	USD	99,893.24	24-Jan-2022	26-Jan-2022		Borrower	26-Jan-2022
MOE-22	DA-D	Completed	USD	25,306.41	4	USD	25,306.41	24-Jan-2022	26-Jan-2022		Borrower	26-Jan-2022
MOE - 19	DA-D	Completed	USD	86,091.33	4	USD	86,091.33	10-Mar-2021	10-Mar-2021		Borrower	10-Mar-2021
MOE-17	DA-D	Completed	USD	99,197.15	5	USD	43,540.49	08-Dec-2020	08-Dec-2020		Borrower	08-Dec-2020
MOE-17	DA-D	Completed	USD	99,197.15	4	USD	55,656.66	08-Dec-2020	08-Dec-2020		Borrower	08-Dec-2020

Loans with Inactive Advances



Loan: IDA 55870 (IDA - IDA Credit) | Status: Disbursing and Repaying | Country: Kenya |

Project: P120014 - KE Electricity Modernization Project

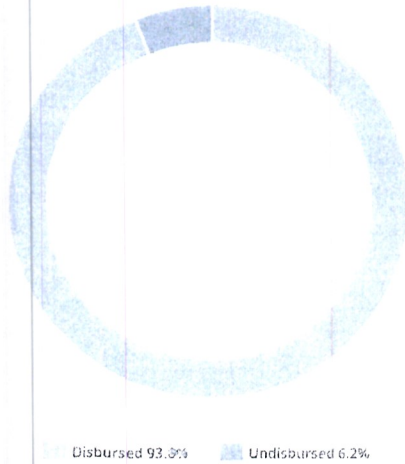
Loan Overview | Disbursements | History | Repayments | Amortization Schedule | Audit Submission |

Important Dates

Approval	Signing	Commitment Charges Start Date	Effective	First Repayment	Closing	Application Deadline	Last Repayment
31-Mar-2015	29-Jun-2015	28-Aug-2015	17-Sep-2015	15-May-2021	30-Jun-2023	30-Oct-2023	15-Nov-2052

Currency of Commitment : XDR

Show amounts in XDR



Loan Information (XDR)

Signed Amount	172,600,000.00
Cancelled	0.00
Disbursed	161,816,122.67
Undisbursed	10,783,877.33
Special Commitments	1,202,395.60
Funds Available	9,581,481.73

Funds Available (XDR)

Withdrawal Applications	0.00
Special Commitment Issuance Applications	0.00
Estimated Funds Available	9,581,481.73

Last Bill, IDA 55870, due on 15-May-2023

USD Equivalents

Borrower: The National Treasury and Planning

Date Payable	Currency	Amount Payable
15-May-2023	XDR	3,254,933.87

Original Approved Amount	250,000,000.00
Current Undisbursed	14,444,033.13
Historical Disbursed	224,679,894.01

Principal Outstanding	Total Charges	Net Commitment Fee
148,331,747.67	0.75 %	0.00 %
Disbursed	Service Charge	Commitment Fee
161,816,122.67	0.75 %	0.50 %
Repaid	Waiver	Waiver
13,484,37	0.00 %	0.00 %

**KENYA ELECTRICITY MODERNIZATION PROJECT DA-D (MEP)
STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT RECONCILIATION
FOR THE YEAR ENDED 30 JUNE 2022**

Credit No.: IDA LOAN NO. CREDIT NO.55870-KE DA-D

Bank Account No.: 1000250698 Held with CENTRAL BANK OF KENYA

		NOTES	AMOUNT USD	AMOUNT USD
1	Amount advanced by IDA			3,114,957.37
	Less:			
2	Total amount documented			3,010,293.43
3	Outstanding amount to be documented			104,663.94
	Represented by:			
4	Ending Special account Balance as as 30 June 2022			35,480.06
5	Amounts claimed but not credited as at 30 June 2022			-
6	Amounts withdrawn and not claimed			69,183.88
7	Service Charges (if not included in lines 5 and 6 above)			
8	Interest earned (if included in Special Account)			-
9	Total advance to Special Account Year ended 30 June 2022			104,663.94

Discrepancy between total appearing on line 3 and 9

-

Notes:

- 1 Explain the discrepancy between totals appearing on lines 3 and 9 above (e.g amount due to be refunded to cover ineligible expenditures paid from the Special/Designated Account)
- 2 Indicate if amount appearing on line 6 is eligible for financing by IDA and provide reasons for not claiming the expenditures

The amount appearing on line 6 is eligible for financing by World Bank and shall be documented in subsequent IFRs

**AUTHORISED REPRESENTATIVE
RESOURCE MOBILISATION DEPARTMENT
THE NATIONAL TREASURY**

DATE:

REPUBLIC OF KENYA

Date: 11th July 2023

Report of the Board of Survey on the Cash and Bank Balance of State Department for Energy
as at the close of Business on 30th June, 2023

The Board, consisting of – (Names and official titles)

DENNIS MUTISO	-	CHAIRMAN
SAMMY CHERUIYOUT	-	MEMBER
PENINNAH KANINI	-	SECRETARY

Assembled at the office of Cash Office at 12.30pm on 11th July, 2023

And the following cash was produced:-

Notes	...	..	..	..	..	..	Sh. Nil
Silver	...	..	..	..	..	..	Sh. Nil
Cooper	...	..	..	..	..	..	Sh Nil
Cheques (as per details on reverse)	...	..	..	..	..	..	<u>Sh. Nil</u> Nil

It was observed that cheques amounting to Sh- Cts - had been on hand for more than 14 days prior to the date of the survey.

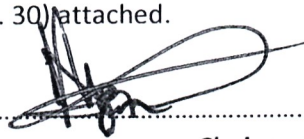
The cash consists of East African currency and does not contain any demonetized coin or notes.

The Cash Book reflected the following balances as at the close of business on the 30th June, 2023.

Cash on hand	...	..	..	..	..	..	Sh. Nil
Bank Balance	...	..	..	..	..	..	Sh. 9,530,607.35
							<u>Sh. 9,530,607.35</u>

The Bank Certificate of Balance showed a sum of Shs.9,530,607.35 to the credit of the account on 30th June, 2023

The difference between this figure and the Bank Balance as at and the Bank Balance as shown by the Cash Book is accounted for in the Bank Reconciliation Statement (F.O. 30) attached.


.....
Chairman

Date 1/7/23.....


.....
Members of the Board

DATE 1/7/2023.....

PENINNAH K. MUMYAU
SECRETARY

DATE 1/7/2023