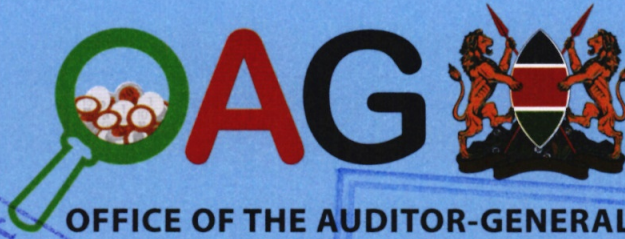
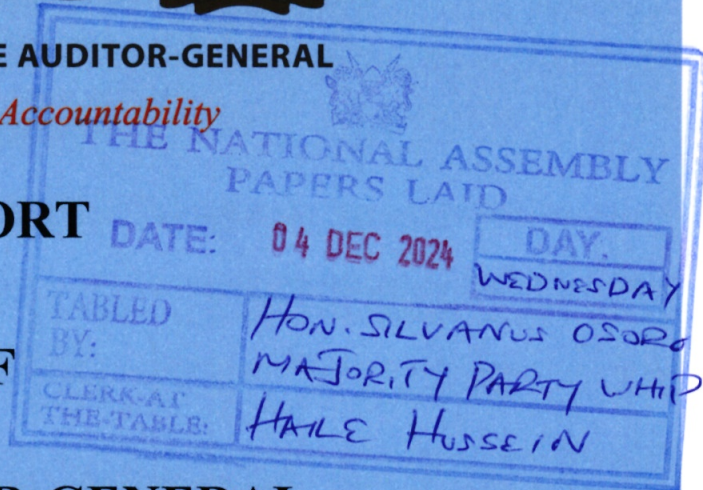


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

ON

**220 KV AND 132 KV TRANSMISSION LINES
AND SUB-STATIONS (EXIM BANK OF INDIA
FUNDED) PROJECTS**

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

**KENYA ELECTRICITY TRANSMISSION
COMPANY LIMITED**



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

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED (KETRACO)

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

Kenya Electricity Transmission Company Limited
220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects
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1. ACRONYMS AND GLOSSARY OF TERMS

EXIM	Export Import
GAAP	Generally Accepted Accounting Principles
GOK	Government of Kenya
HVDC	High Voltage Direct Current
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
KETRACO	Kenya Electricity Transmission Company
kV	Kilovolts
PFSs	Project Financial Statements
PIU	Project Implementing Units
PSASB	Public Sector Accounting Standards Board
RAP	Resettlement Action Plan
SORE	Statement of Receipts and Expenditure
UA	Units of Account
USD	United States Dollar
MDAs	Ministries, Departments and Agencies
JV	Joint Venture
FCPA	Fellow of the Institute of Certified Accountants of Kenya
CPA	Certified Public Accountant of Kenya
ISO	International Organisation for Standardisation
Ag	Acting
BSc	Bachelor of Science
IEK	Institution of Engineers of Kenya
BA	Bachelor of Arts
UON	University of Nairobi
ISK	Institution of Surveyors of Kenya
MA	Master of Arts
OGW	Order of Grand Warrior
ICPAK	Institute of Certified Public Accountants
OLK	Olkaria-Lessos-Kisumu Transmission Line Project
HRAC	Human Resource Advisory Committee

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2. PROJECT INFORMATION AND OVERALL PERFORMANCE

2.1 Name and registered office

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

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

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

The address of its registered office is:

Exim Bank of India Funded Projects
 Block B, Kawi House
 Off Red Cross Road, South C
 P. O. Box 34942 – 00100 Nairobi

Contacts: The following are the project contacts

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

2.2 Project Information

Project Start Dates:	KETRACO/PT/010 /2012-LOT 1A-14/11/2013-Terminated KETRACO/PT/010 /2012-LOT 1A-02/06/2022 KETRACO/PT/010 /2012-LOT 1B-13/11/2013 KETRACO/PT/010 /2012-LOT 3A-03/12/2013 KETRACO/PT/010 /2012-LOT 3B-03/12/2013
Project End Dates:	The project end date is KETRACO/PT/010 /2012-LOT 1A-31/12/ 2018- (Expected Completion Date), Terminated in September 2018 KETRACO/PT/010 /2012-LOT 1A-31/12/2024 KETRACO/PT/010 /2012-LOT 1B-31/03/2020 KETRACO/PT/010 /2012-LOT 3A-31/03/2024 KETRACO/PT/010 /2012-LOT 3B- 31/10/2022
Project Manager:	The project manager is Engineer Evans Papa
Project Sponsor:	The project sponsors are Government of Kenya and Exim Bank of India

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PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

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 numbers	KETRACO/PT/010 /2012-LOT 1A KETRACO/PT/010 /2012-LOT 1B KETRACO/PT/010 /2012-LOT 3A KETRACO/PT/010 /2012-LOT 3B
Strategic goals of the project	The strategic goal of the project is to increase electricity access and address the challenges of access and low connectivity
Achievement of strategic goals	The project management aims to achieve the goals through the following means: Lot 1A – Construction of 220kV Substations at Tukwel, Ortum and Kitale Lot 1B – Construction of 220kV Transmission Line Turkwel – Ortum – Kitale Lot 3A – Construction of 132/33kV Machakos-Konza-Kajiado-Namanga Transmission Line Lot 3B – Construction of 132/33kV Substations at Machakos, Konza, Kajiado and Namanga
Other important background information of the project	<p>The project is implemented by Kenya Electricity Transmission Company Limited (KETRACO) which was incorporated on 2 December 2008 and registered under the Companies Act, Cap 486 pursuant to Sessional Paper No. 4 of 2004 on Energy. The Company was established to develop new high voltage electricity transmission infrastructure that will form the backbone of the National Transmission Grid, in line with Kenya Vision 2030. Its core business is to plan, design, build and maintain new electricity transmission lines and associated substations. These new lines will include 132kV, 220kV, 400kV and 500kV High Voltage Direct Current (HVDC). In carrying out this mandate, the Company is expected to develop a new and robust grid system in order to:</p> <ul style="list-style-type: none"> (i) Improve quality and reliability of electricity supply throughout the country; (ii) Transmit electricity to areas that are currently not supplied from the national grid; (iii) Evacuate power from planned generation plants; and (iv) Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region. <p>As the owner of the project, KETRACO provides the organizational set up for the activities, qualified staff and basic office infrastructure for efficient execution of the project.</p> <p>The Indian Funded Projects comprises of projects which are funded jointly by the Government of Kenya through the Ministry of Energy and Petroleum and The National Treasury and a line of credit obtained from Government of India – backed EXIM Bank of India. The line of credit agreement was signed on 16 November 2010 for USD 61.60 Million. The Consultant and Contractors’ details are as follows:</p>

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PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

Project overview (continued)

Name	Description	Project	Contract Amount-USD	Expected completion date
Powergrid Corporation of India Limited	Consultant-signed on 25 April 2012	Engineering and project management services	USD 2,366,533 revised to USD 2,826,643	24 October 2016 revised to 30 June 2017 at which time the contract ended.
Jyoti Structures Limited	Contractor-signed on 16 April 2013	Lot 1A – 220kV Substations at Turkwel, Ortum and Kitale	USD 19,072,680 Revised to USD 18,100,120	30 October 2016 revised to 31 December 2018. The Company went into liquidation in July 2018. KETRACO terminated the contract in September 2018.
Shyama Power India Limited	Contract signed on 01 April 2021	Lot 1A – 220kV Substations at Turkwel, Ortum and Kitale	USD 8,319,773.32 Revised to 8,620,005.48	31 December 2024
KEC International	Contractor-signed on 16 April 2013	Lot 1B – 220kV Transmission Line Turkwel – Ortum – Kitale	USD 11,861,976 Revised to USD 12,963,129.21	30 July 2016 revised to 31 March 2020.
Joint Venture of Shyama Power India Ltd and Mirador Commercial PVT Limited	Contractor-signed on 16 April 2013	Lot 3A – 132/33kV Machakos-Konza-Kajiado-Namanga Transmission Line	USD 11,595,129.67 Revised to USD 9,470,312.24	30 October 2016 revised to 31 March 2024
Shyama Power India Limited	Contractor-signed on 16 April 2013	Lot 3B – 132/33kV Substations at Machakos, Konza, Kajiado and Namanga	USD 17,265,725.78 Revised to USD 21,294,329.93	30 October 2016 revised to 31 October 2022

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PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

Project Overview (continued)

	The projects funded through the line of credit from EXIM bank are divided into 4 parts, and their status as of 30 June 2024 is as follows:			
	Project	Contractor	Status	Main challenge
	1 Lot 1A- Turkwel- Ortum-Kitale Substations	Shyama Power	96% complete	Delay in availing transformer for the Kitale Substation and inadequate funding from Treasury to facilitate paying of contractual bills.
	2 Lot 1B- Turkwel- Ortum-Kitale Transmission Line	KEC International	100% Complete- 30 March 2020	Lack of funding to facilitate paying of outstanding wayleaves.
	3 Lot 3A- Machakos- Konza- Kajiado- Namanga Transmission Line	Shyama Power India Ltd	100% complete- 31/03/2024	Lack of funding from Treasury to facilitate paying pending contractual bills
	4 Lot 3B- Machakos- Konza- Kajiado- Namanga Substations	Shyama Power India Ltd	100% complete- 31/10/2022	Lack of fiscal space to facilitate paying of pending contractual bills/claims.
Current situation that the project was formed to intervene	Low electricity access and low connectivity.			

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PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

2.4 Bankers

The following are the bankers for the current year:

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

2.5 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:

Names	Title designation	Key qualification	Responsibilities
Dr. Eng. John Mativo, MBS	Managing Director	Doctorate (PhD) degree in Civil Engineering from Tokyo Metropolitan University (Japan), a Master's degree in Structural Engineering from Tongji University (China), and a Bachelor's degree in Civil Engineering from the University of Nairobi	Managing Director
Eng. (CPA) Antony Wamukota, OGW	General Manager, Design and Construction	Bachelor's degree in civil engineering; CPA final. He is registered by the Engineers Board of Kenya (EBK) as a professional engineer. Member of the Institution of Engineers of Kenya (IEK).	Project Coordinator
CPA Tom Imbo	General Manager, Finance	Master of Business Administration (Finance) and Bachelor of Education (Economics, Business Administration) degrees; Certified Public Accountant of Kenya; Member of the Member Services Committee of ICPAK.	Project Reporting
Engineer Evans Papa	Project Manager	Bachelor's degree in civil engineering. He is registered by the Engineers Board of Kenya (EBK) as a professional engineer. Member of the Institution of Engineers of Kenya (IEK).	Project Engineer
Johnson Muthoka	Senior Manager Wayleaves	BA Land Econ (Hons), MA (urban and regional planning (UON), Full member of ISK, registered and Licensed land economist	Wayleaves Acquisition (Land Economists, Land surveyors, Social Economists, Environmental Experts)

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

2.7 Funding summary:

(A) Source of funds

The Projects are for a duration of 11 years from 2013 to 2024 with an approved budget of USD 61,600,000, equivalent to KShs 6,215,654,874 and Government counterpart funding of KShs 3,045,902,175 as highlighted in the table below:

Below is the funding summary:

	Donor commitment		Amount received to date – (30/06/2024)		Undrawn balance to date (30/06/2024)	
	USD	KShs	USD	KShs	USD	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
EXIM Bank of India Ltd	61,600,000	6,215,654,874	59,804,568	5,983,097,935	1,795,432	232,556,939
(ii) Counterpart funds						
Government of Kenya	-	3,045,902,175	-	3,045,902,175	-	=
KETRACO funding				88,339,845		
Total	<u>61,600,000</u>	<u>9,261,557,049</u>	<u>59,804,568</u>	<u>9,117,339,955</u>	<u>1,795,432</u>	<u>232,556,939</u>

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(B) Application of funds

Application of funds	Loan Amount – (30 June 2024)		Cumulative Amount paid to date – (30th June 2024)		Unutilised balance to date (30th June 2024)	
	<i>Donor currency-USD</i>	<i>Kshs</i>	<i>Donor currency-USD</i>	<i>Kshs</i>	<i>Donor currency-USD</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
None	--	--		--	--	--
(ii) Loan						
Exim Bank of India	61,600,000	6,219,736,789	59,804,568	5,983,097,935	1,795,432	236,638,854
(ii) Counterpart funds						
Government of Kenya		3,045,902,175		2,868,156,707	-	177,745,468
Total	61,600,000	9,265,638,964	59,804,568	8,851,254,642	1,795,432	414,384,322

PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

2.8 Summary of Overall Project Performance:

i) Budget Performance Against Actual Amounts

During the year under review, the project received KSh 658,769,511 against a final budget of KSh 202,000,000. Similarly, the project incurred total expenditure of KSh 601,820,419 during the year, against a final budget of KSh 202,000,000 representing a 298% budget utilization. The project's cumulative receipts and payments to-date amounts to KSh 9,117,339,955 and KSh 8,939,594,487 respectively.

ii) Physical Progress and Achievements of the Project

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

The Machakos and Konza substations have been completed and commissioned. The Transmission Line from Machakos to Konza has been completed. The Isinya-Namanga Transmission line is also complete.

Comments on value-for-money achievements

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

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

iii) Absorption rate

<u>YEAR</u>	<u>FINAL BUDGET</u>	<u>ACTUAL SPENT</u>	<u>ABSORPTION</u>
	<u>Kshs</u>	<u>Kshs</u>	
	<u>A</u>	<u>B</u>	<u>C=B/A</u>
2016/2017	791,242,000	792,048,881	100%
2017/2018	1,025,000,000	737,037,092	72%
2018/2019	845,115,000	334,011,618	40%
2019/2020	781,000,000	338,502,600	43%
2020/2021	1,711,000,000	810,191,801	47%
2021/2022	464,000,000	574,848,172	124%
2022/2023	1,172,078,370	687,275,892	59%
2023/2024	202,000,000	601,820,419	298%
OVERALL			69.74%

PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

iv) Implementation Challenges and Way Forward

The contractor for Turkwel-Ortum-Kitale Substations was terminated in September 2018 for non – performance. The contractor to complete the works left by M/s Jyoti Structures, Ms Shyama Power India Limited was paid the advance payment hence the effectuation of their contract on 2nd June 2022 and is expected to complete Substation works in December 2024.

The overall contract implementation stands at 98%.

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 access, availability and reliability to grid electricity in the areas covered by the transmission lines and substations once completion is achieved.
- b) Increase supply of power to bulk consumers and aid in industrialisation and manufacturing.
- c) Aid in evacuation of power from generation stations like Turkwel Power station.

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
The EXIM Bank of India Funded Projects	To strengthen the electricity grid system and enhance power transfer capacity	Increased stability of power supply enabling additional evacuation of power from Turkwel Gorge Dam.	Number of substations and transmission lines completed	As at 30 th June 2024, 3 transmission lines are complete, that is 13km of 132kV Machakos-Konza, 96KM of 132Kv Isinya-Namanga and 68KM OF 220KV Turkwel Ortum Kitale. Completed Substations are 5, that is Machakos, Konza, Isinya, Namanga, and Otum Substations. Kitale Substation is 96% complete.

4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

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

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

Our approach

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

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

1. Sustainability strategy and profile

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

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

2. Environmental and Social Sustainability

Environmental and Social Compliance

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

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

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

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

Development of an operational framework

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

Wayleave Compensation Regulations development

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

Integration of Environmental and Social Considerations

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

Community Sensitization and Awareness

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

Climate Change Mainstreaming

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

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

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

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

Corporate Social Responsibility (CSR) Integration

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

- Offering scholarships for Technical and Vocational Education and Training (TVET) to potential students from project areas, thereby supporting local education and skill development.

ENVIROMENTAL AND SUSTAINABILITY REPORTING (Continued)

- Incorporating tree-growing initiatives into project plans (at least 9,000 trees), with contractors required to implement these plans and KETRACO providing oversight and supervision to ensure successful execution.

Renewable Energy Contribution

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

3. Safety and Security Measures

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

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

5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer of KETRACO and the Project Coordinator for the 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on 30 June 2024.

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


The Chief Executive Officer of KETRACO and the Project Coordinator for the 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

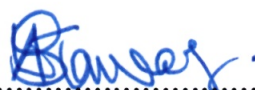
The Chief Executive Officer of KETRACO and the Project Coordinator for the 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended 30 June 2024, and of the Project's financial position as at that date. Chief Executive Officer of KETRACO and the Project Coordinator for the 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


The Chief Executive Officer of KETRACO and the Project Coordinator for the 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

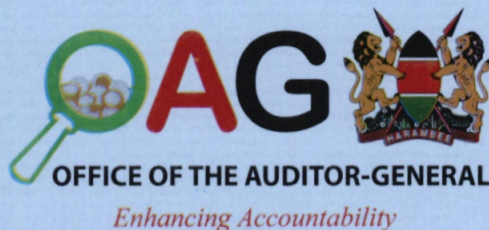
The Project financial statements were approved by Chief Executive Officer of KETRACO and the Project Coordinator for the 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects on30/09/.....2024 and signed by them.


.....
Chief Executive Officer
Dr (Eng) John Mativo, MBS


.....
Overall Project Coordinator
Eng.(CPA) Antony Wamukota,OGW


.....
General
Manager-Finance
CPA Tom Imbo
ICPAK Member No. 7039

REPUBLIC OF KENYA



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

REPORT OF THE AUDITOR-GENERAL ON 220 KV AND 132 KV TRANSMISSION LINES AND SUB-STATIONS (EXIM BANK OF INDIA FUNDED) PROJECTS FOR THE YEAR ENDED 30 JUNE, 2024- KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A qualified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, is effective in the use of resources, or that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

Report of the Auditor-General on 220 KV and 132 KV Transmission Lines and Sub-Station (Exim Bank of India Funded) Projects for the year ended 30 June, 2024- Kenya Electricity Transmission Company Limited

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of 220 KV AND 132 KV Transmission Lines and Sub-stations (EXIM Bank of India Funded) Projects set out on pages 1 to 19, which comprise the statement of financial assets as at 30 June, 2024 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of 220 KV AND 132 KV Transmission Lines and Sub-stations (EXIM Bank of India Funded) Projects as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Dollar Credit Line Agreement dated 16 November, 2010, and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

1. Unsupported Wayleave Compensation

The statement of receipts and payments reflects acquisition of non-financial assets amounting to Kshs.519,169,127. The amount includes wayleaves compensation totaling Kshs.117,681,997 as disclosed in Note 5 to the financial statements. Review of records available revealed that the compensation relates to payables for the financial year 2022/2023 and earlier years. However, the previous year audited financial statements reflected outstanding wayleaves totaling to only Kshs.73,501,859. Management explained that the outstanding wayleaves amounting to Kshs.324,606,257 were

outstanding as at 30 June, 2023 but only Kshs.73,501,859 was disclosed based on allocated budget.

Failure to record all the pending payables balance distorted the payables.

2. Long Outstanding Pending Accounts Payables

Other important disclosures as per Note 1 to the financial statements reflects pending accounts payable amounting to Kshs.239,213,767 as also disclosed in Annex 3A to the financial statements. The amount includes payables totaling Kshs.13,450,260 which have been outstanding since June, 2018. This is contrary to Regulation 42(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which states that debt service payments shall be a first charge on the Consolidated Fund and the Accounting Officer shall ensure this is done to the extent possible that the government does not default on debt obligations.

Further, other important disclosures as per Note 2 to the financial statements reflects other pending accounts payables totaling Kshs.110,509,858. This is further disclosed in Annex 3B to the financial statements relating to wayleaves compensation since inception of the project. The amount is an increase of Kshs.37,007,999 or 50% of Kshs.73,501,859 reported in the previous year which was not explained. Management explained that the prior year pending payables were based on allocated budget at the end of the previous financial year. All the accepted offers were recognised in the year under review regardless of the budget allocation. Offers totalling Kshs.236,432,54 as disclosed in Annex 3B to the financial statements have not been accepted.

Failure to settle bills during the year they relate to distorts the financial statements and adversely affects the budgetary provision of the subsequent year as they form the first charge.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, four (4) issues were raised under Other Matter, and Report on Lawfulness and Effectiveness in Use of Public Resources. Although Management has indicated that some of the issues have been resolved under progress

on follow-up of the auditor's recommendation section of the financial statements, the matters remained unresolved as at 30 June, 2024.

Other Information

Conclusion

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

Basis for Conclusion

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis for Conclusions 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

Failure to Open and Maintain a Project Bank Account

The statement of financial assets reflects cash and cash equivalents totaling Kshs.177,745,468. However, the amount differs with the cashbook balance of Kshs.653,981,016. The variance was attributed to the Company maintaining one bank account for all donor funded projects. This is contrary to Regulation 76(1) of the Public Finance Management (National Government) Regulations, 2015 which provides that for the purpose of disbursement of project funds, there shall be opened and maintained a project account for every project at Central Bank of Kenya.

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

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

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

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the state of expenditure procedure for Japan ODA Loans, Guidelines for borrowers, under Japan International Cooperation Agency (JICA), I report based on the audit that:

- i. Each expenditure listed under the statement of expenditure (SOE) is appropriate and conforms to the objectives of the project under the loan agreement and complies the provisions of the agreement.
- ii. That the Project expenditure does not include non-eligible items.

The Project's statement of expenditure is in agreement with the underlying records and returns.
- iii. In my opinion, the statement of expenditure is eligible for JICA financing under the loan agreement and is supported by sufficient and appropriate supporting documents under the loan agreement.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I also I consider the entity's control environment in order to give an assurance on the

effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


30 October, 2024


Kenya Electricity Transmission Company Limited
220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects
Report and Financial Statements
For the Year Ended 30 June 2024


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

	Note	2023/24			2022/2023			Cumulative
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payments controlled by the entity	Payments made by third parties	Total	to-date
		KShs	KShs	KShs	KShs	KShs	KShs	KShs
Receipts								
Transfer from Government entities	1	455,000,000		455,000,000	155,000,000		155,000,000	3,045,902,175
Loans from External Development Partners	3		115,429,665	115,429,665		409,782,483	409,782,483	5,983,097,935
KETRACO funding	2	88,339,845		88,339,845				88,339,845
Total Receipts		543,339,845	115,429,665	658,769,510	155,000,000	409,782,483	564,782,483	9,117,339,955
Payments								
Purchase of goods and services	4	82,651,292		82,651,292	155,161,771		155,161,771	719,088,624
Acquisition of non-financial assets	5	403,739,462	115,429,665	519,169,127	122,331,638	409,782,483	532,114,121	8,092,190,737
Transfers to OLK		-		-	-		-	128,315,126
Total Payments		486,390,754	115,429,665	601,820,419	277,493,409	409,782,483	687,275,892	8,939,594,487
Surplus/Deficit		56,949,091	-	56,949,091	(122,493,409)	-	(122,493,409)	177,745,468

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/..... 2024 and signed by:


.....
Chief Executive Officer
Dr. Eng John Mativo, MBS


.....
Overall Project Coordinator
Eng. (CPA) Antony Wamukota, OGW



.....
General Manager-Finance
CPA Tom Imbo
ICPAK Member No. 7039

Kenya Electricity Transmission Company Limited
220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects
Report and Financial Statements
For the Year Ended 30 June 2024

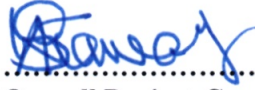
8. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2024

	Notes	FY 2023/24	FY 2022/23
		KShs	KShs
Financial Assets			
Cash and cash equivalents			
Bank balances	6	<u>177,745,468</u>	<u>120,796,377</u>
Total Financial Assets		<u>177,745,468</u>	<u>120,796,377</u>
Represented By:			
Fund balance b/fwd.	7	120,796,377	243,289,786
(Deficit)/surplus for the year		<u>56,949,091</u>	<u>(122,493,409)</u>
Net Financial Position		<u>177,745,468</u>	<u>120,796,377</u>


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.....30/09/2024..... 2024 and signed by:



Chief Executive Officer
Dr.Eng. John Mativo,MBS



Overall Project Coordinator
Eng.(CPA) Antony Wamukota,OGW




General
Manager-Finance
CPA Tom Imbo
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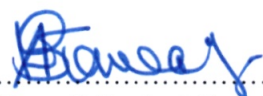
Kenya Electricity Transmission Company Limited
220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects
Report and Financial Statements
For the Year Ended 30 June 2024


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

	Notes	FY 2023/24	FY 2022/23
		KShs	KShs
Cash Flows from Operating Activities			
Receipts for operating income			
Transfers from Government entities	1	455,000,000	155,000,000
KETRACO funding	2	88,339,845	
Payments for operating expenses			
Purchase of goods and services	4	(82,651,292)	(155,161,771)
Net cash generated from operating activities		460,688,553	-161,771
Cash Flows from Investing Activities			
Acquisition of non-financial assets	5	(519,169,127)	(532,114,121)
Cash Flows from Borrowing Activities			
Loan from external development partners	3	115,429,665	409,782,483
Net Increase in Cash and Cash Equivalent		56,949,091	-122,493,409
Cash and Cash Equivalent at Beginning of the Year		120,796,377	243,289,786
Cash and Cash Equivalent at End of the Year	6	177,745,468	120,796,377

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/.....2024 and signed by:


.....
Chief Executive Officer
Dr. Eng John Mativo, MBS


.....
Overall Project Coordinator
Eng. (CPA) Antony Wamukota, OGW


.....
**General
Manager-Finance**
CPA Tom Imbo
**ICPAK Member No.
7039**

Kenya Electricity Transmission Company Limited
220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects
Report and Financial Statements
For the Year Ended 30 June 2024

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

RECEIPTS	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL ON COMPARABLE BASIS	BUDGET UTILISATION DIFFERENCE	% OF UTILISATION
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	c=a+b	d	e=c-d	f=d/c %
TRANSFERS FROM GOVT ENTITIES	306,000,000	(104,000,000)	202,000,000	455,000,000	(253,000,000)	225%
PROCEEDS FROM BORROWINGS	-	-	-	115,429,665	(115,429,665)	
KETRACO FUNDING				88,339,845		
TOTAL RECEIPTS	306,000,000	(104,000,000)	202,000,000	658,769,511	(456,769,511)	326%
PAYMENTS						
PURCHASE OF GOODS & SERVICES	82,651,292	-	82,651,292	82,651,292	-	100%
ACQUISITION OF NON-FINANCIAL SERVICES	223,348,708	(104,000,000)	119,348,708	519,169,127	(399,820,419)	435%
	306,000,000	(104,000,000)	202,000,000	601,820,419	(399,820,419)	298%

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



.....
Chief Executive Officer
Dr. Eng John Mativo, MBS



.....
Overall Project Coordinator
Eng. (CPA) Antony Wamukota, OGW



.....
General Manager-Finance
CPA Tom Imbo
ICPAK Member No. 7039

11. SIGNIFICANT ACCOUNTING POLICIES.

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

a) Statement of compliance and basis of preparation

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

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

b) Reporting entity

The financial statements are for the 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

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.

iii) Other receipts

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

Significant Accounting Policies (continued)

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 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 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.

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.

e) Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

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

Significant Accounting Policies (continued)

f) In-kind donations

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

g) Cash and cash equivalents

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

h) Restriction on cash

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

i) Imprests And Advances

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

j) Contingent Liabilities

A contingent liability is:

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

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

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Annex 6 of this financial statement is a register of the contingent liabilities in the year.

Significant Accounting Policies (continued)

k) Contingent Assets

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

i) 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.

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

n) Third party payments

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

o) Exchange rate differences

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

Significant Accounting Policies (continued)

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). Explanations and details of these prior period adjustments are presented where necessary under the relevant note of these financial statements.

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12. NOTES TO THE FINANCIAL STATEMENTS

1. Transfer from Government entities

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

	FY 2023/24	FY 2022/23	Cumulative to-date
	KShs	KShs	KShs
Counterpart funding through State Department of Energy			
Counterpart funds Quarter 1	302,000,000		1,044,808,049
Counterpart funds Quarter 2	153,000,000	155,000,000	1,201,787,311
Counterpart funds Quarter 3			633,807,385
Counterpart funds Quarter 4		-	168,169,430
Total	455,000,000	155,000,000	3,045,902,175

2. Funding from KETRACO

	FY 2023/24	FY 2022/23	Cumulative to-date
	KShs	KShs	KShs
Funding from KETRACO	88,339,845	0	88,339,845
Total	88,339,845	0	88,339,845

3. Loans From External Development Partners

During the 12 months to 30 June 2024, we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment	Total amount	
		FY 2023/24	FY 2023/24	FY 2023/24	FY 2023/24	FY 2022/23
		USD	KShs	KShs	KShs	KShs
Loans Received from Multilateral Donors						
EXIM Bank of India Ltd	July 2023- June 2024	875,791	-	115,429,665	115,429,665	409,782,484
Total		875,791	-	115,429,665	115,429,665	409,782,484

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Purchase of Goods and Services

	FY 2023/24			FY 2022/23	
	Payments made by the entity in cash	Payments made by third parties	Total payments	KShs	Cumulative to- date
	KShs	KShs	KShs		
License fees	-	-	-	-	2,344,863
Professional fees	-	-	-	-	141,862,163
Bank charges and fees	90,388	-	90,388	214,899	11,364,375
Other operating expenses	63,605,857	-	63,605,857	128,904,713	427,982,270
Site travel	18,955,047	-	18,955,047	26,042,159	133,886,925
Survey	-	-	-	-	1,648,028
Total	<u>82,651,292</u>	<u>-</u>	<u>82,651,292</u>	<u>155,161,771</u>	<u>719,088,624</u>

5. Acquisition of Non-Financial Assets

	FY 2023/24			FY 2022/23	
	Payments made by the entity in cash	Payments made by third parties	Total payments	KShs	Cumulative to- date
	KShs	KShs	KShs		
Consultancy fees	98,605,174	-	98,605,174	0	400,978,480
Transmission equipment	187,452,291	115,429,665	302,881,956	477,252,945	6,384,872,207
Wayleaves compensation	<u>117,681,997</u>	<u>-</u>	<u>117,681,997</u>	<u>54,861,176</u>	1,306,340,051
Total	<u>403,739,462</u>	<u>115,429,665</u>	<u>519,169,127</u>	<u>532,114,121</u>	<u>8,092,190,738</u>

NOTES TO THE FINANCIAL STATEMENTS(Continued)

6. CASH AND CASH EQUIVALENTS

	FY 2023/24	FY 2022/23
	KShs	KShs
Kenya Commercial Bank	177,745,468	120,796,377
Total	177,745,468	120,796,377

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

7. FUND BALANCE BROUGHT FORWARD

	FY 2023/24	FY 2022/23
	KShs	KShs
Bank accounts	120,796,377	243,289,786

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OTHER IMPORTANT DISCLOSURES

1. PENDING ACCOUNTS PAYABLE (See Annex3A)

Description	Balance b/f FY 2022/2023	Additions for the period	Paid during the year	Balance c/f FY 2023/2024
	KShs		KShs	KShs
Supply of goods	54,179,761	487,915,962	302,881,956	239,213,767
Supply of services	-	-	-	-
Total	<u>54,179,761</u>	<u>487,915,962</u>	<u>302,881,956</u>	<u>239,213,767</u>

2. OTHER PENDING PAYABLES (See Annex 3B)

Description	Balance c/f FY 2022/2023	Additions for the period	Paid during the year	Balance c/f FY 2023/2024
	KShs	KShs	KShs	KShs
Project Affected Persons	<u>73,501,859</u>	<u>154,689,996</u>	<u>117,681,997</u>	<u>110,509,858</u>
Total	<u>73,501,859</u>	<u>154,689,996</u>	<u>117,681,997</u>	<u>110,509,858</u>

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13. ANNEXES

ANNEX 1: PRIOR YEAR AUDITOR-GENERAL'S RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / observations from Auditor	Management comments	Focal point person to resolve the issue	Status	Timeframe
1.0	Delay in Project Implementation	<p>The Company is responsible for implementing the project on behalf of the Government of Kenya. These responsibilities entail selection of suppliers and contractors, and supervision of construction power transmission lines which are structured in four lots comprising Lots 1A,1B, 3A, and 3B for an aggregate sum of USD 61,600,000. The works on the four lots were expected to be complete by 1 April, 2023. However, as at the time of the audit in October, 2023, the projects were incomplete and were yet to be commissioned.</p> <p>Continued delays in implementation of the project would result in increased cost of the loan could as per based on the terms and conditions of the financing agreement which provides for administrative charges comprising of annual commitment fee at 0.5%, Management fee of 0.50% per annum for noncompliance and an interest of 2% on the advanced payments based on the number of days elapsed.</p> <p>In Addition, the contract for Lot 3B works comprising of 132/33KV substations at Machakos, Konza, Kajjido and Namanga was awarded contract to Shyama power India Ltd on 16 April 2013 at a contract sum of USD 17,265,725.78, with an expected completion date of 30 October, 2016. The contract sum was revised USD</p>	GM-Design and Construction	Closed	FY 2024/2025

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Reference No. on the external audit Report	Issue / observations from Auditor	Management comments	Focal point person to resolve the issue	Status	Timeframe
		<p>21,199,561.18 as per addendum II, subsequent to an earlier first revision.</p> <p>Further, the cost implication relating to advance payments, interest accrued on time basis, administration costs, and reasons for frequency amendments or variations to the contract were not explained by Management. It was also not confirmed whether feasibility studies on the projects were conducted before implementation.</p> <p>In the circumstances, the effectiveness of the project management and implementation and value for money incurred on the project could not be confirmed.</p> <p><u>Management Response</u></p> <p>The delay in completion of the project was as a consequence of;</p> <p>Lot 3A the PAPs requested for additional compensation resulting into prolonged negotiations and court cases. These issues were resolved through negotiation and out of court settlement.</p> <p>The project has since been completed.</p> <p>Variation in contract price was occasioned by change in scope of contract and contractual claims.</p> <p>The project feasibility study was conducted prior to project commencement.</p> <p>Lot 1A delay was occasioned by termination of Jyoti Structures Limited due to bankruptcy.</p> <p>The project is fully completed as at 6th September 2024.</p>			

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Reference No. on the external audit Report	Issue / observations from Auditor	Management comments	Focal point person to resolve the issue	Status	Timeframe
2.0	Pending Accounts Payable	<p>As previously reported, other important disclosures under Note 1 (Annex 3A) to the financial statements reflects pending accounts payable totaling to Kshs. 54,179,761. Included in the amount is Kshs. 40,729,501 which had been long outstanding. According to management the amount was awaiting GoK disbursement to be settled. However, communication with the National Treasury was not provided to indicate reasons for non payment or expected date of settlement. The project is therefore at risk of incurring significant interest costs and penalties with the continued delay in payment.</p> <p>Management Response</p> <p>The balance of KShs 13,450,260 for Jyoti Structures limited relates to a progress invoice for works done and certified as at the time of their termination. The legal proceedings to determine the case is yet to be finalized to allow for final accounts to be done in order to settle the pending bill.</p> <p>In FY 2023/2024 an amount of Ksh 12,854,079 for Shyama Power was paid by GoK and the balance of ksh 28,724,800.58 paid in FY 2024/2025.</p>	GM-Finance	Ongoing	FY 2024/2025
3.0	Other Pending Payables	<p>As previously reported, other important disclosures under Note 2 (Annex 3B) to the financial statements reflects pending accounts payable totaling to Kshs. 73,501,859. The amount has increased from Kshs. 37,878,102 to 73,501,859 being 95%. The amount</p>	GM-Finance	Ongoing	FY 2024/2025

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Reference No. on the external audit Report	Issue / observations from Auditor	Management comments	Focal point person to resolve the issue	Status	Timeframe
		<p>relates to compensation of the landowners for wayleave acquired since inception of the project, Management attributed failure to pay the amount due to lack of budgetary allocation from the National Treasury and lengthy land negotiations between land owners, the Kenya Electricity Transmission Company and the County Government of Kajiado.</p> <p><u>Management Response</u> The management requested for additional budget in FY 2023/2024 to settle the pending bills. An amount of Ksh 117,681,997 has been settled in the FY 2023/2024 out of which KES 63,246,221 was part of the 73,501,859.</p>			
4.0	Additional Costs Occasioned by delays in Contract Implementation	The Management signed a contract with M/s Jyoti Structures Ltd on 16 April 2013, for construction of electricity transmission substations of 220KV at Turkwel Ortum and Kitale, at a contract price of USD 20,578,723 revised to USD18,100,120 by the Export-Import (EXIM) Bank of India with the difference of USD 2,478,602 borne by the Government of the Republic of Kenya (GoK). The project was to be implemented for a period of 18 months from the commencement date. Review of the documents relating to contract implementation provided for review revealed that the initial contractor, Jyoti structures Ltd, contract was terminated after an amount of USD	GM-Design and Construction	Closed	FY 2024/2025

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Reference No. on the external audit Report	Issue / observations from Auditor	Management comments	Focal point person to resolve the issue	Status	Timeframe
		<p>13,263,260.35 had been paid. A new contractor, Shyama Power India Ltd was awarded the tender to complete construction of the substations at a cost of USD 8,319,773.32 to be completed by 31 March 2023 raising the Contract amount to USD 21583,032.67. An addendum extending the project to 31 August,2023 was subsequently signed.</p> <p>Arising from the revision of contract price by the financier and the new contract arising from the termination of the initial contractor were additional costs amounting to USD 3,482,913.67 equivalent to Kshs.489,431,219, to be borne by GoK. However, approval of The National Treasury for the additional costs and reasons for revision of the contract price by the EXIM Bank of India were not provided for audit review.</p> <p><u>Management response</u></p> <p>The initial contract was signed on 16th April 2013. The contractor went bankrupt, and the company had to hire a new contractor to complete the project. The new contractor was engaged 1st April 2021 several years later.</p> <p>The engagement of the new contractor was done through a competitive bidding process. The technical explanation for price variation arose from changes in global prices at the point of the new contract. The</p>			

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Reference No. on the external audit Report	Issue / observations from Auditor	Management comments	Focal point person to resolve the issue	Status	Timeframe
		escalation in the contract price is attributed to time difference in the price of materials.			



.....
Chief Executive Officer
Dr. Eng John Mativo, MBS



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Overall Project Coordinator
Eng. (CPA) Antony Wamukota, OGW



.....
General Manager-Finance
CPA Tom Imbo
ICPAK Member No. 7039

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ANNEX 2 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	Comments on Variance	% of Utilisation
	Kshs.	Kshs.	Kshs.		
	a	b	c=a-b		d=c/a %
Receipts During the Year					
Transfer from Government entities	202,000,000	455,000,000	-253,000,000	(i)	225%
Loan from external development partners	0	115,429,665	-115,429,665		
		88,339,845	-88,339,845		
Total Receipts	<u>202,000,000</u>	<u>658,769,511</u>	<u>-456,769,511</u>		326%
Payments During the Year/Period					
Purchase of goods and services	82,651,292	82,651,292	0		100%
Acquisition of non-financial assets	119,348,708	519,169,127	-399,820,419	(ii)	435%
Total Payments	<u>202,000,000</u>	<u>601,820,419</u>	<u>-399,820,419</u>		298%

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

Explanations: -

- (i) Over absorption on transfers from government entities was occasioned by a receipt of 302,000,000 for FY 2022/2023 received in FY 2023/2024.
- (ii) Over acquisition on non-financial assets was occasioned by receipt of 302,000,000 for FY 2022/2023 received in FY 2023/2024.

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ANNEX 3A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount for Certified Work To-Date	Amount Paid To-Date 2024	Outstanding Balance 2024	Outstanding Balance 2023	Comments
	Kshs		Kshs	Kshs	Kshs	Kshs	
	a			b	c=a-b		
Construction of buildings							
1. NONE							
Sub-Total							
Construction of civil works							
Jyoti Structures Ltd	1,717,950,278	16-Apr-13	1,135,320,552	1,121,870,292	13,450,260	13,450,260	
Shyama Power India Ltd Total	5,101,375,234	16-Apr-13	3,720,803,286	3,495,039,778	225,763,507	40,729,501	
KEC International Limited	1,679,075,210	16-Apr-13	1,407,268,696	1,407,268,696		-	
Sub-Total	8,498,400,722		6,263,392,533	6,024,178,766	239,213,767	54,179,761	
Supply of goods							
3. NONE							
Sub-Total							
Supply of services							
Power Grid Corporation of India	366,126,588	16-Apr-13	293,690,426	293,690,426	-	-	
Sub-Total	366,126,588		293,690,426	293,690,426	-	-	
Grand Total	8,864,527,310		6,557,082,960	6,317,869,192	239,213,767	54,179,761	

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ANNEX 3B - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount for certified work to date	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
						2024	2023	
		a	b	c	d	e=a-d		
		KShs			KShs	KShs	KShs	
Amounts due to Third Parties								
Project affected persons	Wayleaves compensation	1,653,282,563	2014-2024	1,416,849,909	1,306,340,051	110,509,858	73,501,859	
Sub-Total		1,653,282,563			1,306,340,051	110,509,858	73,501,859	
Grand Total		1,653,282,563			1,306,340,051	110,509,858	73,501,859	

The project pending wayleave compensation is totalling to KES 346,942,512 (a-d) of which only 110,509,858 has been accounted for in the Financial Statement based on accepted offers for compensation. KES 236,432,654 (346,942,512-110,509,858) is yet to be accepted.

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost	*Purchases/Additions	**Disposals	Closing Cost
	2022/23	in the Year 2023/24	in the Year 2023/24	2023/24
	(KShs)	(KShs)	(KShs)	(KShs)
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Motor vehicles	29,124,656	-	-	29,124,656
Powerline (Transmission Equipment)	<u>7,573,021,611</u>	<u>519,169,127</u>	<u>-</u>	<u>8,092,190,738</u>
	-	-	-	<u>0</u>
Total	<u>7,602,146,267</u>	<u>519,169,127</u>	<u>-</u>	<u>8,121,315,394</u>

Notes

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

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