

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

REPORT

DATE: 07 DEC 2023

OF

BY:

*9/12/23*  
*Hon Owen Bapere Bwambwa*  
*Deputy majority leader*  
*A. Shubuka*

THE AUDITOR-GENERAL



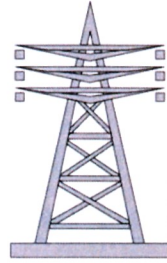
ON

**MULTI-NATIONAL KENYAN SECTION OF  
INTERCONNECTION OF ELECTRIC GRIDS  
OF NILE EQUATORIAL LAKE COUNTRIES  
PROJECT CREDIT NUMBER 2100150022643**

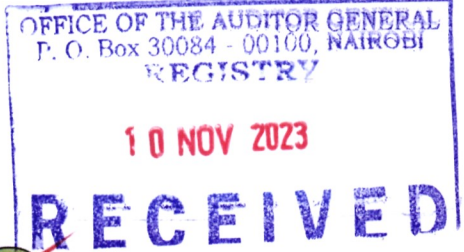
**FOR THE YEAR ENDED  
30 JUNE, 2023**

**KENYA ELECTRICITY TRANSMISSION  
COMPANY LIMITED (KETRACO)**





**KETRACO**



**MULTINATIONAL – KENYAN SECTION OF INTERCONNECTION PROJECT OF  
ELECTRIC GRIDS OF NILE EQUATORIAL LAKES COUNTRIES**

**KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED (KETRACO)**

**CREDIT NUMBER: ADB 2100150022643**

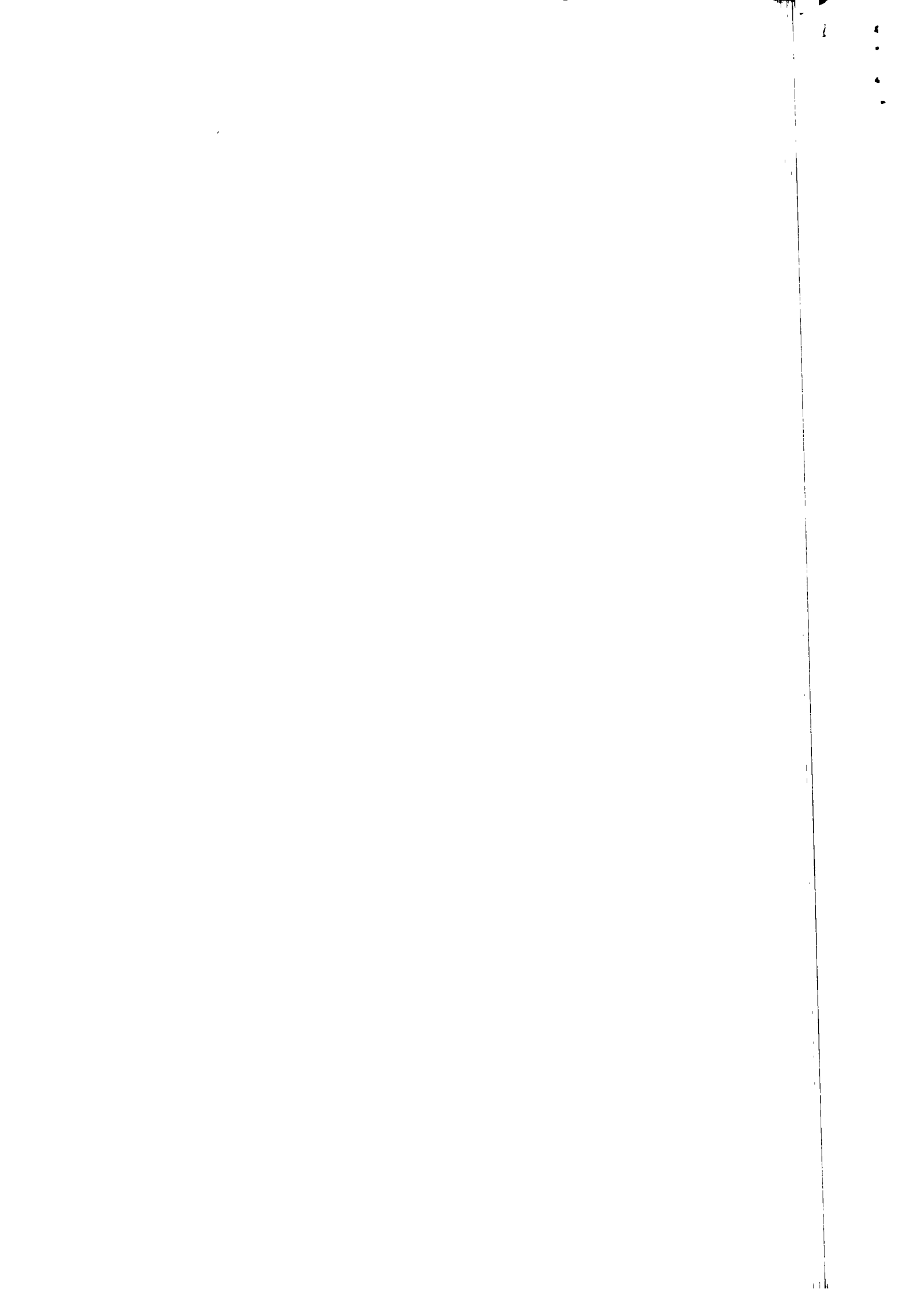
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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

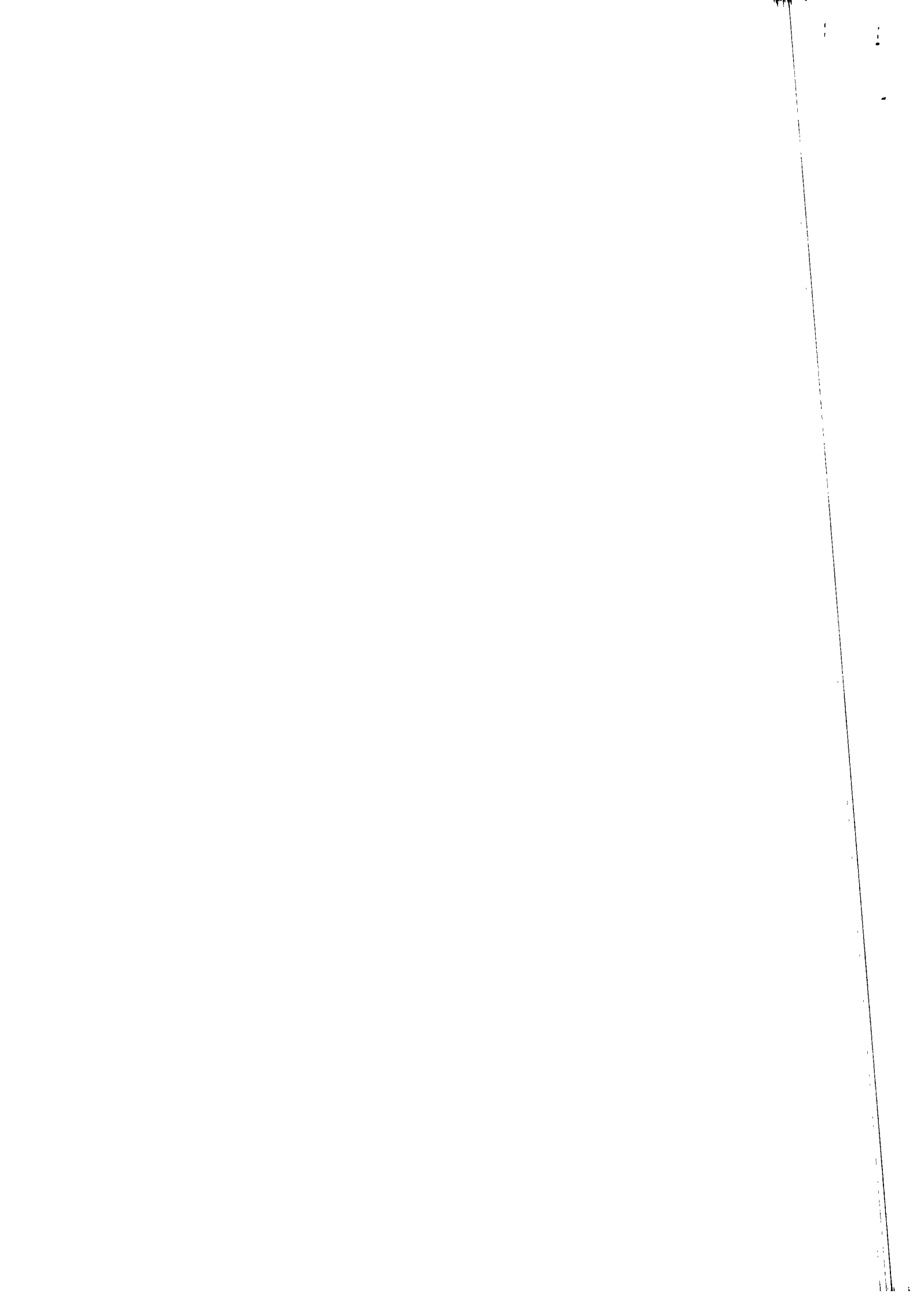
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**Prepared in accordance with the Cash Basis of Accounting Method under the International Public  
Sector Accounting Standards (IPSAS)**

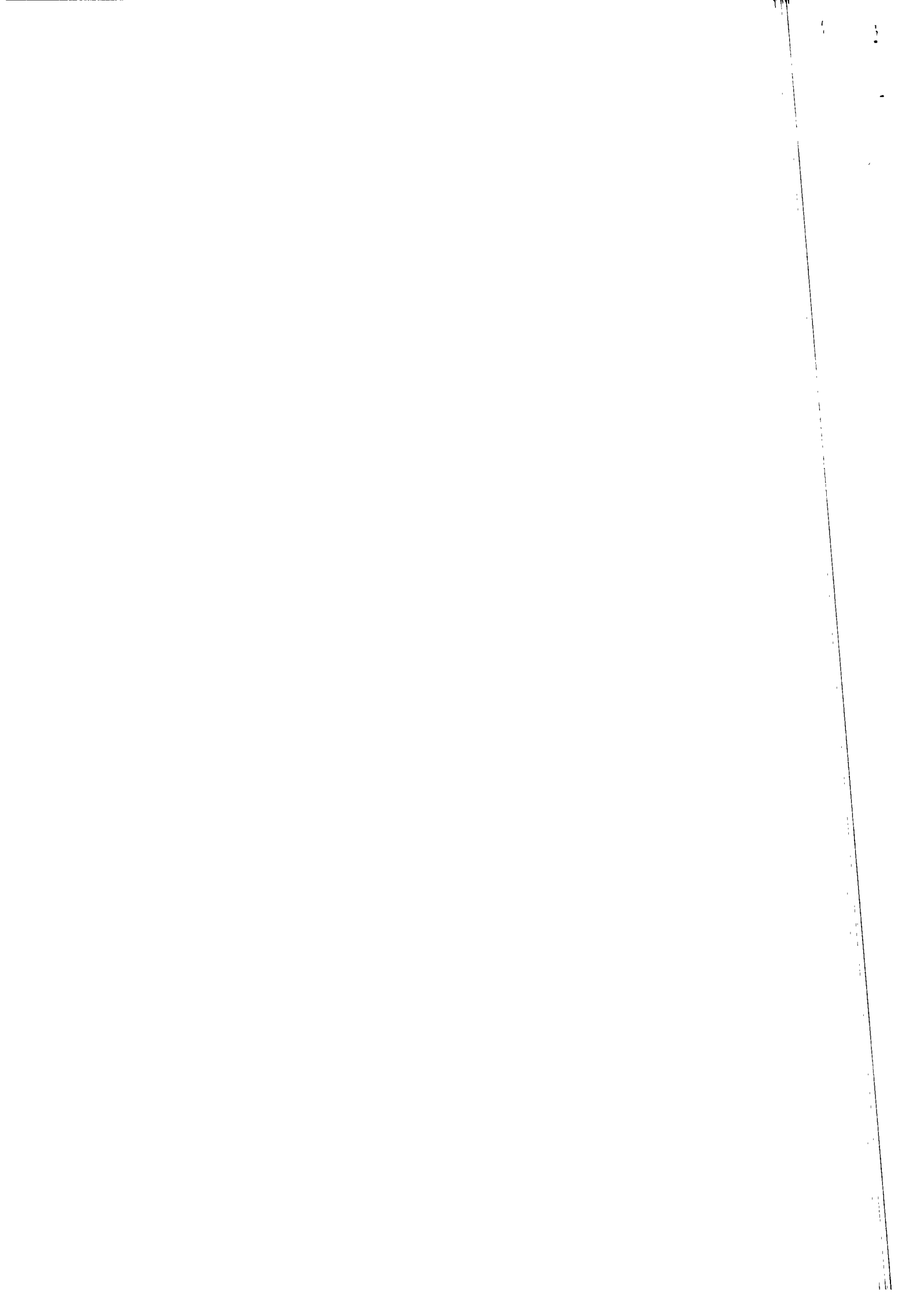


Kenya Electricity Transmission Company Limited  
Multinational – Kenyan Section of Interconnection Project of Electric Grids of Nile Equatorial Lakes Countries  
Report and Financial Statements  
For the Financial Year Ended 30 June 2023

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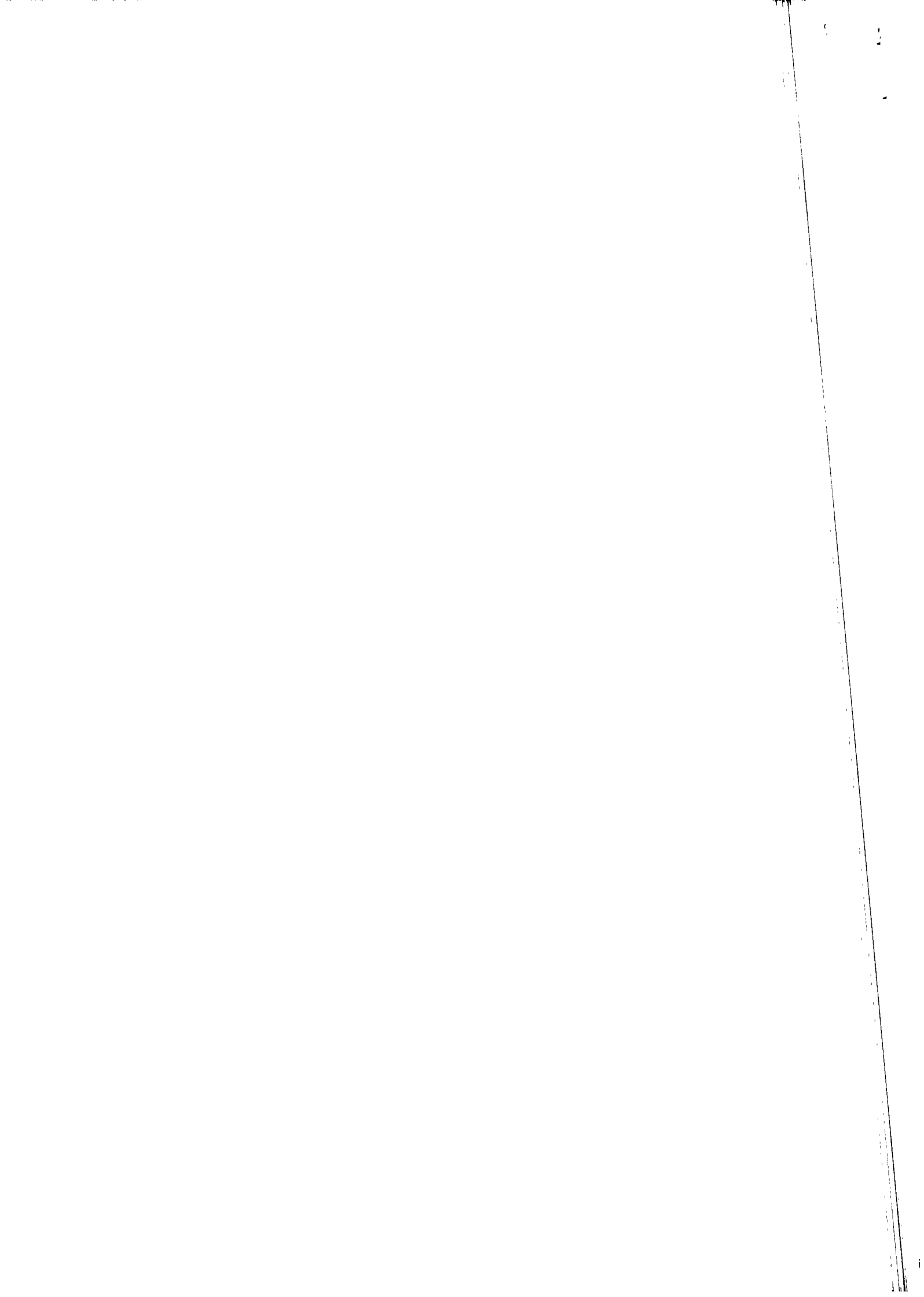


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## 1. ABBREVIATIONS

ADF	: African Development Fund
AIE	: Authority to Incur Expenditure
EUR	: Euro
GOK	: Government of Kenya
HVDC	: High Voltage Direct Current
IPSAS	: International Public Sector Accounting Standards
KETRACO	: Kenya Electricity Transmission Company
kV	: Kilovolts
MDAs	: Ministries, Departments and Agencies
PSASB	: Public Sector Accounting Standards Board
UA	: Units of Account
UAC	: Unit of Currency
US\$	: United States Dollar
OGW	: Order of Grand Warrior



## 2. PROJECT INFORMATION AND OVERALL PERFORMANCE

### 2.1 Name and registered office

**Name:** The project's official name is Multinational – Kenyan Section of Interconnection Project of Electric Grids of Nile Equatorial Lakes Countries.

**Objective:** The key objective of the project is to improve the rate of access to electrical power for the people of the member countries and to foster regional power trade.

**Address:** The project headquarters offices are in Nairobi, Nairobi County, Kenya. The address of its registered office is:

Multinational – Kenyan Section of Interconnection Project of Electric Grids of Nile Equatorial Lakes Countries.  
 Block B, Kawi House  
 Off Red Cross Road, South C  
 P. O. Box 34942 – 00100 Nairobi

**Contacts:** The following are the project contacts:

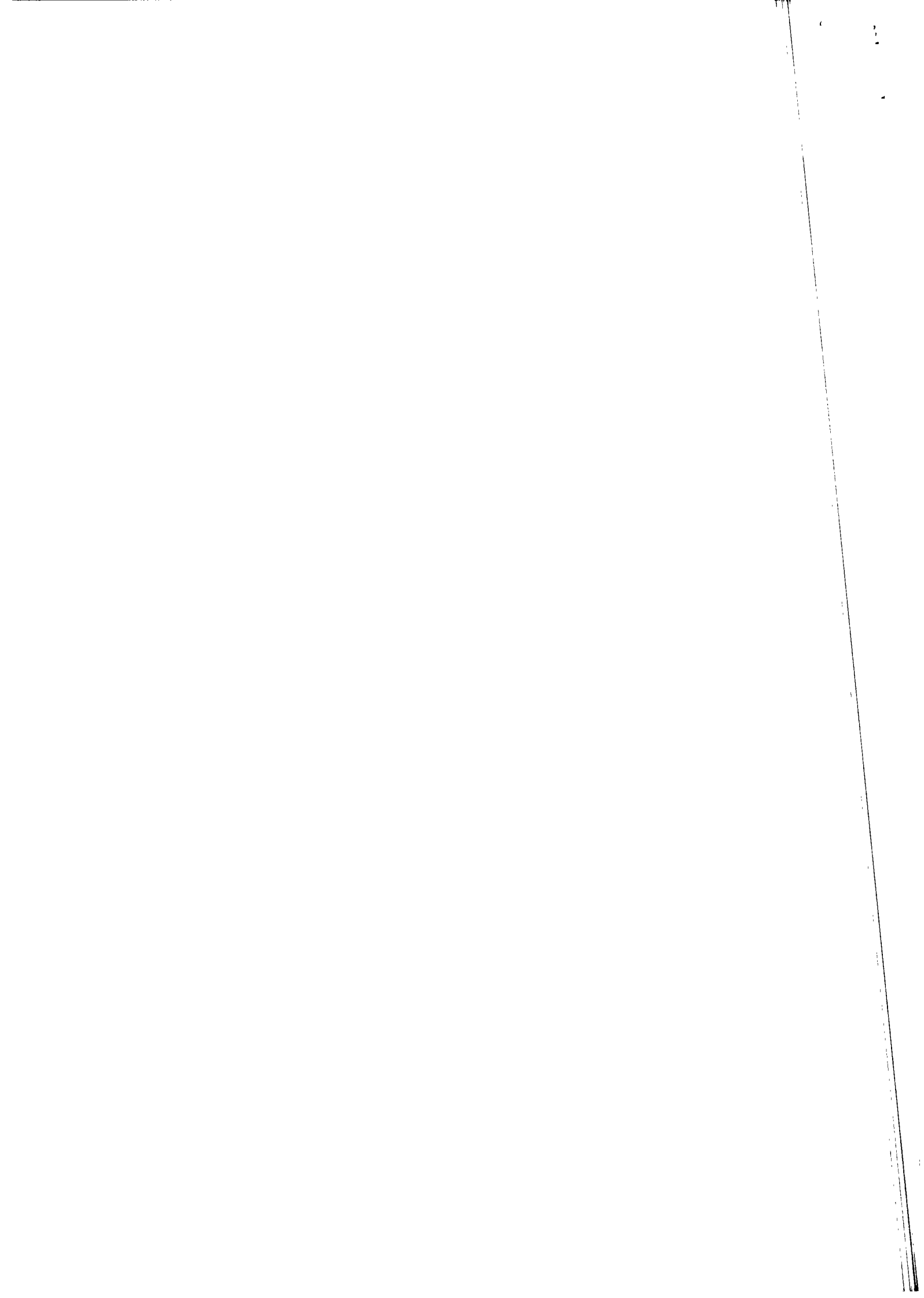
Telephone: (+254) 20 – 4956000,  
 E-mail: info@ketraco.co.ke  
 Website: www.ketraco.co.ke

### 2.2 Project Information

Project Start Date:	The project start date was 20 September 2010.
Project End Date:	The project end date was expected to be 31 December 2017. The new project end date is yet to be determined.
Project Manager:	The project manager is Engineer Ruth Mburu
Project Sponsor:	The project sponsor are Government of Kenya and African Development Fund.

### 2.3 Project Overview

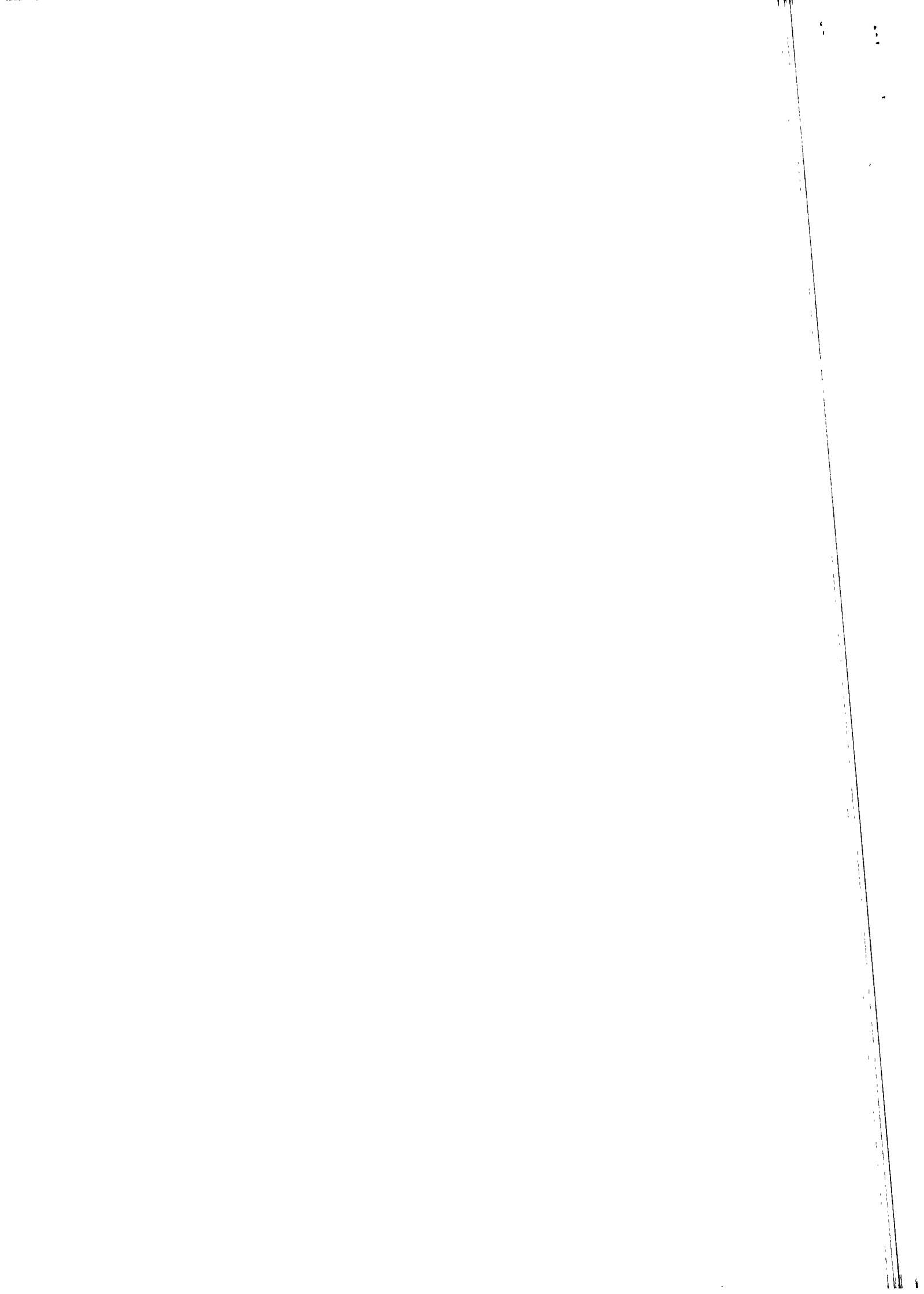
Line Ministry/State Department of the project	The project is under the supervision of the Kenya Electricity Transmission Company Limited, a state corporation under the State Department of Energy.
Project number	P-ZI-FAO-032; CREDIT NO. 2100150022643
Strategic goals of the project	The strategic goal of the project is to improve the rate of access to electrical power for the people of the member countries and to foster regional power trade.



## 2. PROJECT INFORMATION AND OVERALL PERFORMANCE(Continued)

### 2.3 Project Overview (continued)

Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> <li>(i) The construction approximately 132km of 400kV double circuit transmission line from Lessos substation, in Kenya, to the Kenya – Uganda border near Tororo substation in Uganda; including two 90 MVA transformers, line shunt reactors with new bays; two (2) shunt capacitors, two (2) shunt reactors, associated switch gear, and four (4) 220kV line bays;</li> <li>(ii) Building of the operating and maintenance technical capacity of the network;</li> <li>(iii) Implementation of Resettlement Action Plan (RAP) for the acquisition of the way leaves and Right of Way (ROW) corridors of the transmission line components.</li> </ul>
Other important background information on 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"> <li>(i) Improve quality and reliability of electricity supply throughout the country;</li> <li>(ii) Transmit electricity to areas that are currently not supplied from the national grid;</li> <li>(iii) Evacuate power from planned generation plants; and</li> <li>(iv) Provide a link with the neighboring countries in order to facilitate power exchange and develop electricity trade in the region.</li> </ul> <p>The project is being financed by African Development Fund (ADF) and the Government of Kenya through the Ministry of Energy and Petroleum and The National Treasury.</p> <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 Nile Equatorial Lake Countries prioritized the interconnection of their electrical networks to improve the rate of access to electrical power for the people of the member countries and to foster regional power trade. KETRACO is implementing 132km of 400kV double circuit transmission line from Lessos substation, in Kenya, to the Kenya – Uganda border near Tororo substation in Uganda under the NELSAP programme.</p> <p>The project consists of the construction and upgrading of interconnection lines of the grids of Nile Equatorial Lakes Countries to increase their cross-border exchange and trade energy and to improve the transient stability of the systems, safety and affordability of supply, as well as flexibility in the operation of the interconnected networks of these five Nile Basin Initiative Countries: The Republic of Kenya, the Republic of Uganda, the Republic of Rwanda, the Republic of Burundi and the Democratic Republic of Congo.</p>
Current situation that the project	<p>Low rate of access to electrical power for the people of the member countries and low level of regional power trade.</p>
Project duration	<p>The project started on 20 September 2010 and was expected to run until 31 December 2017. However, the new completion date is yet to be determined.</p>



## 2. PROJECT INFORMATION AND OVERALL PERFORMANCE(Continued)

### 2.4 Bankers

The following are the bankers for the current year:

- a) KCB Bank Limited  
 Moi Avenue Branch  
 P. O. Box 30081 - 00100  
 Nairobi.
- b) Co-operative Bank of Kenya Limited  
 Upper Hill Branch  
 P. O. Box 48281 - 00100  
 Nairobi.

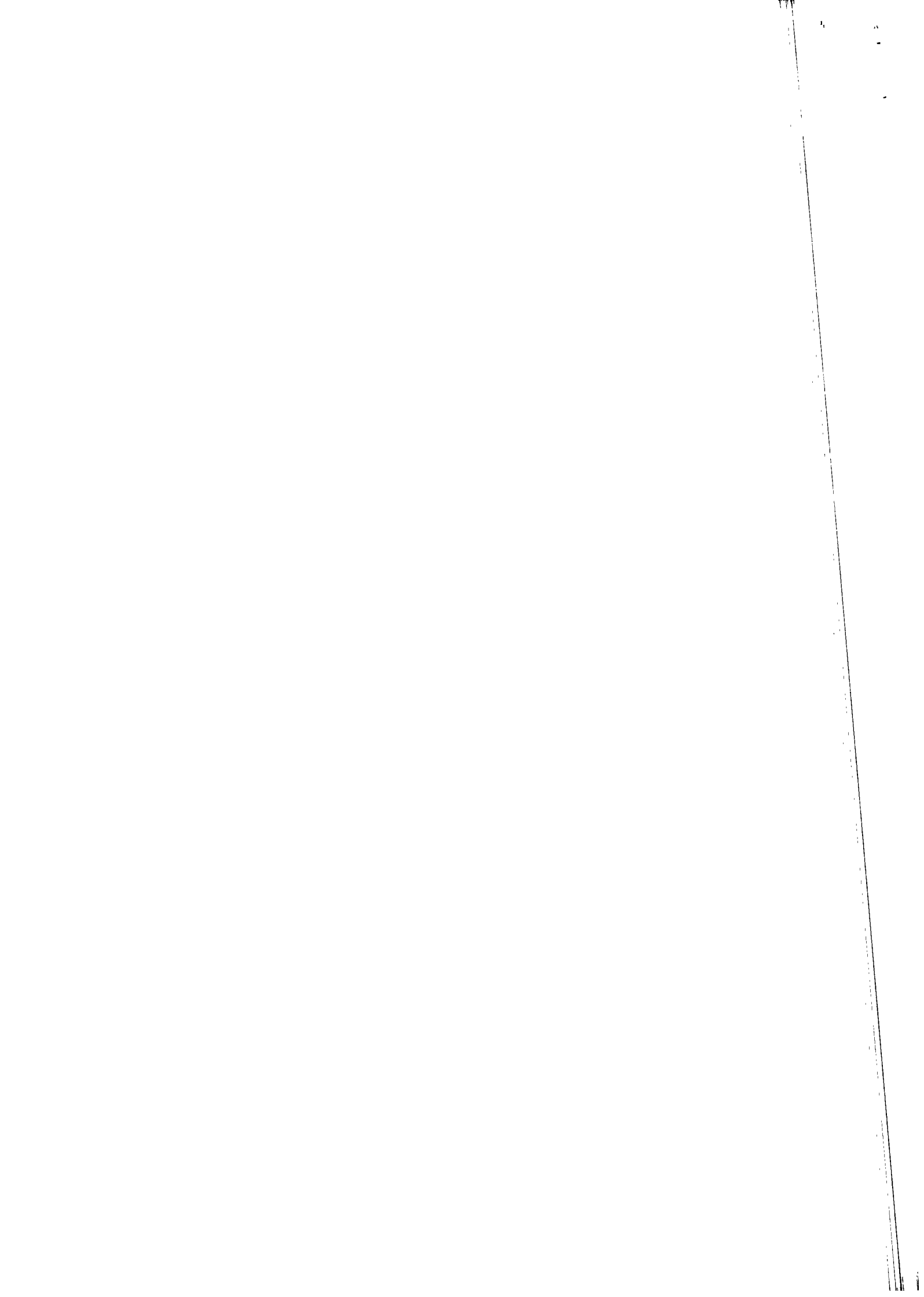
### 2.5 Independent Auditors

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

### 2.6 Roles and Responsibilities

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

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Engineer Ruth Mburu	Project Manager	Bachelor of science, Electrical and Electronics Engineering. Master of Science, Energy Management Engineers Board of Kenya -Professional Engineer, Corporate member of IEK	Project Coordinator, Project Engineer, Substation Engineer, Transmission Engineer, Civil Engineer
Johnson Muthoka	Senior Manager Wayleaves	Bachelor of Arts Land Econ (Hons), Master of Arts (Urban and Regional Planning,full member of Institute of Surveyors of Kenya, registered and licensed land economist	Wayleaves Acquisition (Land Economists, Land surveyors, Social Economists, Environmental Experts)
Mildred Mwihaki	Project Accountant	Master of Business Administration, Bachelor of Commerce (Finance), Certified Public Accountant (Kenya)	Preparation of project financial reports



## 2. PROJECT INFORMATION AND OVERALL PERFORMANCE(Continued)

### 2.7 Funding Summary

The Project financing was for a duration of 7 years from 20 September 2010 to 31<sup>st</sup> December 2017, the new completion date has not been determined yet, with an approved budget of UAC 39,770,000 equivalent to KShs 5,727,214,601 (U.A: KShs 156.456– June 2023), the Government of Kenya counterpart funding as at 30 June 2023 was KShs 2,893,618,283 as highlighted in the table below:

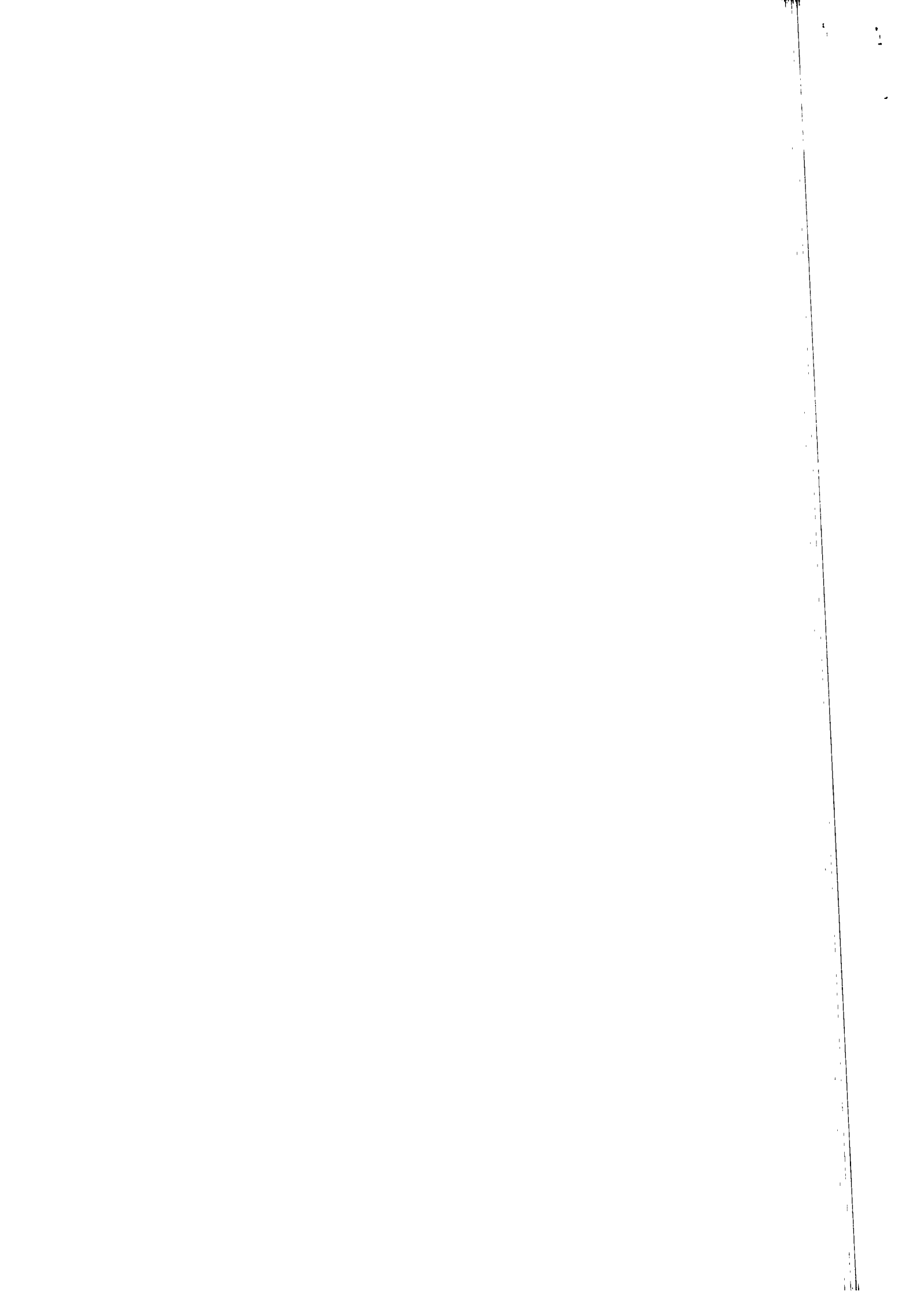
Below is the funding summary:

#### A. Source of Funds

Source of funds	Donor Commitment		Amount received as at: – 30 June 2023		Undrawn balance as at: 30 June 2023	
	Donor currency(UAC) (A)	KShs Equivalent (A')	Donor currency (B)	KShs Equivalent (B')	Donor currency (A)-(B)	KShs Equivalent (A')-(B')
(i) Grant/Loan						
African Development Bank	39,770,000	5,727,214,601	21,416,407	2,855,684,873	18,353,593	2,871,529,728
(ii) Counterpart funds						
Government of Kenya	-	2,893,618,283	-	2,893,618,283	-	-
<b>Total</b>	<b>39,770,000</b>	<b>8,620,832,884</b>	<b>21,416,407</b>	<b>5,749,303,156</b>	<b>18,353,593</b>	<b>2,871,529,728</b>

#### B. Application of Funds

Source of funds	Amount received as at: 30 June 2023		Cumulative amount paid to date: 30 June 2023		Un-utilised balance to date: 30 June 2023	
	Donor currency (UAC) (A)	KShs Equivalent (A')	Donor currency (B)	KShs Equivalent (B')	Donor currency (A)-(B)	KShs Equivalent (A')-(B')
(i) Grant/Loan						
African Development Bank	21,416,407	2,855,684,873	21,416,407	2,855,684,873	-	-
(ii) Counterpart funds						
Government of Kenya	-	2,893,618,283	-	2,337,881,805	-	555,736,478
<b>Total</b>	<b>21,416,407</b>	<b>5,749,303,156</b>	<b>21,416,407</b>	<b>5,193,566,678</b>	<b>-</b>	<b>555,736,478</b>



## PROJECT INFORMATION AND OVERALL PERFORMANCE(Continued)

### 2.8 Summary of Overall Project Performance:

#### 2.8.1 Budget Performance Against Actual Amounts

During the year under review, the project received Ksh 11,556,859 against a final nil budget. Similarly, the project incurred total payments of Ksh 117,047,885 during the year, against a final budget of Ksh. nil. The project's cumulative receipts and payments to-date amounts to Ksh. 5,842,122,947 and Ksh. 5,322,743,080 respectively

#### 2.8.2 Physical Progress Based on Outputs, Outcomes and Impacts

The project construction progress for Lessos Tororo TL and the extension of Lessos substation was expected to be completed by December 2016, However, the Contracts with the main contractor Instalaciones Inabensa S.A of Spain were terminated in April 2016 hence the new completion date is yet to be agreed on. KETRACO and the contractor went through arbitration process. On 30th July 2019 the arbitration tribunal issued their award in favor of the contractor INABENSA S.A. KETRACO challenged the Arbitral Tribunal's decision. KETRACO sought to set aside the arbitral award on the basis of breach of Public Policy in the High Court. The High Court delivered their ruling in February 2021 upholding the arbitral award. KETRACO appealed the case in the Court of Appeal. The Court of Appeal upheld the high court decision. The Supreme Court has since ruled in favor of the contractor.

The implementation status by the time of termination were as follows:

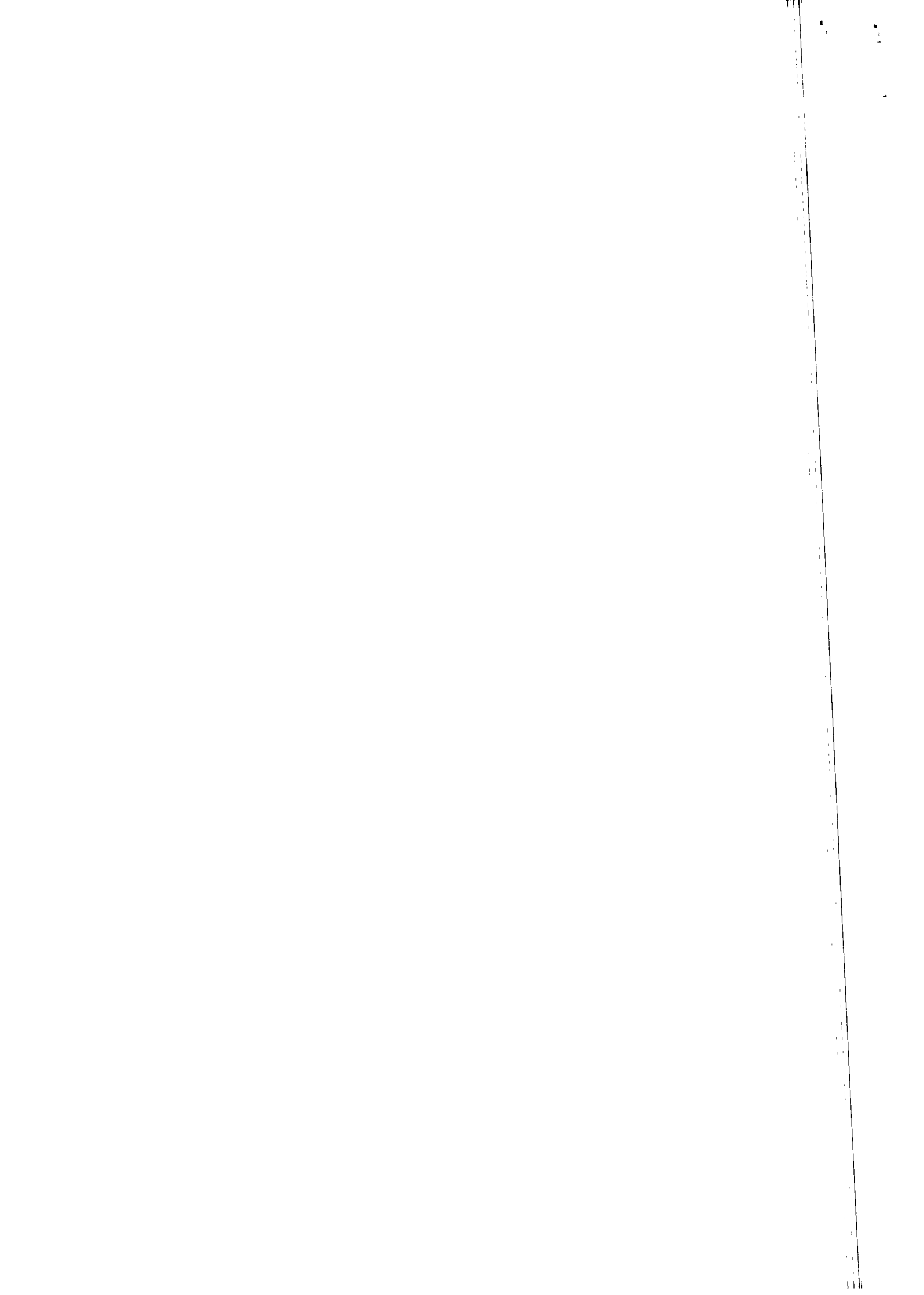
	LOT A: Transmission Line	LOT B: Substation
Design	98%	67%
Procurement	98%	81%
Construction	9%	31%
<b>Overall</b>	<b>50%</b>	<b>61%</b>

#### 2.8.3 Value for Money Achievements

Once the project is completed it will facilitate power exchange and develop electricity trade with the neighboring countries

#### 2.8.4 Absorption Rate per Year for the Project

Financial Year	Absorption Rate per Year
2010/2011	4%
2011/2012	12%
2012/2013	51%
2013/2014	130%
2014/2015	143%
2015/2016	71%
2016/2017	47%
2017/2018	120%
2018/2019	46%
2019/2020	48%
2020/2021	15%
2021/2022	*
2022/2023	*



## **2. PROJECT INFORMATION AND OVERALL PERFORMANCE(Continued)**

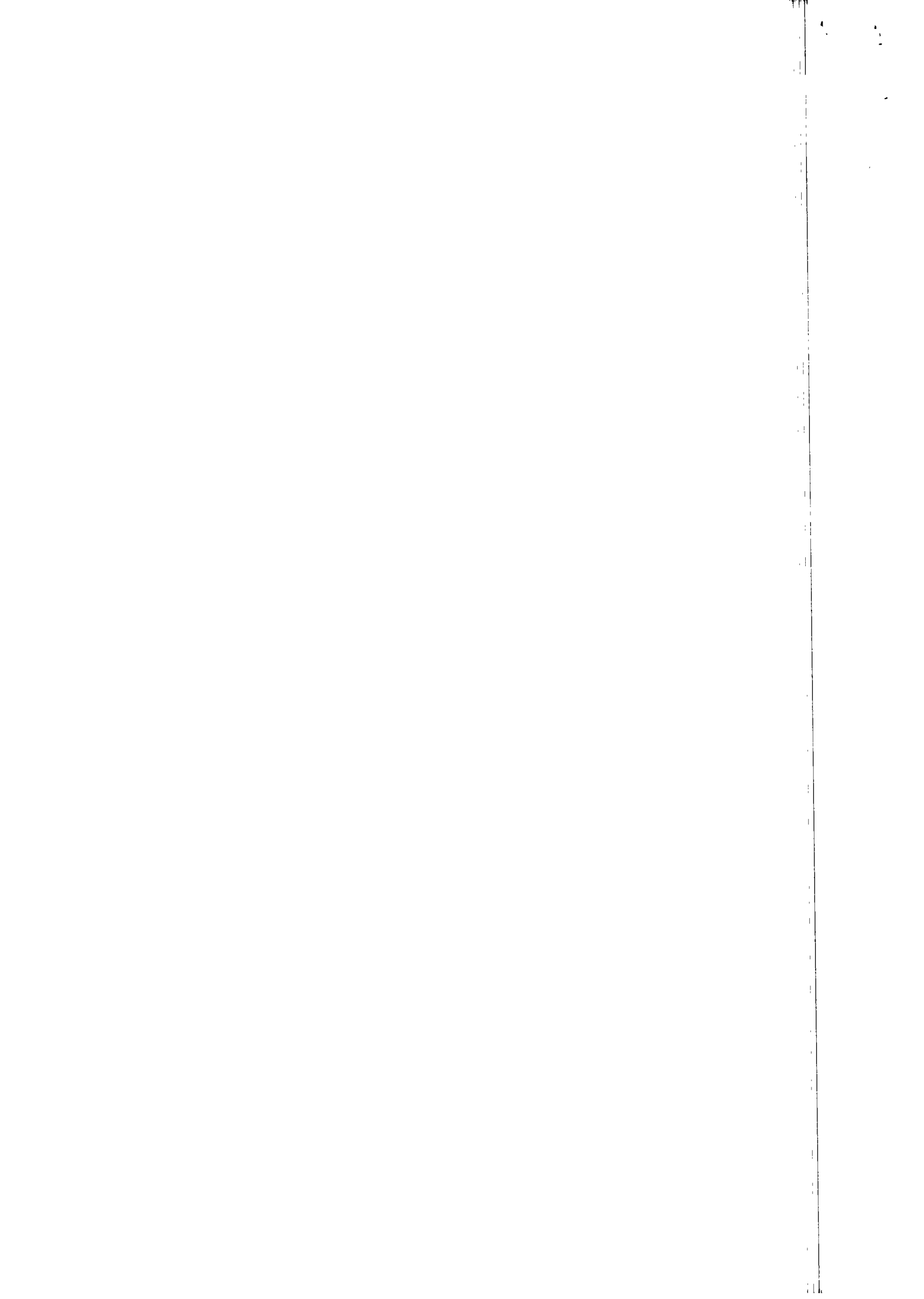
### **2.8 Summary of Overall Project Performance: (continued)**

#### **2.8.5 Implementation Challenges and Way Forward**

- The project financing agreement with African Development Bank was cancelled in December 2017 hence KETRACO is yet to acquire new financing for project completion.
- Unfavorable arbitral award in favour of the Contractor has since been issued by the Supreme Court.

### **2.9 Summary of Project Compliance:**

The project reporting has complied with the 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.

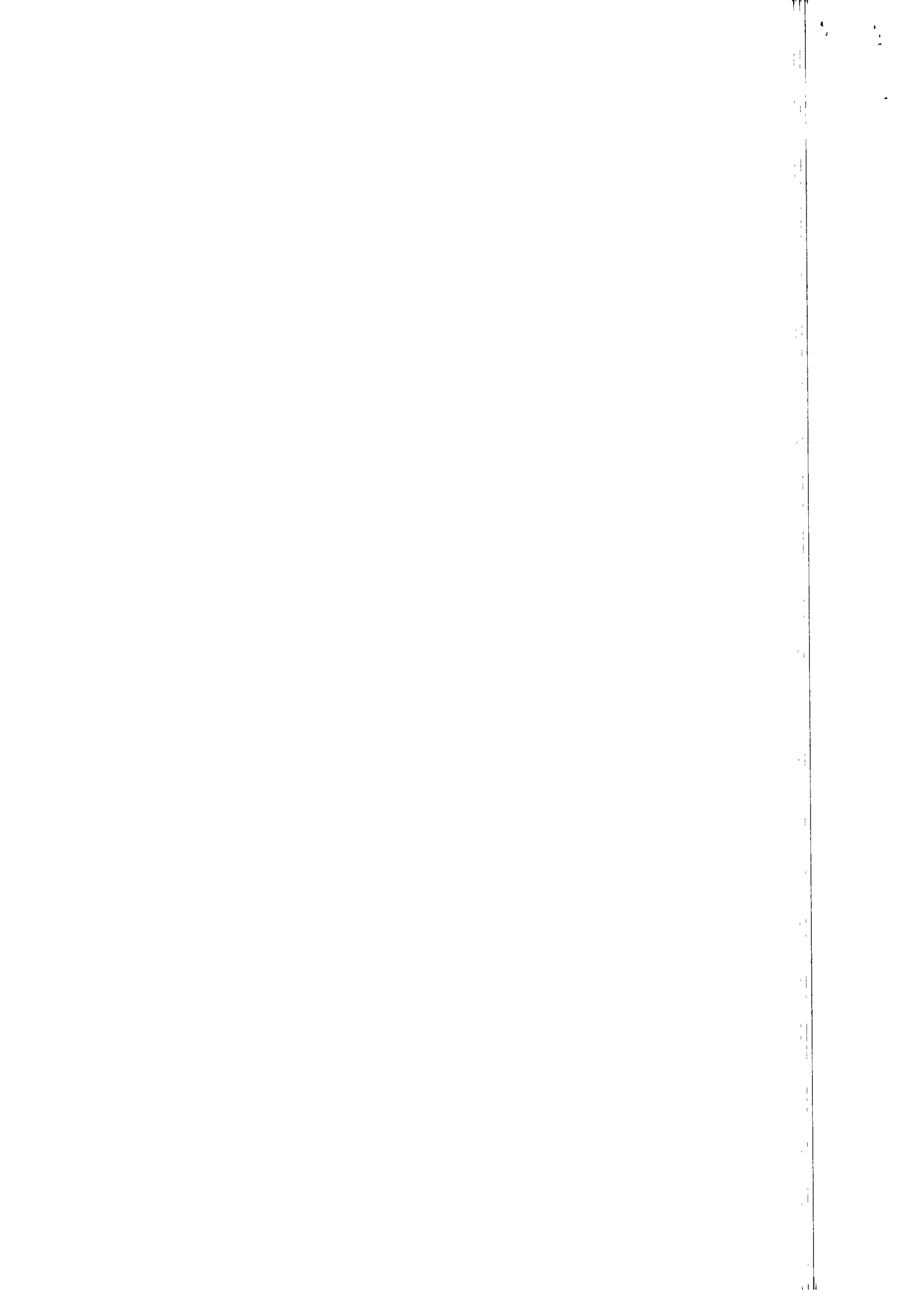
The key development objectives of the project’s are to:

- 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
- d) Acquisition of the way leaves and Right of Way (ROW) corridors of the construction of the transmission line.

#### 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
Multinational – Kenyan Section of Interconnection Project of Electric Grids of Nile Equatorial Lakes Countries Project	a) Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region	- Construction of approximately 132km of 400kV double circuit transmission line from Lessos substation in Kenya to Uganda border near Tororo substation	- Length (kilometres) of transmission lines complete	In FY 22/23 we compensated people affected by the project for acquisition of right of way for an amount of Ksh 22,360,556.
	b) Acquisition of the way leaves and Right of Way (ROW) corridors of the construction of the transmission line	- Acquisition of the right way for transmission line construction.	- Number of people compensated during acquisition of right of way.	



#### **4. ENVIROMENTAL AND 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.

Below is an outline of the organisation's policies and activities that promote sustainability.

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

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

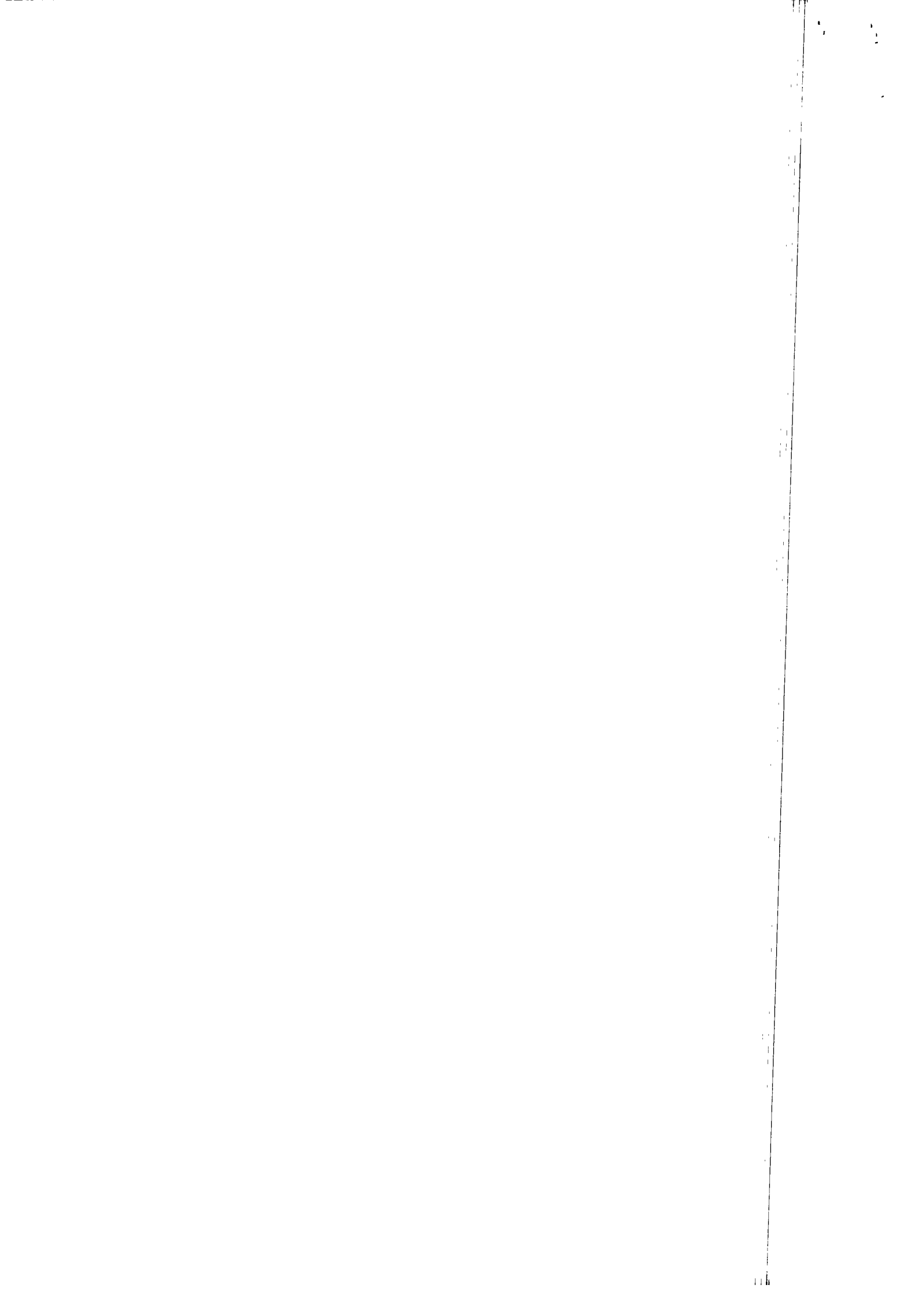
This was evident in key areas such as education, health and environmental conservation. In addition, KETRACO offered youth internship opportunities to fresh graduates and industrial attachments to ongoing University students for the purpose of transferring skills and future career preparation.

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

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

The Environmental Management and Coordination Act, Cap 387; The Environmental Impact (Assessment and Auditing) Regulations, 2003; Environmental Management and Coordination (Environmental Impact Assessment and Audit) Regulations, 2003; Environmental Management and Coordination (Water Quality) Regulations of 2006; Environmental Management and Coordination (Waste Management) Regulations of 2006; Environmental Management and Co-ordination (Controlled Substances) Regulations, 2007; The Environmental Management and Co-ordination (Conservation of biological diversity and resources, and access to genetic resources and benefits sharing) Regulations, 2006; The Environmental Management and Coordination (Wetlands, Riverbanks, Lakeshores and seashores management ) Regulations,

2009; Environmental Management and Coordination (Noise and Excessive Vibration Pollution Control) Regulations, 2009; Environmental Management and Coordination (Air Quality) Regulations, 2008; Occupational Safety and Health Act (OSHA 2007); Wildlife Management and Conservation Act, 2013; Forest Act 2015; Public Health Act (Cap. 242) 36; The Environment and Land Court Act, 2011; Water Act, 2002.



#### 4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

##### 3. Employee welfare

During the period, KETRACO undertook a skill gap analysis exercise and submitted a report detailing priority training needs to the Human Resource Advisory Committee for consideration. Several staff members were trained in various identified areas.

In addition, the Company achieved the following in regard to employee welfare;

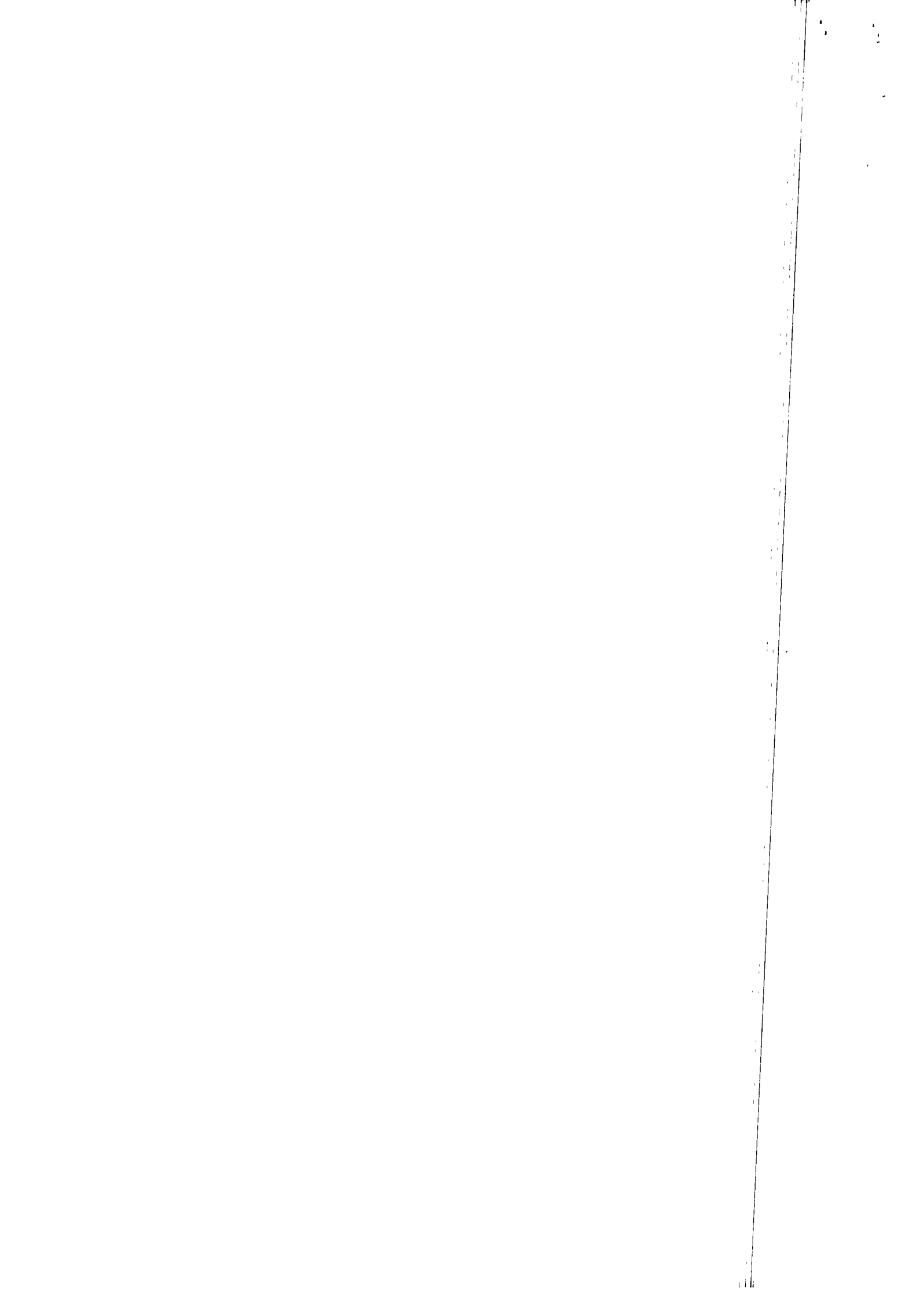
1. KETRACO deployed Azure Multifactor Authentication to all users in the organisation to mitigate against technological hazards. This is to provide an extra layer of security to minimize unauthorised log-ins in KETRACO network. 110 Critical Infrastructure Protection Unit (CIPU) officers were deployed on various substations.
2. A nine-member gender mainstreaming committee was reconstituted and trained in the year. The gender policy was finalized and submitted to the Ministry of Energy and State Department for Gender for review, and later circulated to staff. Staff were also sensitized on gender mainstreaming.
3. KETRACO staff attended an online sensitization on disability mainstreaming conducted by National Council for Persons with Disability (NCPWD). National Council for Persons with Disability (NCPWD) undertook an accessibility and usability audit of KETRACO HQ offices.
4. In the year, an alcohol and drug abuse policy was developed, approved by the Board of Directors and circulated to staff. About 100 Employees were sensitized online on the findings of a baseline survey that was undertaken in the previous financial year by the Alcohol and Drug Abuse prevention committee. In addition, 7 committee members were trained on workplace-based prevention measures
5. The company drafted a road safety policy and circulated it to all staff. Road safety committee was reconstituted with the appointment of 10 members. In addition, 20 drivers were trained on defensive driving by the AA of Kenya.

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

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



**4. ENVIROMENTAL AND SUSTAINABILITY REPORTING (Continued)**

**4. Market place practices (continued)**

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.

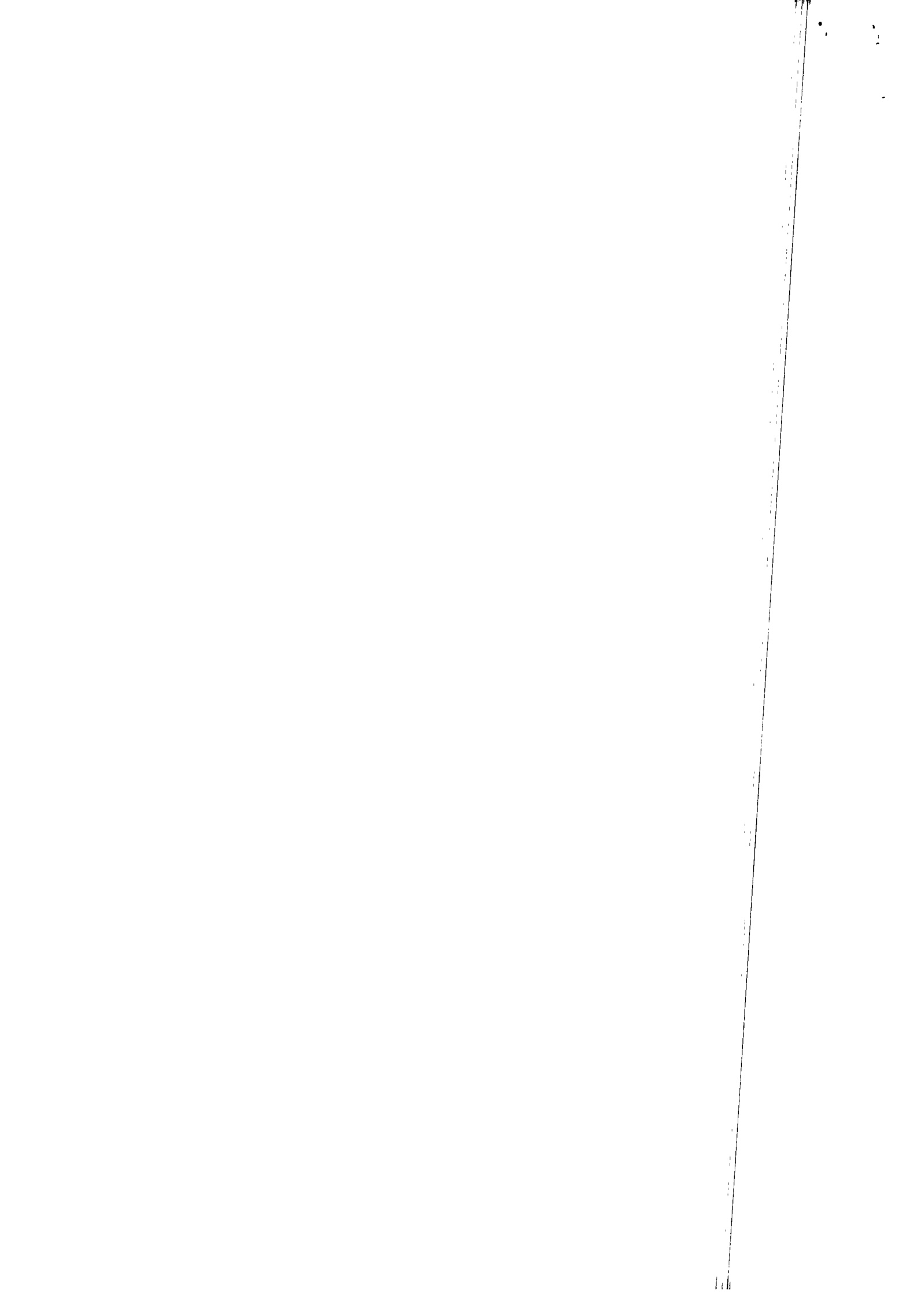
On a continuous basis the corruption reporting channels remain operational for use by all. They include a dedicated email address and phone number all uploaded in the Company website. The Company has also installed corruption reporting boxes on each floor at its headquarters in KAWI House.

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 corporate social responsibility 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 traverses have benefited from employment opportunities by KETRACO and its contractors. This has boosted the living standards of the communities in the project areas.



**5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Chief Executive Officer of KETRACO and the Project Coordinator for the Multinational – Kenyan Section of Interconnection Project of Electric Grids of Nile Equatorial Lakes Countries 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 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 statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Project; selecting and applying appropriate accounting policies; and (v) Making accounting estimates that are reasonable in the circumstances.

The Chief Executive Officer of KETRACO and the Project Coordinator for the Multinational – Kenyan Section of Interconnection Project of Electric Grids of Nile Equatorial Lakes Countries 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 the Cash Basis of Accounting Method under the International Public Sector Accounting Standards.

The Chief Executive Officer of KETRACO and the Project Coordinator for the Multinational – Kenyan Section of Interconnection Project of Electric Grids of Nile Equatorial Lakes Countries are of the opinion that the Project’s financial statements give a true and fair view of the state of the Project’s transactions during the financial year ended 30 JUNE 2023, and of the Project’s financial position as at that date. Chief Executive Officer of KETRACO and the Project Coordinator for the Multinational – Kenyan Section of Interconnection Project of Electric Grids of Nile Equatorial Lakes Countries 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.

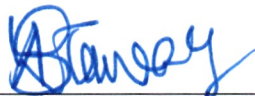
The Chief Executive Officer of KETRACO and the Project Coordinator for the Multinational – Kenyan Section of Interconnection Project of Electric Grids of Nile Equatorial Lakes Countries confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing 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 Multinational – Kenyan Section of Interconnection Project of Electric Grids of Nile Equatorial Lakes Countries on 30/06/2023 and signed by them.



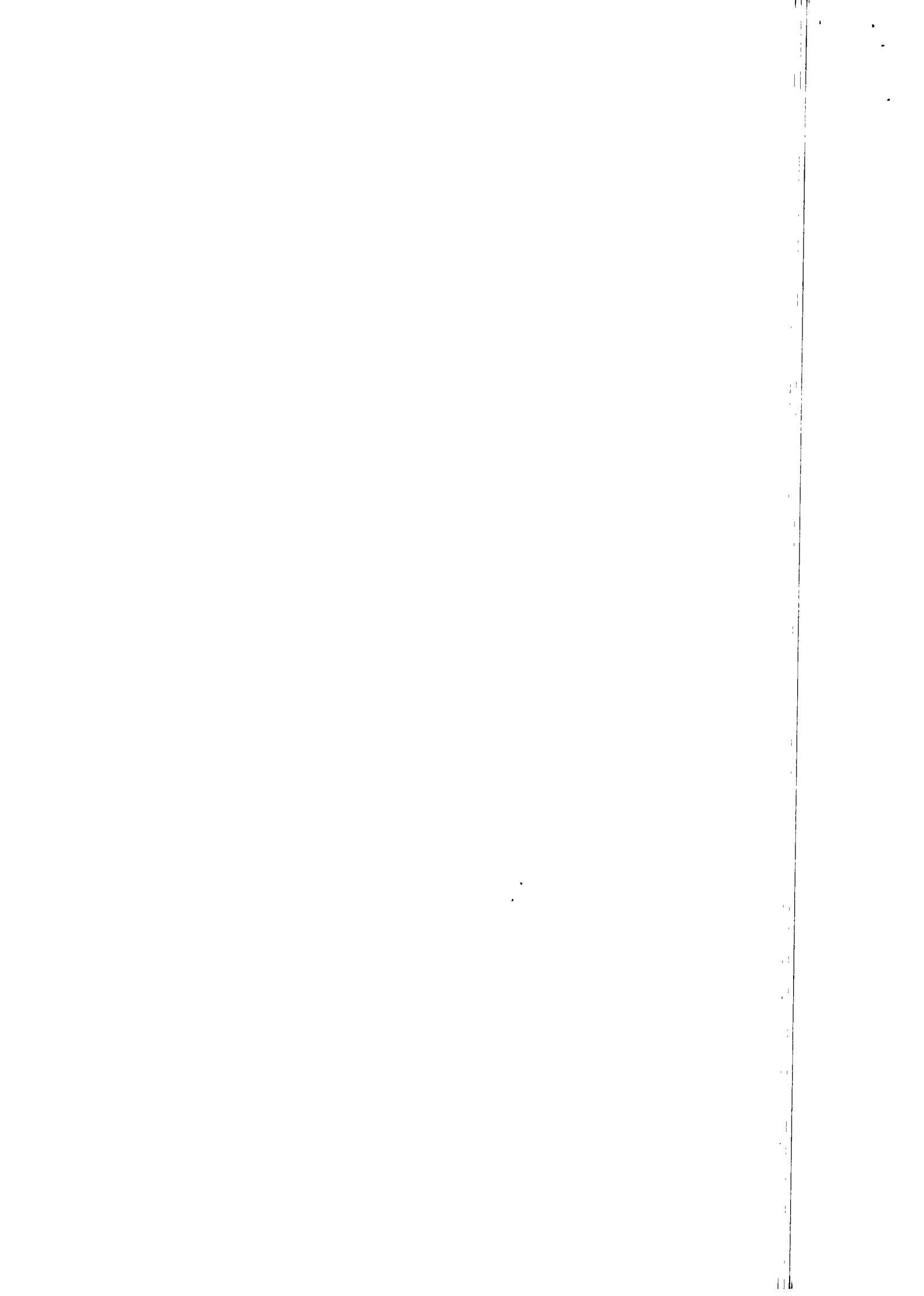
Chief Executive Officer  
Dr.(Eng) John Mativo-CE



Project Coordinator  
Eng(CPA). Antony Wamukota, OGW

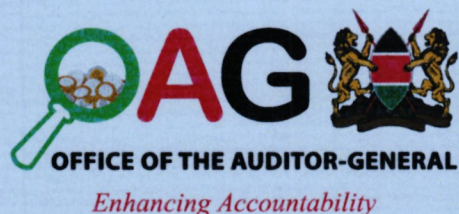


General Manager-Finance  
CPA Tom Imbo  
ICPAK Member Number 7039



# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON MULTI-NATIONAL KENYAN SECTION OF INTERCONNECTION OF ELECTRIC GRIDS OF NILE EQUATORIAL LAKE COUNTRIES PROJECT CREDIT NUMBER 2100150022643-KE FOR THE YEAR ENDED 30 JUNE, 2023- KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED (KETRACO)**

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### PREAMBLE

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

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

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*Report of the Auditor-General on Multi-National Kenyan Section of Interconnection of Electric Grids of Nile Equatorial Lake Countries Project Credit Number 2100150022643-Ke for the year ended 30 June, 2023 - Kenya Electricity Transmission Company Limited (KETRACO)*

## REPORT ON THE FINANCIAL STATEMENTS

### **Opinion**

I have audited the accompanying financial statements of Multi-National Kenyan Section of Interconnection of Electric Grids of Nile Equatorial Lake Countries Project set out on pages 1 to 15, 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 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 Multi-National Kenyan Section of Interconnection of Electric Grids of Nile Equatorial Lake Countries Project 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. 2015(10) dated 31 August, 2015, between the Export Import Bank of China and the Government of the Republic of Kenya and the Public Finance Management Act, 2012.

### **Basis Opinion**

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

### **Key Audit Matters**

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

### **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. Misclassification of the Project

Note 2.7 under fund summary reveals the project financing was for a duration of 7 years from 20 September, 2017 however, the completion date was not determined. Approved budget of UAC 39,770,000 equivalent to Kshs.5,727,214,601 (1 UA: Kshs.156.456-June 2023). The Government of Kenya counterpart funding as at 30 June, 2023 was Kshs 2,893,618,283 however, during the year under review, it was not possible to confirm if the project is donor funded since it has been funded by GOK from 2017 to date. Further, there was no evidence of renewal of the loan agreement, considering it expired more than five years ago as at the financial statements date.

In the circumstances, the value for funds spent so far on the project may not be confirmed.

#### 2. Outstanding Arbitration on Terminated Contract

As reported in previous years, an arbitration case was filed on 1 April, 2016 between the KETRACO and a foreign contractor for the termination of contract for works not finalized. The tribunal issued an award in favour of the contractor on 30 July, 2019 amounting to Euro 37,365,691 or approximately Kshs.4.5 billion. However, Management considered the decision to be against public interest and sought assistance from Attorney General's office in setting aside the Tribunal's award. However, the award was upheld by the High Court of Kenya on 16 February, 2020.

The company's appeal at the Supreme Court against the award was dismissed after the Court of Appeal had upheld the Tribunal's award. As a result of the court case and the final ruling by the Supreme Court on petition no 17(E024) of 2021 delivered on 7 October, 2022, the appeal was dismissed, and the costs awarded to the respondent (the contractor).

In the circumstances, the ruling raised the financial obligation of KETRACO to the contractor from Kshs.4.5 billion to Kshs.9.2 billion.

### **3. Expiry of Loan Agreement**

As reported in the previous year, the loan agreement between the Company and the African Development Bank expired on 31 December, 2017. However, the project stalled at 61% level of completion since termination of the contractor for non-performance in April 2016. Further, no funds have been received from the bank since 2016. There was no evidence of renewal of the loan agreement.

In the circumstances, it was not possible to confirm the validity of the project since the financial statements are still being reported under Credit Number: ADF 2100150022643 as per the financing agreement considering that the loan agreement expired more than five years ago.

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

#### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

##### **Conclusion**

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

##### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance on whether effective processes and systems of internal 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 control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls 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

Nairobi

07 November, 2023



Kenya Electricity Transmission Company Limited  
Multinational –Kenyan Section of Interconnection Project of Electric Grids of Nile Equatorial Lakes Countries  
Report and Financial Statements  
For the Financial Year Ended 30 June 2023

**7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2023**

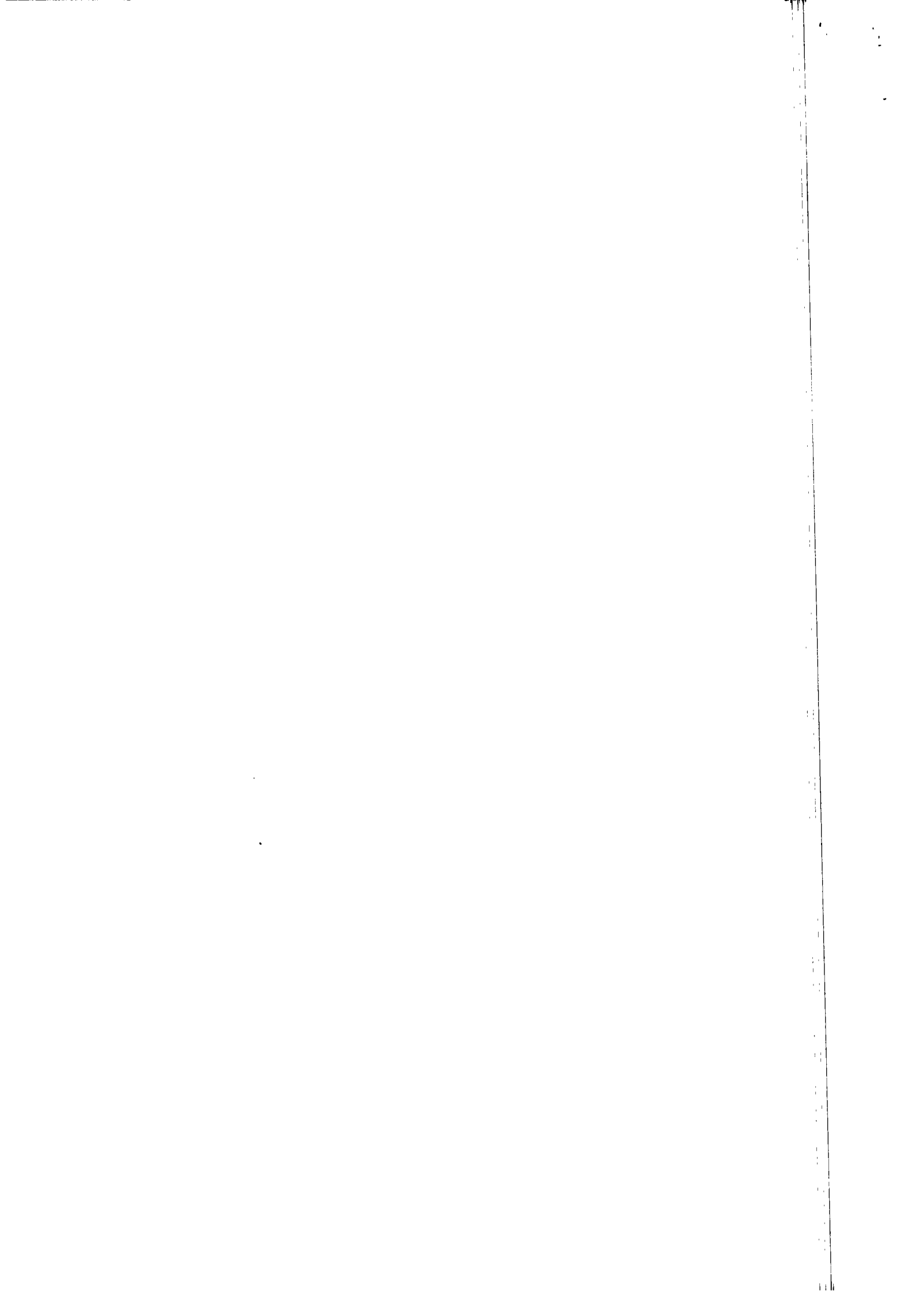
Note	FY 2022/23		FY 2021/22		Cumulative to-date
	Receipts and payments controlled by the entity KShs	Payments made by third parties KShs	Receipts and payment controlled by the entity KShs	Payments made by third parties KShs	
<b>RECEIPTS</b>					<b>KShs</b>
Transfer from Government entities	12.1	-	500,000,000	-	2,893,618,283
Loan from Development Partners	12.2	-	-	-	12,128,517
Miscellaneous receipts	12.3	11,556,859	10,419,583	-	80,691,274
Transfers from KETRACO	12.4	-	-	-	2,855,684,873
<b>TOTAL RECEIPTS</b>		<b>11,556,859</b>	<b>510,419,583</b>	<b>-</b>	<b>5,842,122,947</b>
<b>PAYMENTS</b>					
Purchase of goods and services	12.5	94,687,328	24,900,864	-	4,528,936,903
Acquisition of non-financial assets	12.6	22,360,556	160,511,429	-	781,677,659
Transfer to Ketraco	12.7	-	12,128,517	-	12,128,517
<b>TOTAL PAYMENTS</b>		<b>117,047,885</b>	<b>197,540,810</b>	<b>-</b>	<b>5,322,743,080</b>
<b>SURPLUS/(DEFICIT)</b>		<b>-105,491,026</b>	<b>312,878,773</b>	<b>-</b>	<b>519,379,867</b>

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 30/09/2023 and signed by:



Chief Executive Officer  
Dr.(Eng) John Mativo-CE

Project Coordinator  
Eng(CPA). Antony Wamukota, OGW  
General Manager-Finance  
CPA Tom Imbo  
ICPAK Member Number 7039



**8. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2023**

	NOTE	FY 2022-2023 Kshs	FY 2021-2022 Kshs
<b>Cash and cash equivalents</b>			
Bank Balances	12.8	519,379,867	624,870,893
<b>Total Financial Assets</b>		<b>519,379,867</b>	<b>624,870,893</b>
Represented by			
Cash and cash equivalents b/fwd		624,870,893	311,992,120
Surplus/(deficit) for the year		(105,491,026)	312,878,773
<b>Net Financial Position</b>		<b>519,379,867</b>	<b>624,870,893</b>

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 30/6/2023 and signed by:



Chief Executive Officer  
 Dr.(Eng) John Mativo-CE



Project Coordinator  
 Eng(CPA). Antony Wamukota, OGW



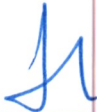
General Manager-Finance  
 CPA Tom Imbo  
 ICPAK Member Number 7039

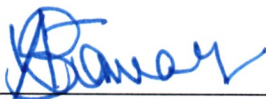



**9. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023**

	NOTES	Ksh FY 2022-2023	Ksh FY 2021-2022
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Transfers from Government entities	12.1		500,000,000
Transfers from Ketraco	12.4		
Miscellaneous receipts	12.3	11,556,859	10,419,583
<b>Payments for operating expenses</b>			
Purchase of goods and services	12.6	(22,360,556)	(160,511,429)
Transfer to Ketraco	12.7		(12,128,517)
<b>Net cash flows generated from operating activities</b>		<b>(10,803,698)</b>	<b>337,779,637</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>			
Acquisition of non-financial assets	12.5	(94,687,328)	(24,900,864)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(105,491,026)</b>	<b>312,878,773</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>624,870,893</b>	<b>311,992,120</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	12.8	<b>519,379,867</b>	<b>624,870,893</b>

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 30/1/23 2023 and signed by:

  
 Chief Executive Officer  
 Dr.(Eng) John Mativo-CE

  
 Project Coordinator  
 Eng(CPA). Antony Wamukota, OGW

  
 General Manager-Finance  
 CPA Tom Imbo  
 ICPAK Member Number 7039



Kenya Electricity Transmission Company Limited  
 Multinational –Kenyan Section of Interconnection Project of Electric Grids of Nile Equatorial Lakes Countries  
 Report and Financial Statements  
 For the Financial Year Ended 30 June 2023

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

Receipts/Payment Item	Original Budget a Kshs	Adjustments b Kshs	Final Budget c=a+b Kshs	Actual on Comparable basis d Kshs	Budget Utilization difference e=c-d Kshs	% of Utilization f=d/e%
<b>Receipts</b>						
Transfer from Government entities	-	-	-	-	-	--
Miscellaneous receipts	-	-	-	11,556,859	(11,556,859)	--
<b>Total receipts</b>	-	-	-	<b>11,556,859</b>	<b>(11,556,859)</b>	--
<b>Payments</b>						
Purchase of goods and services	-	-	-	22,360,556	(22,360,556)	--
Acquisition of non-financial assets	-	-	-	94,687,328	(94,687,328)	--
Transfer to KETRACO	-	-	-	-	-	--
<b>Total payments</b>	-	-	-	<b>117,047,885</b>	<b>(117,047,885)</b>	--

Note: The significant budget utilisation/ performance differences in the last column are explained in **Annex 1** to these financial statements.  
 The project had a no budget in FY 2022/2023 hence its utilizing the balance of previous years allocations.



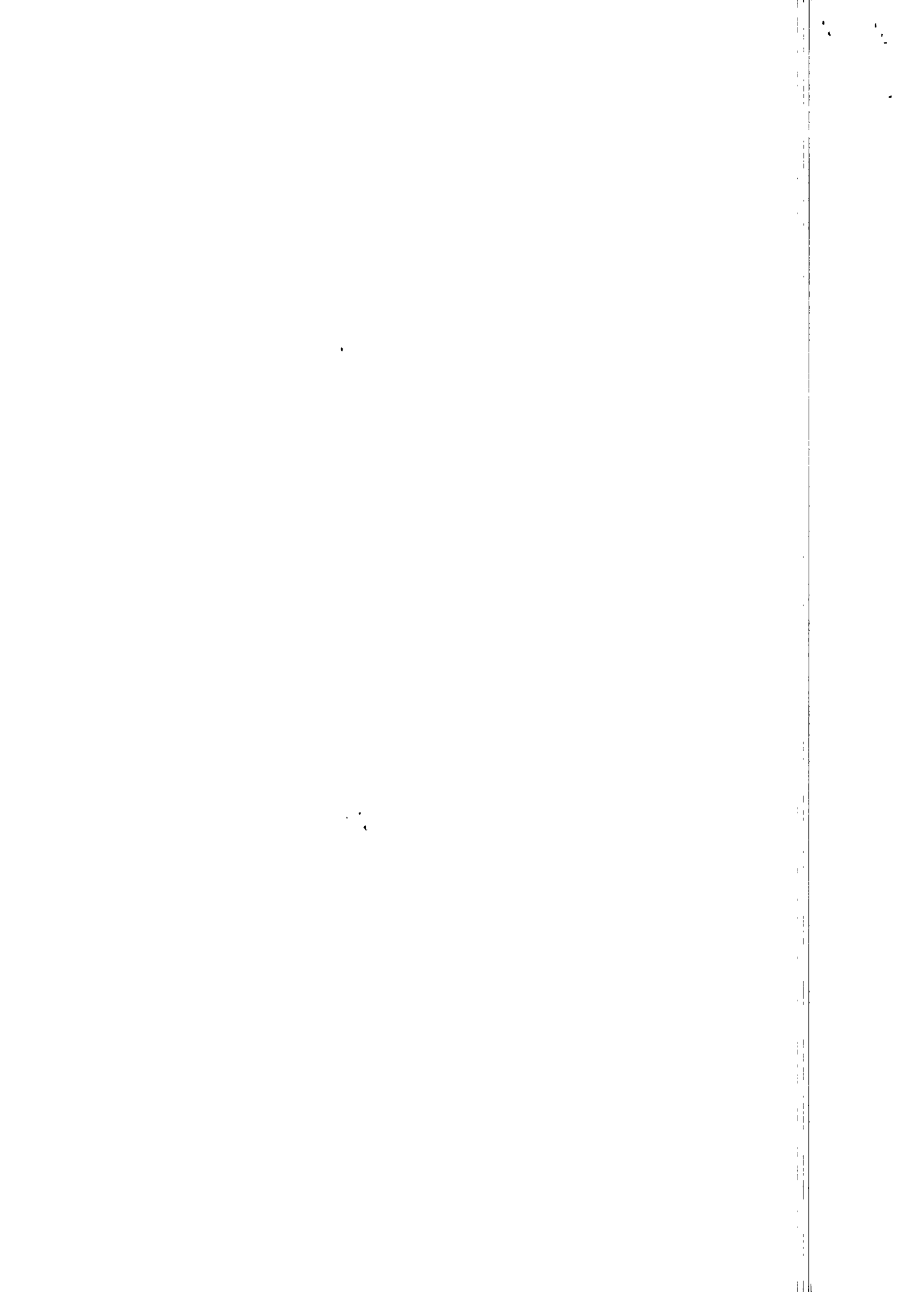
Chief Executive Officer  
 Dr.(Eng) John Mativo-CE



Project Coordinator  
 Eng(CPA). Antony Wamukota, OGW



General Manager-Finance  
 CPA Tom Imbo  
 ICPAK Member Number 7039



## 11. SIGNIFICANT ACCOUNTING POLICIES

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

### a) **Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with 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 Multinational – Kenyan Section of Interconnection Project of Electric Grids of Nile Equatorial Lakes Countries under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act, 2012.

### c) **Reporting currency**

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

### d) **Recognition of receipts**

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

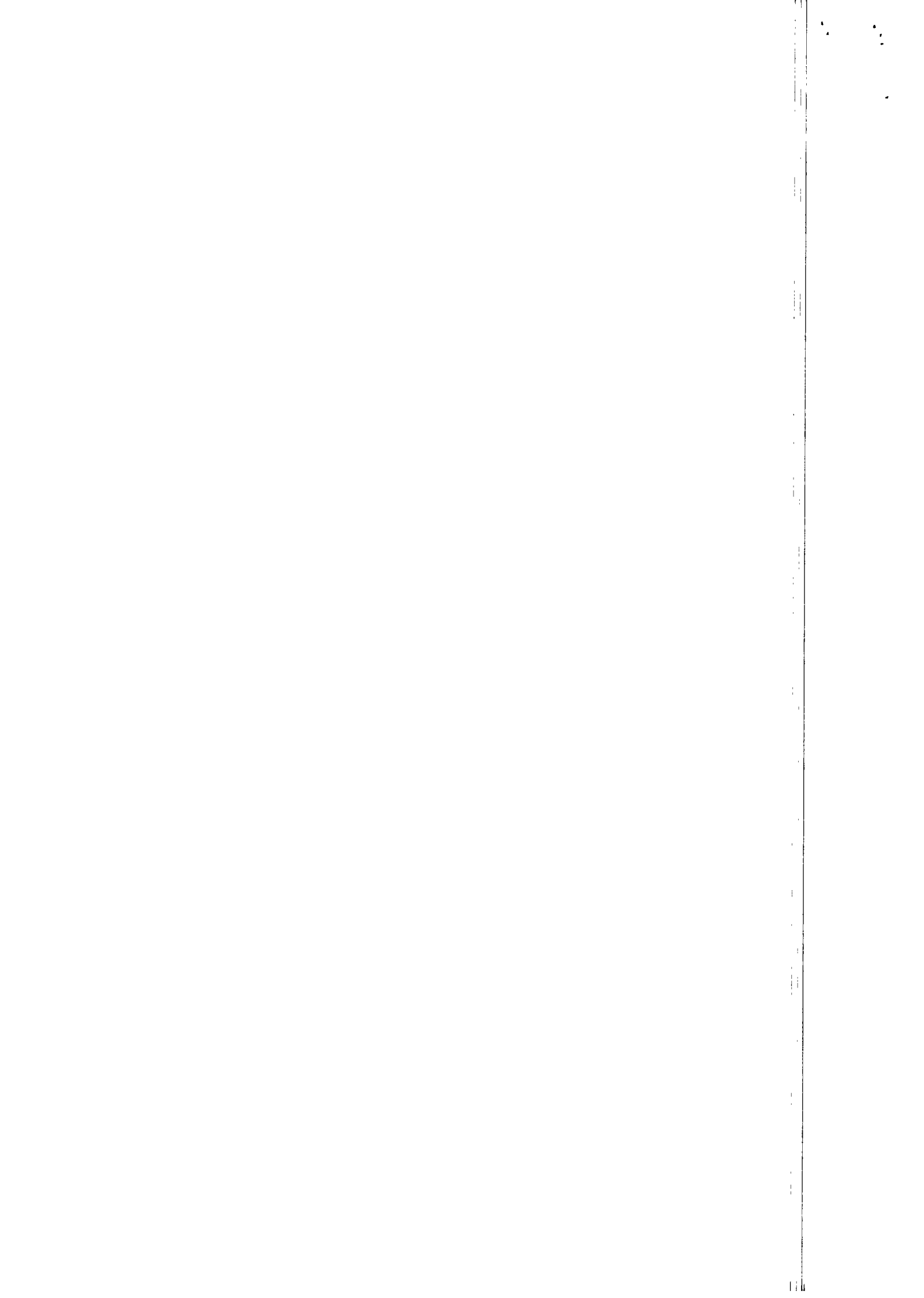
External assistance is received through grants and loans from multilateral and bilateral development partners.

##### ***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.

##### ***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.



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

**e) Recognition of receipts**

***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

**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 authorized in the financial statements the time associated cash is received.

**f) Recognition of payments**

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

**iii. Purchase 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.

**iv. 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.

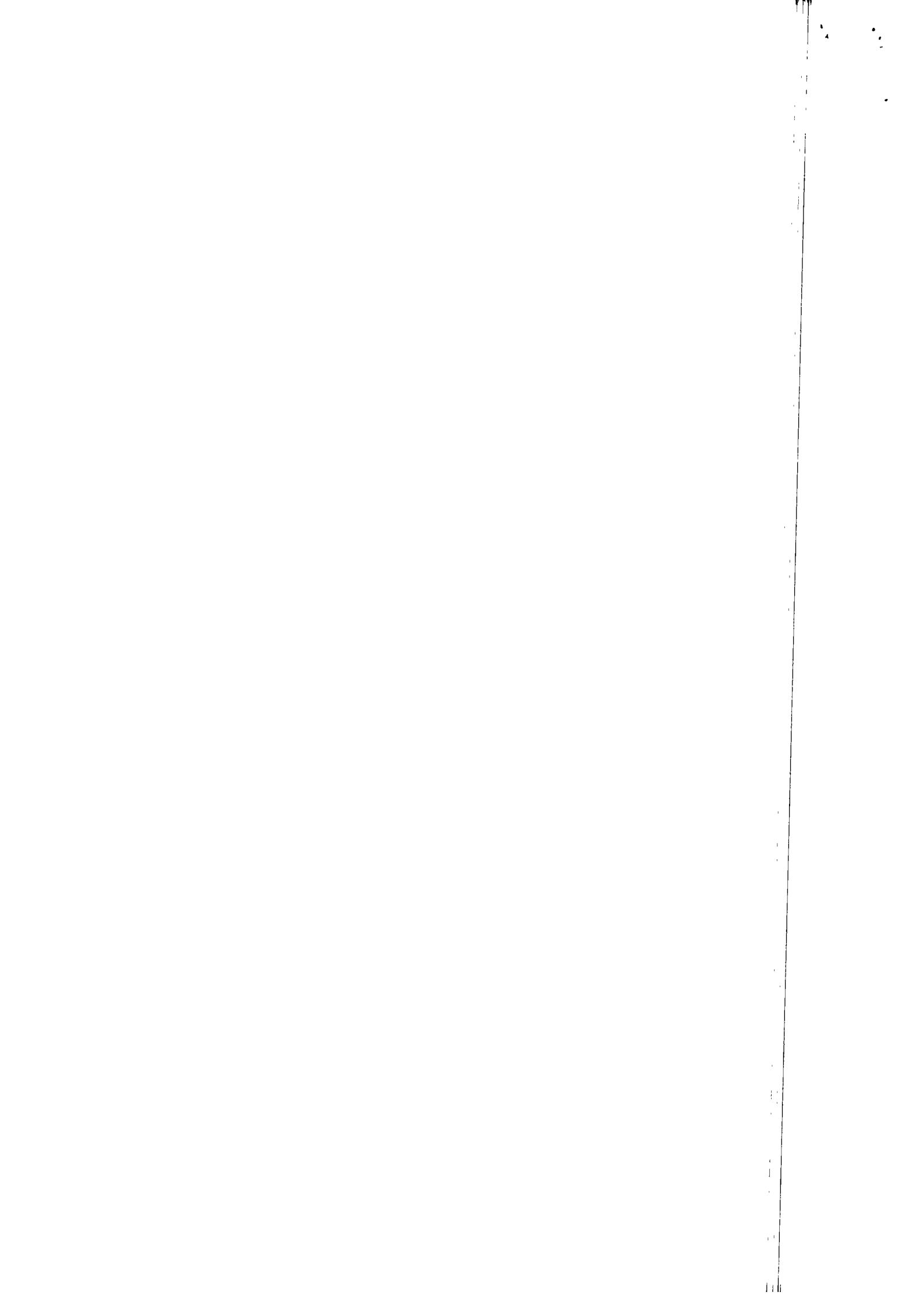
A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

**g) 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 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.



**11. 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) 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.

**j) 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.

**k) 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.

**l) Third party payments**

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties column in the statement of receipts and payments. During the year no amount of loan disbursements were received in form of direct payments from third parties.

**m) 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.



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

**n) Comparative figures**

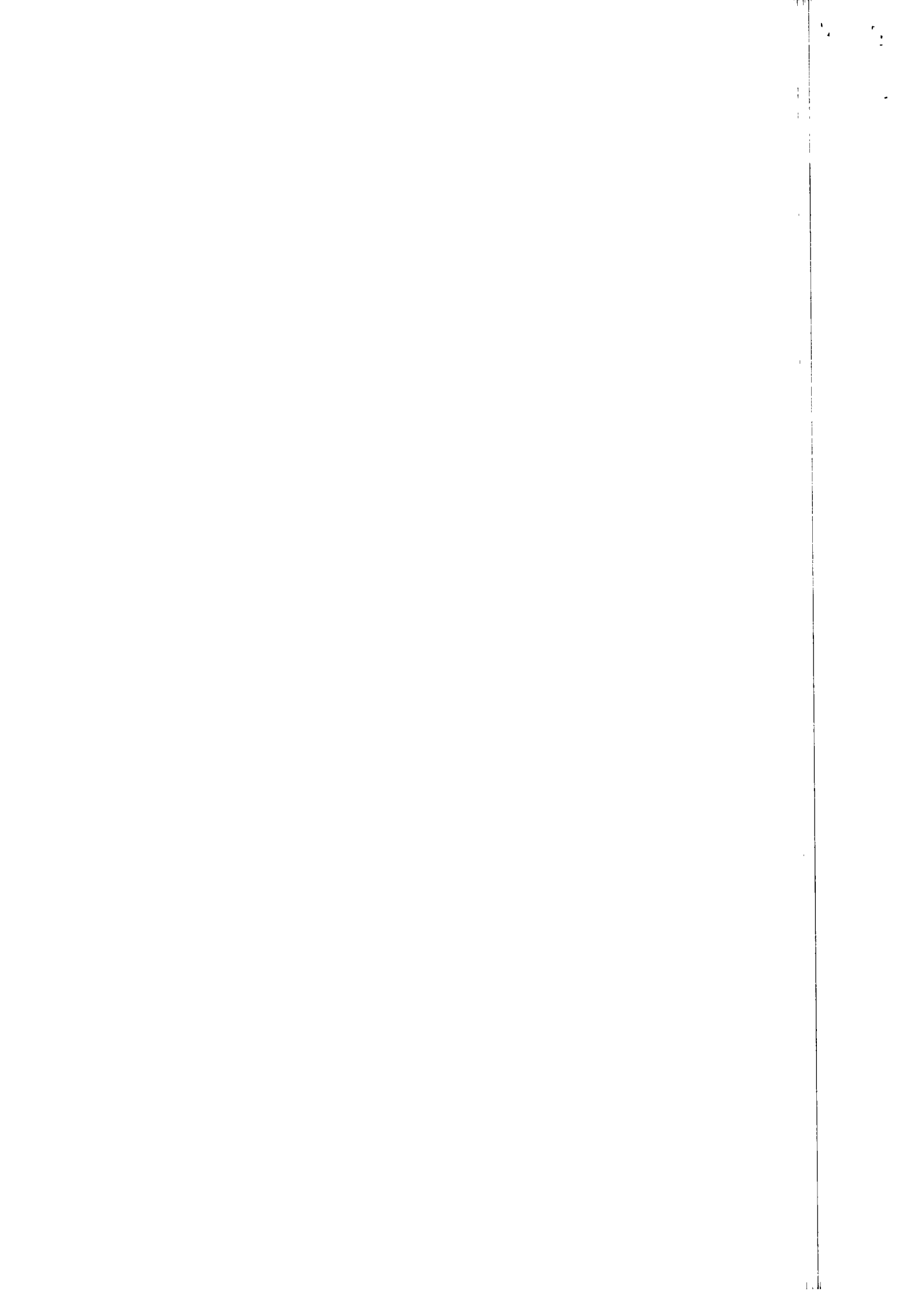
Where necessary comparative figures for the previous financial year/period have been amended or reconfigured to conform to the required changes in financial statement presentation.

**o) Subsequent events**

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

**p) 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.



## 12. NOTES TO THE FINANCIAL STATEMENTS

### 12.1 RECEIPTS FROM GOVERNMENT OF KENYA

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

	FY 2022/23	FY 2021/22	Cumulative to-date
	Kshs	Kshs	Kshs
Counterpart funding through State Department of Energy			
Counterpart funds Quarter 1		500,000,000	124,132,207
Counterpart funds Quarter 2			68,703,630
Counterpart funds Quarter 3			33,619,467
Counterpart funds Quarter 4			247,162,979
<b>Total</b>	-	<b>500,000,000</b>	<b>2,893,618,283</b>

### 12.2 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:

Name of Donor	Date Received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs	
					FY 2022/23	FY 2021/22
					Kshs	Kshs
<b>Grants Received from Multilateral Donors (International Organisations)</b>	-	-	-	-	-	-
African Development Bank	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-



12. NOTES TO THE FINANCIAL STATEMENTS (Continued)

12.3 MISCELLANEOUS RECEIPTS

	FY 2022/23			FY 2021/22	Cumulative to- date
	Receipts controlled by the entity in cash	Receipts controlled by third parties	Total receipts		
	Kshs	Kshs	Kshs	Kshs	Kshs
Interest income	11,556,859	-	11,556,859	10,419,583	80,691,274
<b>Total</b>	<b>11,556,859</b>	<b>-</b>	<b>11,556,859</b>	<b>10,419,583</b>	<b>80,691,274</b>

The movements in miscellaneous receipts relates to the interest income from the bank balance held in financial institutio (bank account maintained at Cooperative Bank of Kenya)

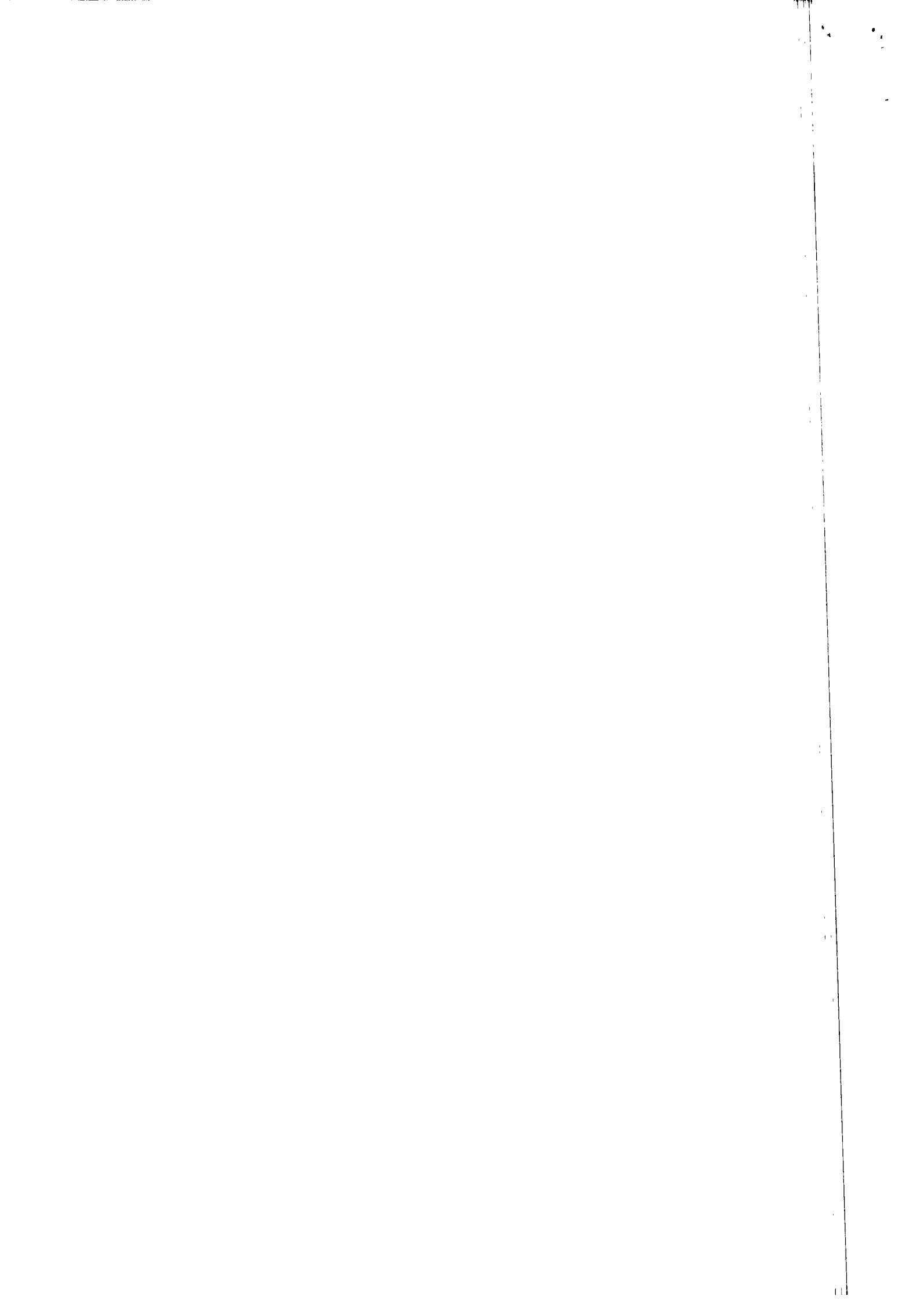
12.4 TRANSFER FROM KETRACO

	FY 2022/23		FY 2021/22	Cumulative to- date
	Transfer from KETRACO	Total		
	KShs	KShs	KShs	KShs
Funding	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

12.5 PURCHASE OF GOODS AND SERVICES

	FY 2022/23			FY 2021/22	Cumulative to- date
	Payments made by the entity in cash	Payments made by third parties	Total payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Legal fees	90,911,000	-	90,911,000	156,933,325	541,685,113
Bank charges	16,296	-	16,296	14,196	1,030,867
Other operating costs	3,760,032	-	3,760,032	3,563,908	311,288,451
<b>Total</b>	<b>94,687,328</b>	<b>-</b>	<b>94,687,328</b>	<b>160,511,429</b>	<b>854,004,431</b>

The amount under other operating costs relate to site travel expenses paid out in 2022/2023



12. NOTES TO THE FINANCIAL STATEMENTS(Continued)

12.6 ACQUISITION OF NON-FINANCIAL ASSETS

	FY 2022/23			FY 2021/22	Cumulative to-date
	Payments made by the entity in cash	Payments made by third parties	Total payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Consultancy fees		-	-	975,000	331,981,988
Powerlines		-	-	-	2,690,033,025
Wayleaves	22,360,556	-	22,360,556	23,925,864	1,434,595,118
<b>Total</b>	<b>22,360,556</b>	<b>-</b>	<b>22,360,556</b>	<b>24,900,864</b>	<b>4,456,610,131</b>

12.7 TRANSFER TO KETRACO

	FY 2022/23		FY 2021/22	Cumulative to-date
	Transfer To KETRACO	Total		
	KShs	KShs	KShs	KShs
Transfer To KETRACO			12,128,517	12,128,517
<b>Total</b>			<b>12,128,517</b>	<b>12,128,517</b>

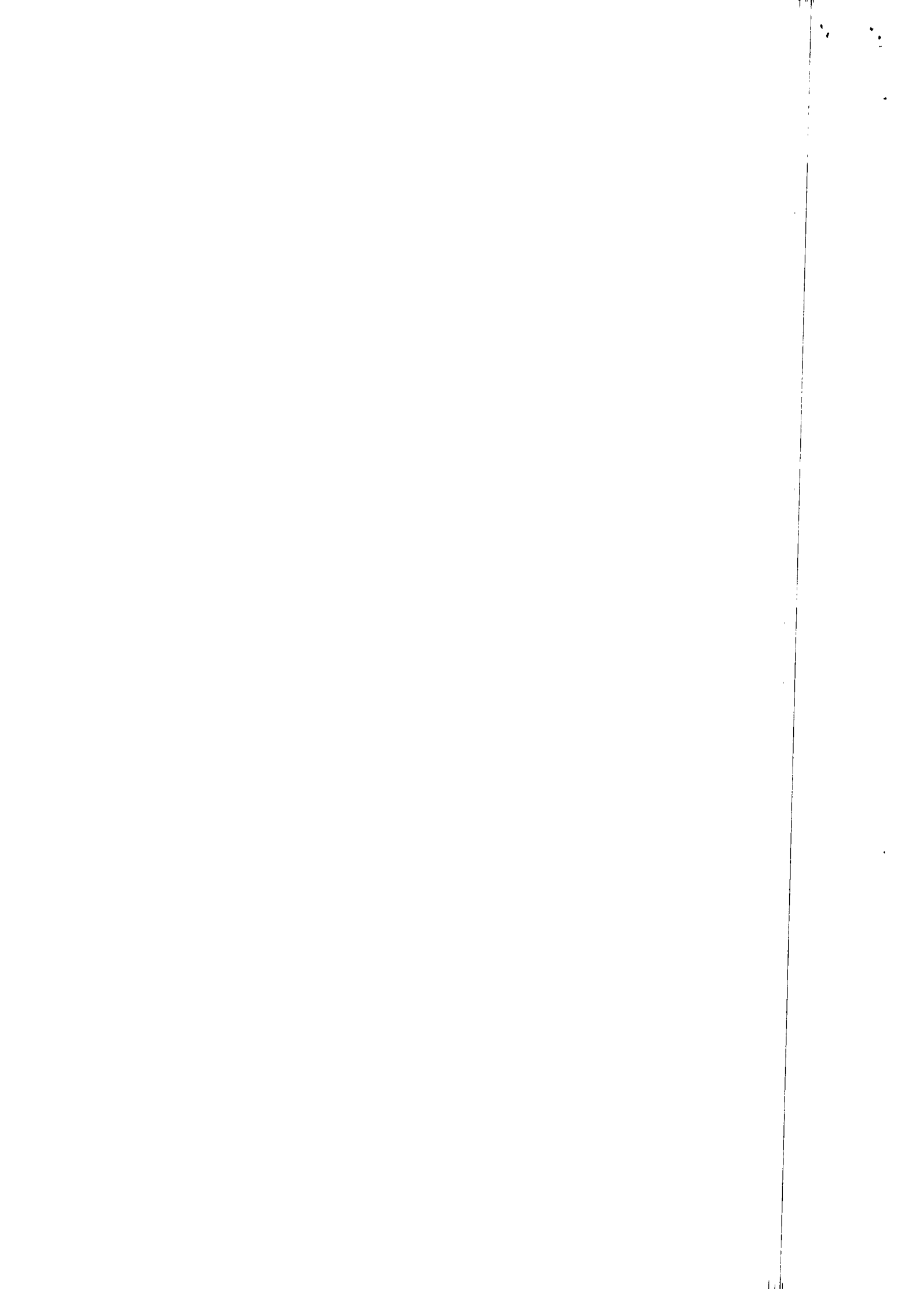
The transfer to KETRACO in 2021/2022 relates to funds received from KETRACO in 2020/2021 amounting to KShs 12,128,517. The amount was refunded from the Government of Kenya funding to KETRACO in 2021/2022.

12.8 CASH AND CASH EQUIVALENTS

	FY 2022/23	FY 2021/22
	KShs	KShs
Bank Accounts Balance	519,379,867	624,870,893
<b>Total Amount</b>	<b>519,379,867</b>	<b>624,870,893</b>

The project has two project accounts spread within the project implementation area managed by KETRACO as listed below

	FY 2022/23	FY 2021/22
	Kshs	Kshs
<b>Local Currency Accounts</b>		
Co-operative Bank of Kenya [A/c No:01136160914100]	286,039,116	298,471,643
Kenya Commercial Bank[A/c No:1111251622]	233,340,750	326,399,250



### 13. OTHER IMPORTANT DISCLOSURES

#### 13.1 PENDING BILLS (Annex 2A)

Description	Balance b/f	Adjustment	Additions for the period	Paid during the year	Balance c/f
	FY 2022/2023				FY 2022/2023
	KShs	KShs	KShs	KShs	KShs
Supply of goods			-	-	-
Supply of services	29,546,374	-	-	-	29,546,374
<b>Total</b>	<b>29,546,374</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,546,374</b>

The adjustment on the supply of goods above was in relation to Instalaciones Inabensa S.A of Spain (“Inabensa”), the project’s main contractor which is part of the disputed arbitral award amount hence the adjustment. The contract with Inabensa was terminated in April 2016. KETRACO and Inabensa thereafter engaged an arbitration tribunal which awarded Inabensa the sum of 37,365,690 Euros (approximately KShs. 4.5 billion). KETRACO made an application to the High Court of Kenya seeking to set aside award on basis of breach of Public Policy. The High Court upheld the tribunal’s decision. KETRACO appealed to The Court of Appeal. The Court of Appeal upheld the high court decision. The case at the Supreme Court has been determined in favor of the contractor and the amount due as at 30<sup>th</sup> June 2023 was Ksh 9.2 Billion.

#### 13.2 OTHER PENDING PAYABLES (Annex 2B)

Description	Balance b/f FY	Adjustment	Additions for the period	Paid during the year	Balance c/f
	2022/2023				FY 2022/2023
	KShs	KShs	KShs	KShs	KShs
Project affected persons	305,535,413	15,996,382		22,360,556	299,171,239
<b>Total</b>	<b>305,535,413</b>	<b>15,996,382</b>	<b>-</b>	<b>22,360,556</b>	<b>299,171,239</b>

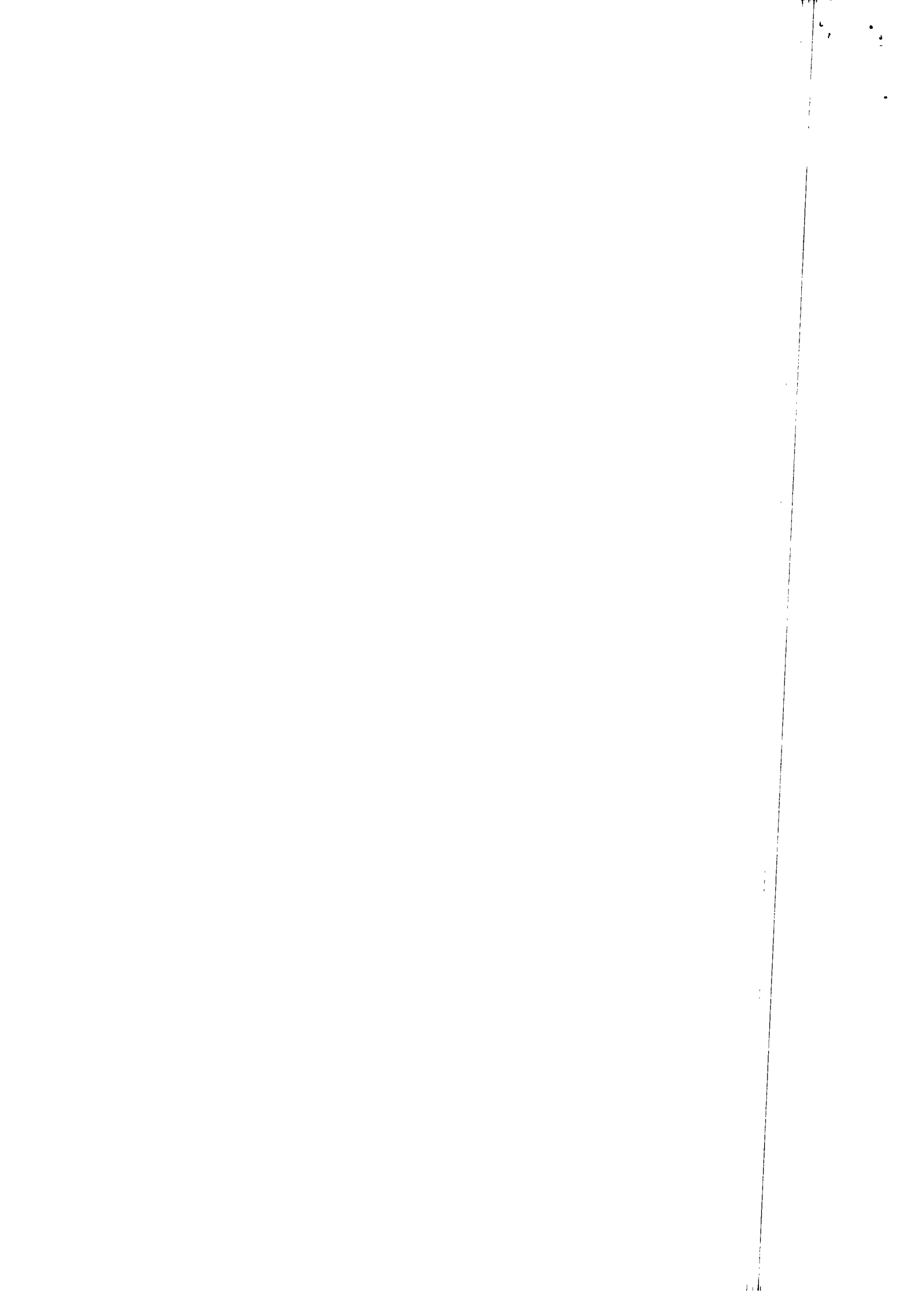


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**14. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

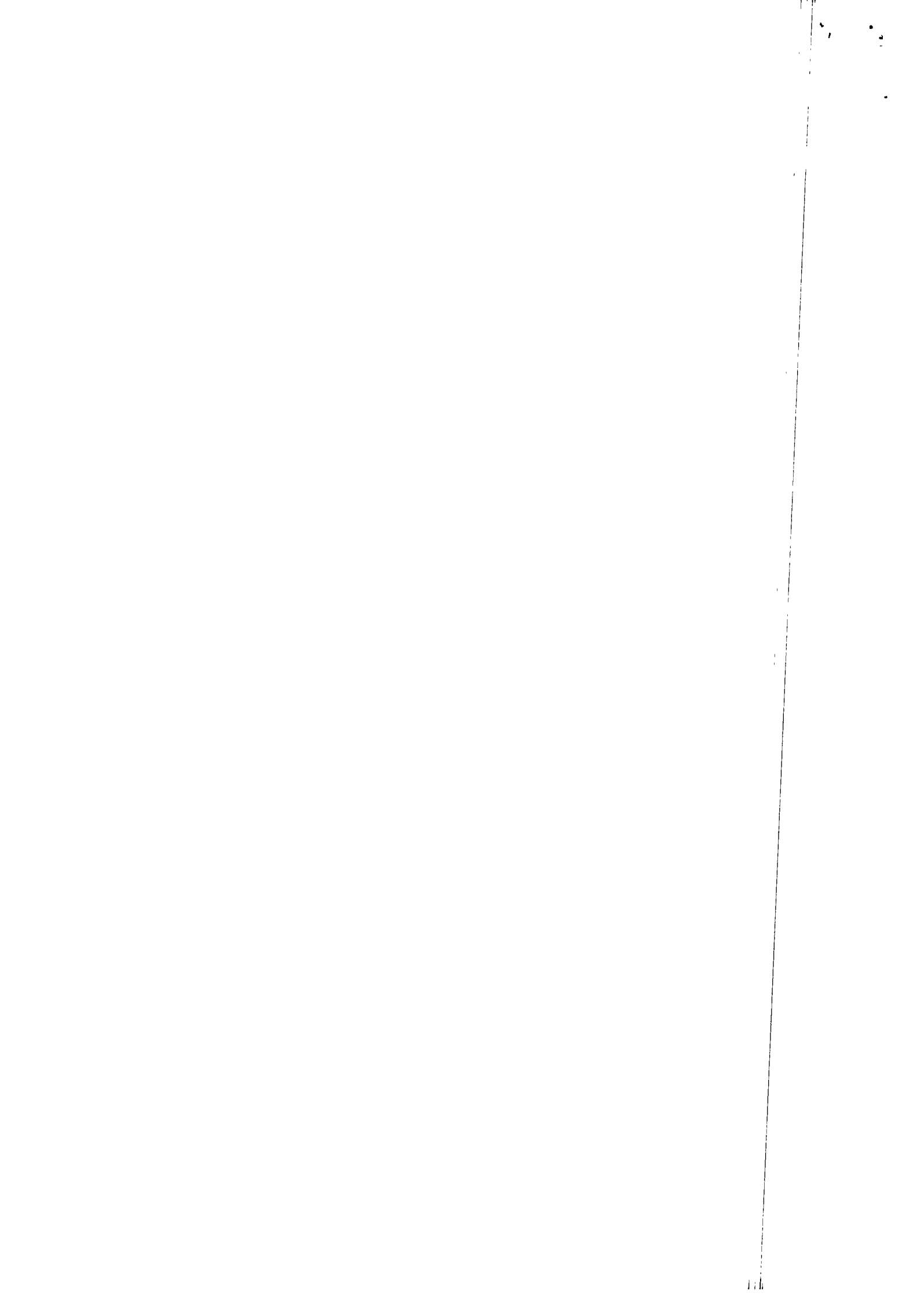
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue	Point Status	Timeframe
	Pending Bills – Goods and Services As disclosed in Annex 2A, the outstanding pending bill were Kshs.446,539,858. The unpaid bills are likely to lead to penalties or litigation with the consequent risk of wasteful expenditure	The outstanding amount at the end of the period 30th June 2021 was KShs 446,539,858, out of which KShs 416,993,484 was due to the main contractor Inabensa and KShs 29,546,374 was due to AECOM, the consultants for the Line. The invoice for the contractor for KShs. 416,993,484 has been cleared as this amount is part of the arbitral award which case is currently ongoing at the supreme court. The invoice for the consultant has not been settled, due to the ongoing Case at the supreme court which has since been determined in favor of the contractor.	Tom Imbo General Manager, Finance	Not Resolved	June 2024
	Emphasis of Matter: Outstanding Arbitration on Terminated Contract	The contracts with the main contractor (Inabensa) for the project were terminated in April 2016. An arbitration tribunal was instituted in 2019. The arbitration case was delivered in July 2019 in favour of the contractor. KETRACO appealed to the High Court for setting aside of the arbitral award to Inabensa. The High Court delivered their ruling in February 2021 upholding the arbitral award. KETRACO was of the opinion that the decision made by the Arbitrator was against public policy and requested to appeal the ruling. The Attorney General office has given KETRACO go ahead to appeal the case in the Court of Appeal. The Court of Appeal upheld the high court decision. The case is currently at the Supreme Court which outcome is yet to be determined.	Lydia Sitienei Company Secretary & General Manager Legal Services	Not resolved	June 2024




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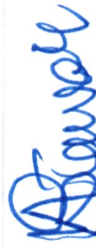
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue	Status	Timeframe
	Expiry of loan agreement Long Outstanding Wayleave Compensation	The Company has engaged The National Treasury through Ministry of Energy for alternative financing to complete the project.			
		The project was adequately funded in the FY 2020/2021 however the slow way/leaves compensation is occasioned by insufficient documentation from certified landowners for the grant easement registration in acquiring the right of way.	Eng. John Mativo General Manager, Project Development Services	Not Resolved	June 2024
	<b>Expiry of Loan Agreement:</b> As reported in the previous year, the loan agreement between the Company and the African Development Bank expired on 31 December 2017. However, the project stalled at 61% level of completion since termination of the contractor for non-performance in April 2016. Further, no funds have been received from the bank since 2016. Analysis of the project cash and pending bills records as at 30 <sup>th</sup> June 2021 revealed a short fall of Kshs.423,530,240. There was no evidence of renewal of the loan agreement or identification of other sources of funding. Therefore, it has not been possible to confirm that the project will be completed. beneficiaries.	The African Development Bank financing agreement expired and was cancelled/closed in December 2017. At the time of loan expiry, the undrawn balances amounted to Kes equivalent 2,720,466,827. The financing agreement is not to be extended. KE TRACO has engaged The National Treasury through Ministry of Energy to seek alternative financing for completion of the project. This will allow for completion of the project hence realization of the investment in the project.	Tom Imbo General Manager, Finance	Not Resolved	June 2024
	<b>Outstanding Arbitration on Terminated Contract;</b> As reported in previous years an arbitration case	The contracts with the main contractor (Inabensa) for the project were terminated in April 2016 due to nonperformance. An arbitration tribunal was	Lydia Sitienei - Company Secretary & General Manager	Not Resolved	June 2023




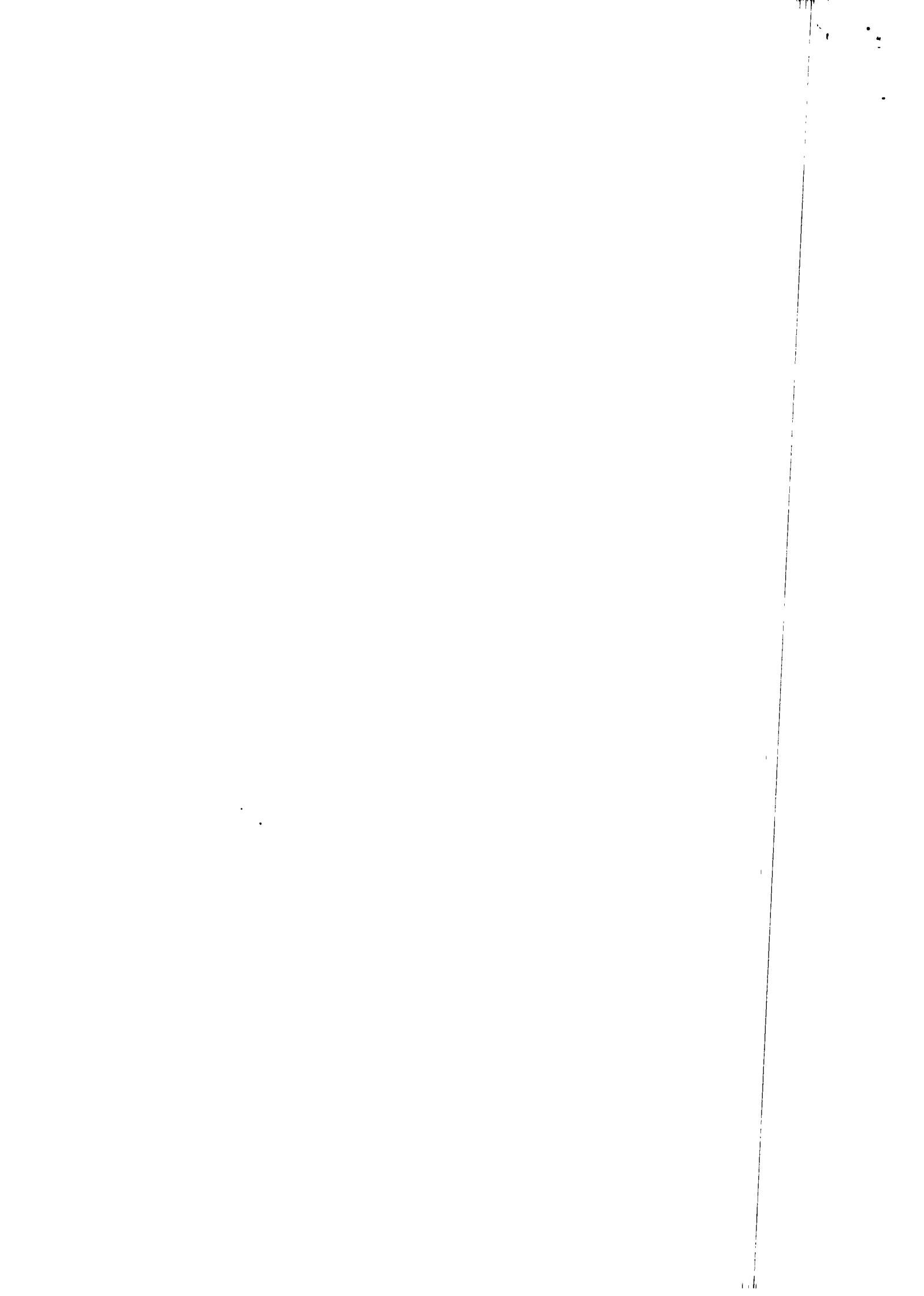
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue	Point Status	Timeframe
	<p>was filed on 1 April 2016 between the KETRACO and a contractor for the termination of contract for works not finalized. The tribunal issued an award in favour of the contractor on 30 July 2019 amounting to Euro 37,365,691 or approximately Kshs.4.5 Billion. However, management considered the decision to be against public interest and sought assistance from Attorney General's office in setting aside the Tribunal's award. However, the award was upheld by the High Court of Kenya on 16 February 2020. The company has since appealed in the Court of Appeal.</p> <p>It was not possible to confirm whether the matter will be resolved and how the cost in terms of legal fees will be reflected in the financial statements.</p>	<p>instituted in 2019. The arbitration case was delivered in July 2019 in favour of the contractor. KETRACO appealed to the High Court for setting aside of the arbitral award to Inabensa. The High Court delivered their ruling in February 2021 upholding the arbitral award. KETRACO was of the opinion that the decision made by the Arbitrator was against public policy. KETRACO appealed the ruling at The Court of appeal. The Court of appeal on 19th November 2021 delivered their ruling upholding The High Court ruling. The ruling is now the subject of an appeal petition filed in The Supreme Court and awaiting determination. The arbitral award amount has been set aside awaiting the determination of The Supreme Court.</p>	Legal Services		

  
 Chief Executive Officer  
 Dr. (Eng) John Mativo-CE

  
 Project Coordinator  
 Eng (CPA). Antony Wamukota, OGW

  
 General Manager-Finance  
 CPA Tom Imbo  
 ICPAK Member Number 7039



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15. ANNEXES

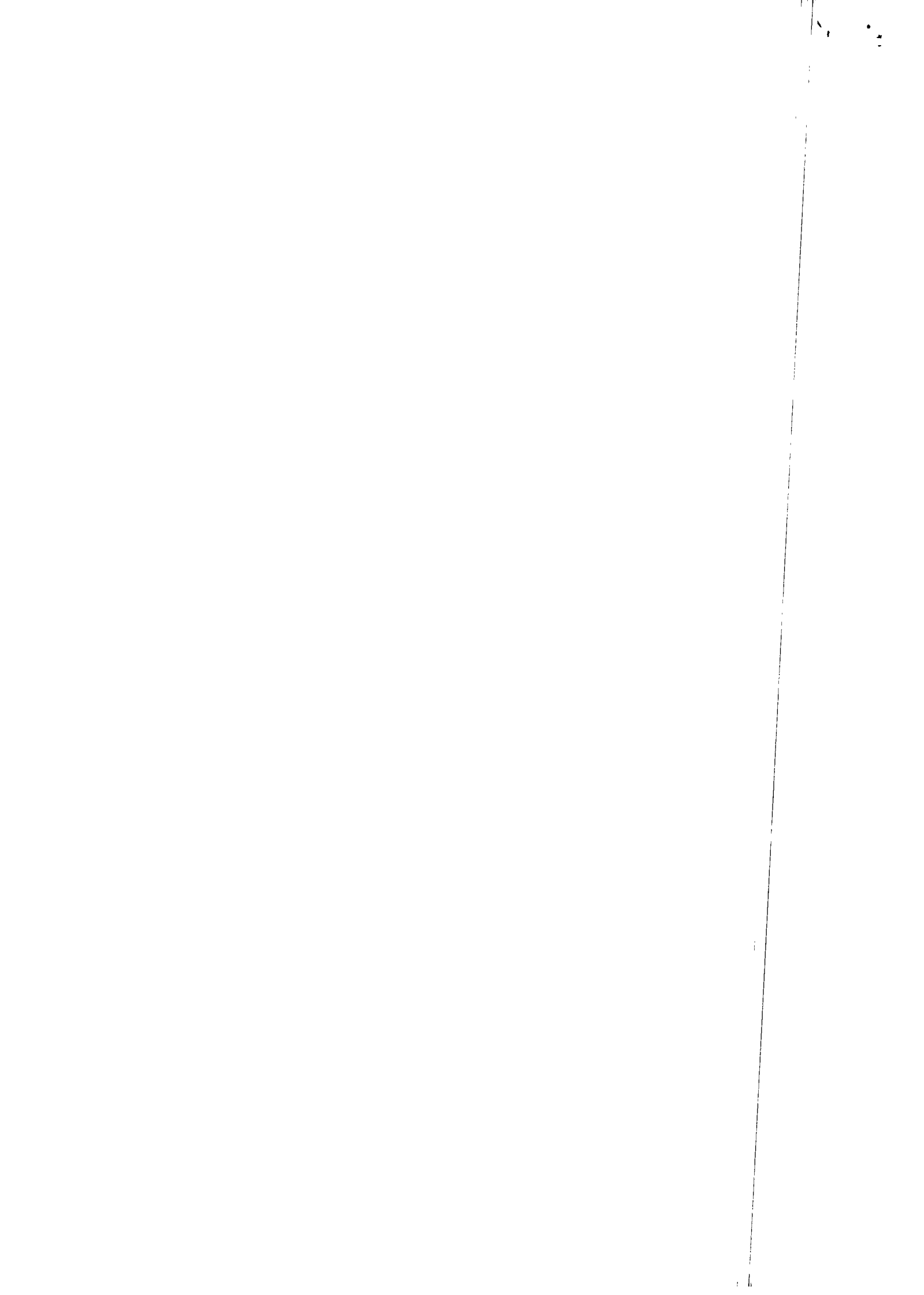
**ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	Final Budget a	Actual on Comparable Basis b	Budget Utilization Difference c=a-b	% of Utilization d=b/a %	Comments on Variance
<b>RECEIPTS</b>					
Transfer from Government entities	-	-	-	--	(i)
Miscellaneous receipts	-	11,556,859	(11,556,859)	--	(ii)
<b>Total receipts</b>	-	<b>11,556,859</b>	<b>-11,556,859</b>	--	
<b>PAYMENTS</b>					
Purchase of goods and services	-	22,360,556	(22,360,556)	--	(iii)
Acquisition of non-financial assets	-	94,687,328	(94,687,328)	--	(iii)
Transfer to KETRACO	-	-	-	--	
<b>Total payments</b>	-	<b>117,047,885</b>	<b>(117,047,885)</b>	--	

*Explanations for variances (% of utilization) below 90% and above 100%*

Explanations: -

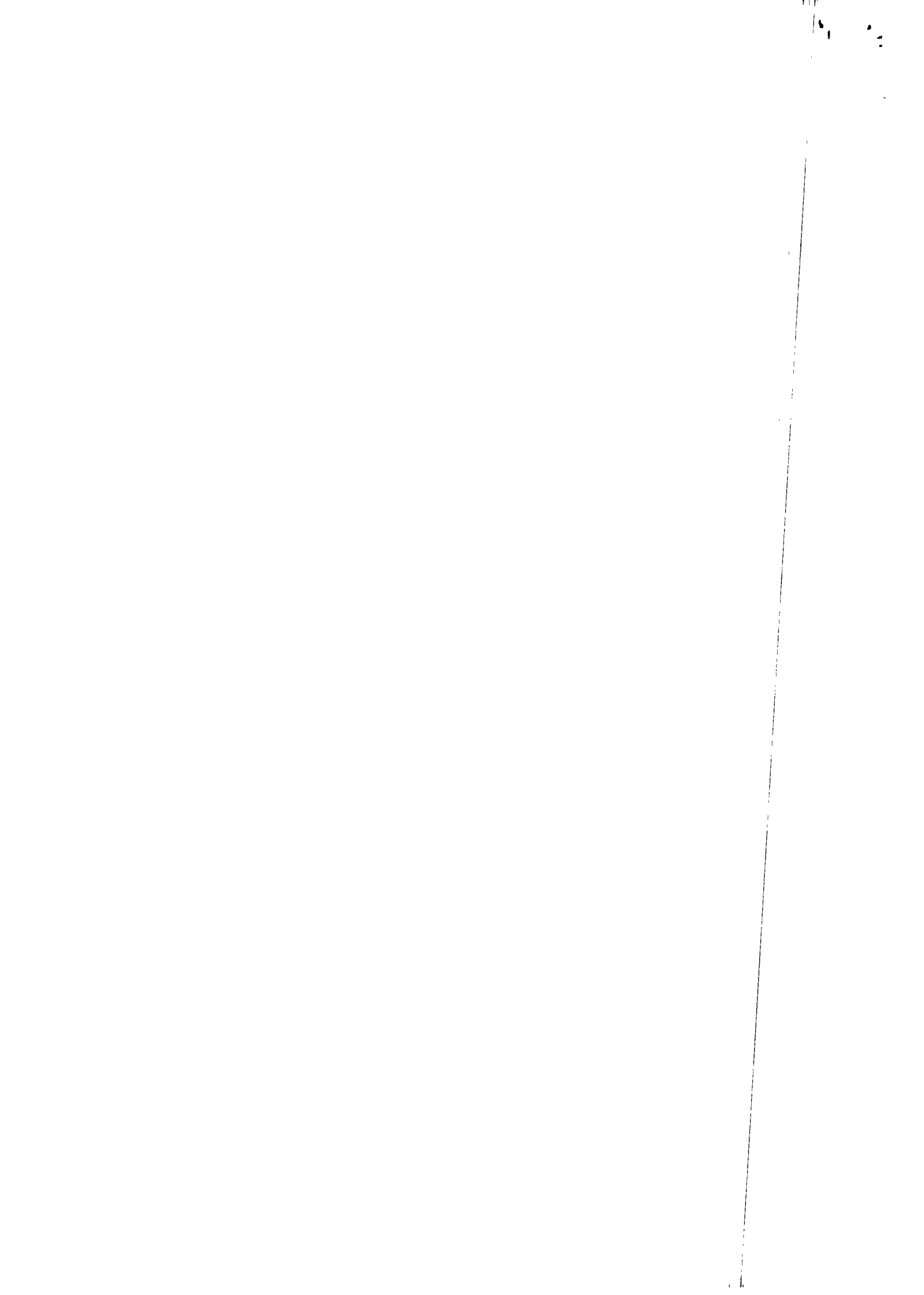
- (i) The movement in miscellaneous receipts relates to the interest income from the bank balance held in financial institutions.
- (ii) There was no budget allocation in FY 2022/2023 hence payments were made from balance of previous years allocations from GOK.



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**ANNEX 2A - ANALYSIS OF PENDING BILLS**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount for Certified Work To-Date	Amount Paid To-Date	Outstanding		Comments
					Balance FY 2022/23	Balance FY 2021/22	
	a	b	c	d	e=c-d		
	KShs			KShs	KShs		
<b>Supply of goods</b>							
Instalaciones Inabensa S. A. (Lot A:400kV Lessos-Tororo Transmission Line)	2,389,588,945	16.04.2013	1,894,109,164	1,894,109,164	-		
<b>Sub-Total</b>	<b>2,389,588,945</b>		<b>1,894,109,164</b>	<b>1,894,109,164</b>	-		
<b>Supply of services</b>							
AECOM Consultants Inc.	426,903,099	29.06.2011	261,087,396	231,541,022	29,546,374	29,546,374	
	<b>426,903,099</b>		<b>261,087,396</b>	<b>231,541,022</b>	<b>29,546,374</b>	<b>29,546,374</b>	
<b>Grand Total</b>	<b>2,816,492,044</b>		<b>2,155,196,560</b>	<b>2,125,650,186</b>	<b>29,546,374</b>	<b>29,546,374</b>	

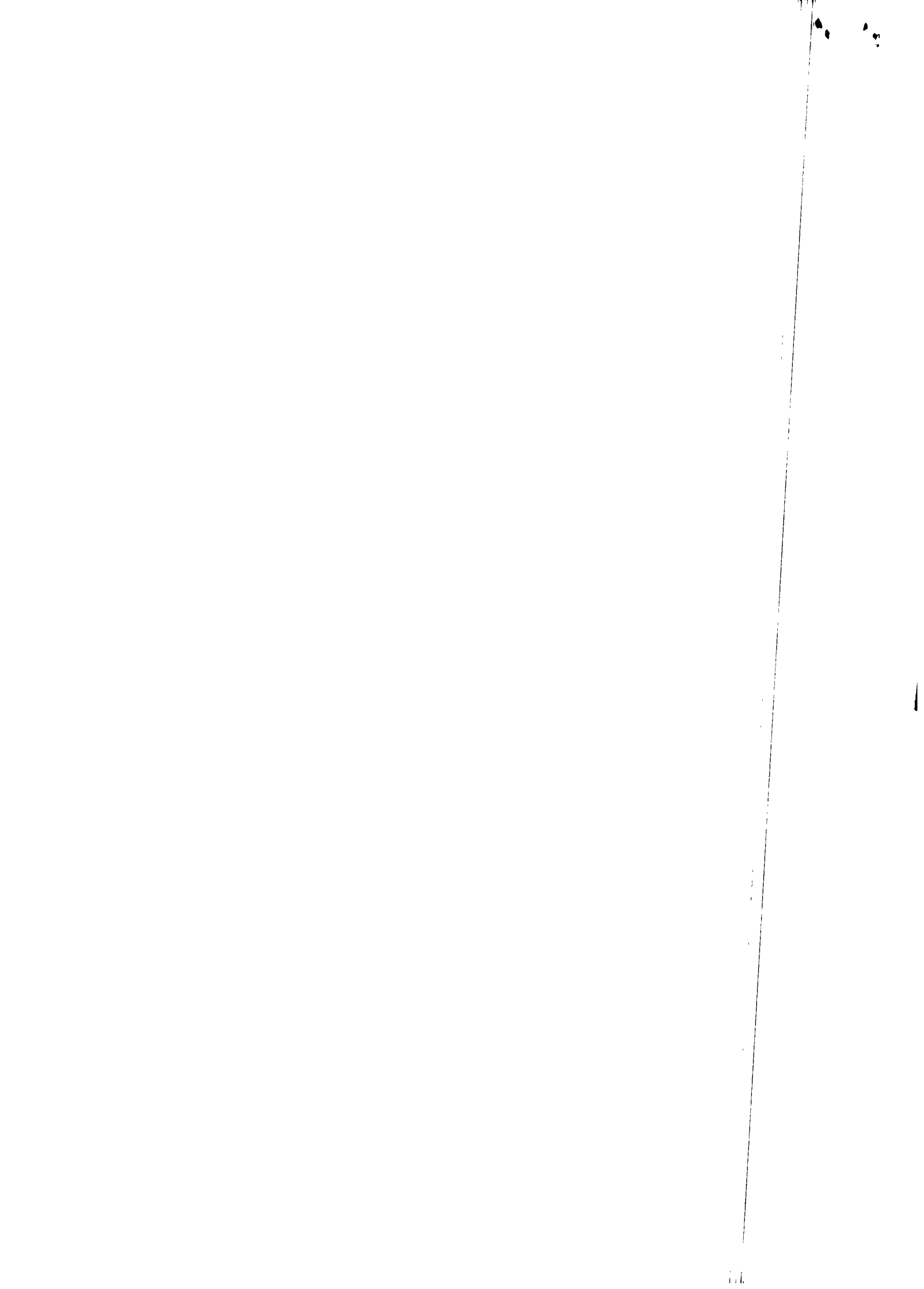


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**ANNEX 2B - ANALYSIS OF OTHER PENDING PAYABLES**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount of Certified Work To-Date	Amount Paid To-Date	Outstanding Balance		Comments
						FY 2022/23	FY 2021/22	
		a	b	c	d	e=c-d		
<b>Amounts due to Third Parties</b>		KShs		KShs	KShs	KShs	KShs	
Project Affected Persons	Wayleaves compensation	1,733,766,358	2012-2019	1,733,766,358	1,434,595,118	299,171,239	305,535,413	(i)
<b>Grand Total</b>		<b>1,733,766,358</b>		<b>1,733,766,358</b>	<b>1,434,595,118</b>	<b>299,171,239</b>	<b>305,535,413</b>	

(i) The amount is outstanding due to insufficient documentation from certified landowners to facilitate payment.



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**ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER**

Asset class	Opening Cost	*Purchases/Additions	**Disposals in the Year	Closing Cost
	(KShs) FY 2022/2023 (a)	in the Year (KShs) FY 2022/2023 (b)	(KShs) FY 2022/2023 (c)	(KShs) FY 2022/2023 (d) = (a)+ (b)-(c)
Powerline (Transmission Equipment)	4,409,348,711	-	-	4,409,348,711
<b>Total</b>	<b>4,409,348,711</b>	<b>-</b>	<b>-</b>	<b>4,409,348,711</b>

Notes

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

