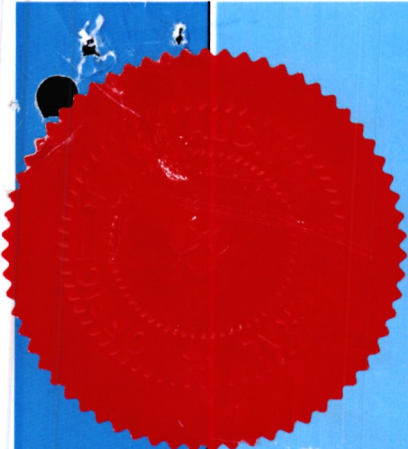
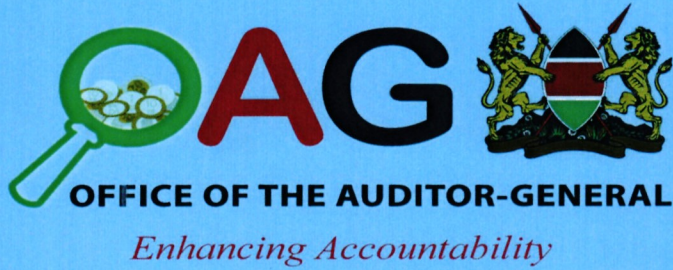
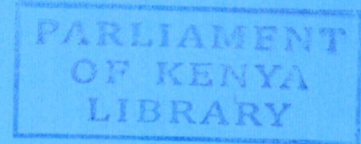


REPUBLIC OF KENYA



REPORT

OF



THE AUDITOR-GENERAL

ON

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

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

MINISTRY OF ENERGY

THE NATIONAL ASSEMBLY PAPERS TAID	
DATE: 09 FEB 2022	DAY: Wed
TABLED BY: LDM	
CLERK AT THE TABLE: Kalawa Samuel	



KENYA ELECTRICITY MODERNISATION PROJECT

MINISTRY OF ENERGY

PROJECT CREDIT NUMBER: 5587KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

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

KENYA ELECTRICITY MODERNISATION PROJECT, CREDIT NUMBER: 5587KE
Reports and Financial Statements
For the financial year ended June 30, 2021

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name

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

Objective

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

Address

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

The address of its registered office is:

Ministry of Energy
Nyayo House
P. O. Box 30582-0100
NAIROBI

Contacts: The following are the project contacts

Telephone: (254) 33101112

E-mail: ps@energy.go.ke

Website: www.energy.go.ke

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PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.2 Project Information

Project Start Date:	The project start date is 17 th September 2015
Project End Date:	The project end date is 31 st December 2022
Project Manager:	The project manager is Mr. Rodney Sultani
Project Sponsor:	The project sponsor is International Development Association, which will contribute 100% of project costs.

1.3 Project Overview

Project number	IDA CR. 5587KE
Strategic goals of the project	The strategic goals of the project are as follows: (i) To increase access to electricity. (ii) To improve reliability of electricity service (iii) To strengthen KPLC's financial situation.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: The implementing agencies (IAs) are the Ministry of Energy (MoE), KPLC, and REA.
Other important background information of the project	The project is being implemented in conjunction with other Energy Sector Agencies and Parastatals.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) Access to Electricity. (ii) Reliability of Electricity Service (iii) KPLC financial situation.
Project duration	The project started on 17 th September 2015 and is expected to run until 30 th June 2020. This has been extended twice thus 31 st December 2021 and 31 st December 2022 respectively

KENYA ELECTRICITY MODERNISATION PROJECT, CREDIT NUMBER: 5587KE
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PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.4 Bankers

The following are the bankers for the current year:

(i) Special Account

Central Bank of Kenya Ltd

Account No. 1000250698

(ii) Project Account

Central Bank of Kenya

Account No. 1000309875

1.5 Auditors

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

1.6 Roles and Responsibilities

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names	Title Designation	Key Qualifications	Responsibilities
Dr Eng. Joseph Njoroge, CBS	Principal Secretary	MBA, BSc., C, Eng, MIEE R Connsul' Eng FIEX	Accounting Officer
Rodney Sultani	Project Coordinator	MSc. Project Management, BSc Civil Engineering.	Manager
CPA Moses Gitari	Assistant Accountant General	MBA, (Strategic Management)	Accounting & ERD

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Mr. William O. Mbaka	Senior Deputy Director Budget	MBA(Finance)	Finance
Mr. Lawrence Nduva	Monitoring and Evaluation Specialist	MA Project Management	Monitoring and Evaluation
CPA Geoffrey Tsalwa Imbayi	Financial Management Specialist	MSc. Finance, B. COM. Finance CPA (K)	Financial Management
Simeon Korir	Procurement Specialist	MBA Strategy	Procurement

1.7 Funding summary

The Project is for duration of 5 years from 2015 to 2021 with an approved budget of US\$ 4,520,000 equivalents to Kshs. 456,000,000 as highlighted in the table below:

Source of funds	Donor Commitment-		Amount received to date – (30/06/2021)		Undrawn balance to date (30/06/2021)	
	<i>Donor currency</i>	<i>KShs</i>	<i>Donor currency</i>	<i>KShs</i>	<i>Donor currency</i>	<i>KShs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
(i) Loan						
International Development Association (IDA)	4,520,000	456,000,000	3,103,450	311,609,815	1,416,550	144,390,185
Total	4,520,000	456,000,000	3,103,450	311,609,815	1,416,550	144,390,185

KENYA ELECTRICITY MODERNISATION PROJECT, CREDIT NUMBER: 5587KE
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PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30 June 2021)		Undrawn balance to date	
	Donor currency	KShs	Donor currency	KShs	Donor currency	KShs
(i) Loan	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
International Development Association (IDA)	4,520,000	456,000,000	3,103,450	311,609,815	1,416,550	144,390,185
Total	4,520,000	456,000,000	3,103,450	311,609,815	1,416,550	144,390,185

B. Application of Funds

Amount received to date – (30 th June 2021)	Cumulative Amount paid to date – (30 th June 2021)		Unutilised balance to date (30 th June 2021)	
	Donor currency	Kshs	Donor currency	Kshs
(A)	(A')	(B')	(A)-(B)	(A')-(B')
3,103,450	311,609,815	2,910,307	193,143	20,211,078
3,103,450	311,609,815	2,910,307	193,143	20,211,078

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PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.8 Summary of Overall Project Performance:

- i) Budget performance against actual amounts for current year and for cumulative to-date,
- ii) Physical progress based on outputs, outcomes and impacts since project commencement,
- iii) Comment on value-for-money achievements,
- iv) Indicate the absorption rate for each year since the commencement of the project.
- v) List the implementation challenges and recommended way forward.

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

During the year under review, the project received Kshs. 14,068,258 against a final budget of Kshs. 179,000,000 and incurred a total expenditure of Kshs. 26,896,161 against a budget of Kshs 179,000,000 resulting to underutilization of Kshs 152,103,839 or 86%. The projects' cumulative receipts and payments are Kshs 311,609,815 and Kshs 291,398,737 respectively.

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

Activities planned for the reporting period	Activity Implementation Status	Narration
National Electrification Strategy		
Develop and launch the National Electrification Strategy	National Electrification Strategy developed and launched.	Completed.
Regulations for enforcing quality of electricity		
Develop regulation for enforcing quality electricity	Standards developed for enforcing quality electricity	Completed
Cost of Service		
<ul style="list-style-type: none"> ▪ Submission of final report ▪ Submission of draft tariff stabilization fund report 	<ul style="list-style-type: none"> ▪ Draft final report on tariff stabilization fund report submitted and stakeholder's workshop held on 28th Feb.2018. 	Completed

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	▪ Final report submitted on 13th March 2018	
Management and supervision Consultant- Electrification works.		
Project Supervision and management to continue	Supervision works ongoing	On going
Training	To date 163 participants drawn from (MoE, KPLC, KEGEN, KETRACO, REA, GDC, ERC, KNEB and NT have been trained in various courses supported by the World Bank through the project	This activity is ongoing and more staffs are expected to benefit from the trainings in FY 2019/2020
Power Market design study	RFPs were issued to the shortlisted firms. Bid opening is set for July 6, 2020	This activity is still ongoing
Systems Operation and Dispatch guidelines	RFPs were issue to shortlisted firms. Bid opening is set for July 2, 2020.	This activity is still ongoing
SCADA /EMS Link between KPLC and ERC	Contract implementation on going.	This activity is still ongoing
Development of Technical specifications and standardization guidelines.	REOI published, closed on May 28 th Shortlisting on-going and RFP ready for issuance once shortlist is complete and approved.	This activity is still ongoing
Procurement Of Consultancy Services for Customer satisfaction survey	TOR cleared by Bank, EPRA to publish REOI	This activity is still ongoing

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1.8.3 Achievements

The project was extended and the new closure date is 31st December 2021. The consultancies under this component is overseeing activities of the Implementing Agencies to ensure implementation of the planned activities is achieved. The following are the achievements: -

- a) Developed and launched the National electricity strategy;
- b) Developed Standards for enforcing quality electricity;
- c) To date 163 participants drawn from (MoE, KPLC, KEGEN, KETRACO, REA, GDC, ERC, KNEB and NT) have been trained in various courses supported by the World Bank through the project;
- d) RFPs for power market study were issued to the shortlisted firms. Bid opening is set for July 6, 2020.
- e) RFPs for Systems Operation and Dispatch guidelines were issue to shortlisted firms. Bid opening is set for July 2, 2020.
- f) Bids for the Development of Technical specifications and standardization were opened on May 28, 2020 and are being evaluated.
- g) Implementation of SCADA/EMS link between KPLC and ERC is in progress.
- h) World Bank cleared the ToR for procurement of consultancy services for customer satisfaction survey and EPRA is supposed to publish the REOI.

1.8.4 Absorption

The absorption rate is 68% compared to the disbursement plan in the Project Appraisal Document (PAD) this was due to low budget allocation granted by the National Treasury. As at to date the Bank has disbursed USD 3,103,450 against a commitment of USD 4,520,000.

1.8.5 Implementation challenges and recommended way forward

- a) The world is experiencing a pandemic called COVID-19. An effort to contain the spread is social distancing which has drastically affected the progress in floor finishing (terrazzo) and painting works for the lab under the lifeline testing equipment because the contractor is unable to compile to KPLC requirements and have had to limit the number of working hours per labourer.
- b) Training: Equipment and system training already late due to lockdown in China and travel restriction. Need to move training from the contractor's premises to Kenya

1.8.6 Recommendations for Programme Improvement

Re-alignment of activities to ensure the time lost due to challenges mentioned above can be recovered.

1.9 Summary of Project Compliance:

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

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives. This component will finance consultancy services, feasibility studies for new investments, training actions and other activities to support, among others:

The key development objectives of the project's 2018-2021 plan are to:

(i) Preparation of the National Electrification Strategy (NES). The objective of the NES is to achieve universal access to electricity services meeting applicable standards on quality in a sustainable manner in the shortest possible time. The strategy should also optimize allocation of resources from a country perspective. MoEP will implement this activity.

(ii) Detailed national technical specifications and. This assistance will support the technical and economic optimization of the design and construction of electricity networks needed to supply new users located in areas that are currently not electrified, meeting applicable standards on service quality. This will result in the addition of new standardized construction units to those currently applied by KPLC and REA. MoEP will implement this activity.

(iii) Regulations for enforcing quality on electricity service. Assistance to ERC to implement a regime on service quality, based on systematic monitoring of key parameters through direct access of the records of the information systems used by KPLC. This will also be combined with assessment of KPLC's customers' complaints and commercial systems. MoEP through ERC will implement this activity.

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

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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:

Objective	Outcome	Indicator	Performance
Preparation of the National Electrification Strategy (NES)	Increased efficient	Report	This has been achieved
Detailed national technical specifications and standardization	Support the technical and economic optimization of the design and construction of electricity networks needed to supply new users located in areas that are currently not electrified, meeting applicable standards on service quality	1 Report	Procurement in progress
Regulations for enforcing quality on electricity service delivery	Service quality, based on systematic monitoring of key parameters through direct access of the records of the information systems used by KPLC	1 report	Procurement in progress
Training and capacity building	Improve on service delivery in the Energy Sector	No staff trained	163 personnel were trained

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

1. Sustainability strategy and profile

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

2. Environmental performance

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

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

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

3. Employee welfare

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

For skill improvements and career progression the Ministry is guided by Human Resource Development Policy for the Public Service, June, 2015 and Guidelines on Managing Training in the Public Service. This enabled the Ministry to conducts individual trainings programmes required for career progression/promotion and those required in the Schemes of Service for various cadres and also group trainings for various cadres.

The Ministry ensured that all staffs were put on Performance Appraisal System (PAS) as guided by guidelines for Implementation of Performance Rewards and Sanctions in the Public Service and also Performance Rewards and Sanctions framework.

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

4. Market place practices

- a) **Responsible competition practice.** (Strict adherence to Annex IV of World Bank Regulations on Banks Anti-corruption guidelines)
- b) **Responsible Supply chain and supplier relations-** Procurement undertaken in compliance with WB Procurement Regulations as per Section 3.7 of the regulations are as follows;
 - a. Provide timely and sufficient information to Bidders/Proposers/Consultants, including through the Notification of Intention to Award and debriefing, so that Bidders/Proposers/Consultants can both understand the basis for the Borrower's decision and make an informed decision on whether to lodge a Complaint challenging that decision.
 - b. Promptly acknowledge Complaints received;
 - c. Resolve Complaints promptly and fairly; d. Preserve the confidentiality and proprietary information of other Applicants/ Bidders/Proposers/Consultants, including commercial and financial information and trade secrets as requested by the Bidders/Proposers/Consultants in their Bids/Proposals;
 - d. Maintain complete records of all debriefings and Complaints and their resolution;
 - e. For contracts subject to prior review, inform the Bank promptly of any Complaint submitted and provide the Bank a copy of all relevant documents and information; and
 - f. For contracts subject to prior review, The Client consult with the Bank promptly and forthrightly throughout the Complaint review and resolution process.
- c) **Responsible marketing and advertisement-:** Ensuring suppliers are given sufficient time to respond. Provide extensions in even of clarifications lead to substantial changes to bidding documents
- d) **Product stewardship-;** we have to ensure adherence to NEMA in project implementation is undertaken and well as pursuing "green procurement "to ensure that suppliers who value the environment are encouraged.

5. Community Engagements

The Ministry has been carried out the following measures to enhance acceptance of the projects by the communities around the project area; The Ministry and its Agencies put in place mechanism for engagement

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of the people during project implementation. Among them includes operationalization of Stakeholders Coordination Committees and rolling out of community engagement strategy and policy.

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

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4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the Ministry of Energy and the Project Coordinator for Kenya Electricity Modernization Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2021.

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

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

The Principal Secretary for the Ministry of Energy and the Project Coordinator for Kenya Electricity Modernization Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2021, and of the Project's financial position as at that date. The Principal Secretary for the Ministry of Energy and the Project Coordinator for Kenya Electricity Modernisation Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

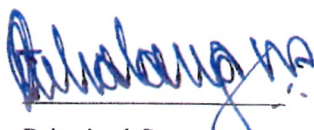
The Principal Secretary for the Ministry of Energy and the Project Coordinator for Kenya Electricity Modernization Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the

KENYA ELECTRICITY MODERNISATION PROJECT, CREDIT NUMBER: 5587KE
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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 the Principal Secretary for the Ministry of Energy and the Project Coordinator for Kenya Electricity Modernization Project on 9-9-21 2021 and signed by them.



Principal Secretary
Maj. Gen (Rtd) Dr. Gordon Kihalangwa, CBS



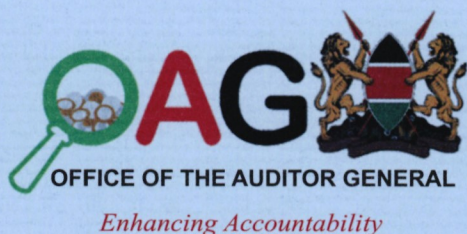
Project Coordinator
Rodney Sultani



Head of Accounting Unit
Moses Gitari
ICPAK Member No: 4204

REPUBLIC OF KENYA

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Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY MODERNIZATION PROJECT (IDA CR. NO. 5587 KE) FOR THE YEAR ENDED 30 JUNE, 2021 - MINISTRY OF ENERGY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Electricity Modernization Project (IDA Cr. No. 5587 KE) set out on pages 1 to 17, which comprise of the statement of financial assets as at 30 June, 2021, statement of receipts and payments, statement of cash flows and the statement of comparative 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 Kenya Electricity Modernization Project as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No.5587KE dated 29 June, 2015, between the International Development Association (IDA) and the Republic of Kenya and the Public Finance Management Act, 2012.

In addition, the special accounts statement presents fairly the special accounts transactions and the closing balance has been reconciled with the books of account.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Electricity Modernization Project (IDA Cr. No. 5587 KE) Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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 Matter

Budgetary Performance and Control

The statement of comparative budget and actual amounts reflects budgeted receipts of Kshs.179,000,000 and actual receipts of Kshs.14,068,258 resulting to underfunding of Kshs.164,931,742 or 92%. Similarly, the Project budgeted Kshs.154,000,000 under purchase of goods and services but incurred

Kshs.20,848,467 or utilization of only 13.5%. Management has attributed the under-utilization to the complexity of the nature of World Bank procurement procedures on various consultancies, hence the low absorption.

Consequently, the under absorption of the budget may have resulted in non-implementation of the Project's planned activities, thus slowing down achievement of the intended goals and objectives.

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 matter 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. Acquisition of Non-Financial Assets

The statements of receipts and payments reflects acquisition of non-financial assets of Kshs.6,047,694. Out of this balance, an amount of Kshs.5,878,154 was paid to a consultant as an advance payment in respect of contract for design, supply, installation, testing and commissioning of SCADA software. According to the financial records, the project entered into a consultancy services contract with the consultant on 31 March, 2020 at a contract sum of USD 354,095 (approx. Kshs.35,409,500). The duration of the contract was estimated to be six (6) weeks from the date of signing of the contract. However, it was noted that the implementation of the project had delayed for over 18 months. The Management has explained that the delay was attributed to the lockdown of the Country at the onset of Covid 19 pandemic.

Further, according to the contract agreement, the contract required security in form of a bank guarantee for any advance payment and in this case an advance payment of Kshs.5,878,154 being 15% of the contract. However, the bank guarantee expired on 30 April, 2021 and had not been renewed as at the time of audit.

The Management has, however, explained that the consultant who had delivered 80% of the contract has requested for extension of contract which is still in the process of being reviewed.

Consequently, the expiry of the bank guarantee may expose the project to loss in the event that the contract obligations are not met and the Project may not have received value for money in respect of the procurement.

2. Project Performance Information

Analysis of the budget performance against the actual amount for the year under review indicated that the annual budget was Kshs.179,000,000 against actual

receipts of Kshs.14,068,258 and actual payments totalling Kshs.26,896,161. Further, the project timeline was projected as seven years three months with a gross budget of Kshs.456,000,000. As at 30 June, 2021, project implementation had been on for five years and nine months representing 79.3% of the time while the payments were at Kshs.291,398,737 representing 63.9% of the budget. This clearly shows the project is behind schedule and may, therefore, not attain the targeted achievement at the expiry date of the project. In addition, no information on achievements against the approved workplan were provided for audit review.

The Management has, once more, attributed project under-performance to the complexity of World Bank procurement process and the numerous consultations between the project Management and the World Bank.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to terminate the Project or to cease operations.

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

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

Those charged with governance are responsible for overseeing the 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 that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 control would not necessarily disclose all matters in the internal control that might be material weaknesses under

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the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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


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

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

- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

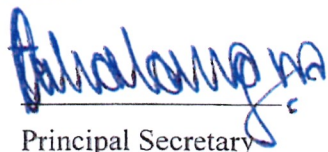
17 December, 2021

KENYA ELECTRICITY MODERNISATION PROJECT, CREDIT NUMBER: 5587KE
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For the financial year ended June 30, 2021

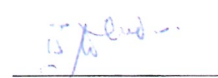
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021.

		2020/2021	2019/2020	
	Note	Receipts and payments controlled by the entity	Receipts and payment controlled by the entity	Cumulative to-date (From inception)
		KShs	KShs	KShs
RECEIPTS				
Loan from external development partners	11.1	14,068,258	29,807,657	311,609,815
TOTAL RECEIPTS		14,068,258	29,807,657	311,609,815
PAYMENTS				
Purchase of goods and services	11.2	20,848,467	24,854,314	273,855,421
Acquisition of non-financial assets	11.3	6,047,694	147,000	16,637,799
TOTAL PAYMENTS		26,896,161	25,001,314	290,493,220
SURPLUS/(DEFICIT)		(12,827,904)	4,806,343	21,116,595

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



Principal Secretary
Maj. Gen (Rtd) Dr. Gordon Kihalangwa, CBS



Project Coordinator
Rodney Sultani



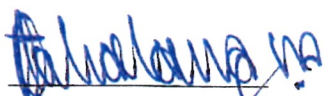
Head of Accounting Unit
Moses Gitari
 ICPAK Member No: 4204

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

	Note	2020-2021	2019-2020
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	11.4	21,116,595	33,627,958
Total Cash and Cash Equivalents		21,116,595	33,627,958
TOTAL FINANCIAL ASSETS		21,116,595	33,627,958
REPRESENTED BY			
Fund balance b/fwd	11.5	33,627,959	172,474,918
Prior year adjustments	11.6	316,540	-143,653,303
Surplus/(Deficit) for the year		(12,827,904)	4,806,343
NET FINANCIAL POSITION		21,116,595	33,627,958

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 9-9- 2021 and signed by:



Principal Secretary
Maj. Gen (Rtd) Dr. Gordon Kihalangwa, CBS



Project Coordinator
Rodney Sultani



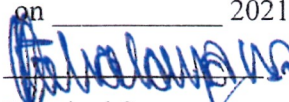
Head of Accounting Unit
Moses Gitari
 ICPAK Member No: 4204

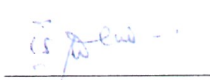
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8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021

		2020-2021	2019-2020
	Note	KShs	KShs
CASHFLOW FROM OPERATING ACTIVITIES			
Payments from operating activities			
Purchase of goods and services	11.2	-20,848,467	-24,854,314
Acquisition of Financial assets	11.3	-6,047,694	-147,000
Adjustments during the year			
Prior Year Adjustments	11.6	316,540	-143,653,303
Decrease in Accounts Receivable		-	1,097,572
Net cash flow from operating activities		-26,572,621	-167,557,045
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	11.1	14,068,258	29,807,657
Net cash flow from financing activities		14,068,258	29,807,657
NET INCREASE IN CASH AND CASH EQUIVALENTS		-12,511,364	-137,749,388
Cash and cash equivalent at BEGINNING of the year	11.4	33,627,958	171,377,346
Cash and cash equivalent at END of the year	11.4	21,116,595	33,627,958

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Kenya Electricity Modernization Project financial statements were approved on _____ 2021 and signed by:


Principal Secretary
Maj. Gen (Rtd) **Dr. Gordon Kihalangwa, CBS**


Project Coordinator
Rodney Sultani

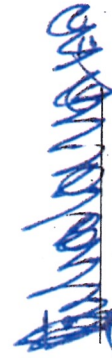

Head of Accounting Unit
Moses Gitari
ICPAK Member No: 4204

KEJAYA ELEKTRIKULI MODERNISASI DAN PROJEK 1, UKEDH NUMBER: 558/KE
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9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Receipts						
Proceeds from borrowings	103,000,000		179,000,000	14,068,258	164,931,743	8%
Miscellaneous receipts		76,000,000				
Total Receipts						
Payments						
Purchase of goods and services	78,000,000	76,000,000	154,000,000	20,848,467	133,151,533	13.5 %
Acquisition of non-financial assets	25,000,000	-	25,000,000	6,047,694	18,952,306	24%
Total Payments	103,000,000	76,000,000	179,000,000	26,896,161	152,103,839	14%

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements.



Principal Secretary

Maj. Gen (Rtd) Dr. Gordon Kihalangwa, CBS



Project Coordinator

Rodney Sultani



Head of Accounting Unit

Moses Gitari

ICPAK Member No: 4204

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.2 Statement of compliance and basis of preparation

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

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

10.3 Reporting entity

The financial statements are for the Kenya Off-grid Solar Access Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.3.1 Reporting currency

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

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10.4 Significant Accounting Policies

a) Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

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

b) Donations and grants

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

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Significant Accounting Policies (Continued)

c) Proceeds from borrowing

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

d) Undrawn external assistance

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

e) Recognition of payments

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

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.

Significant Accounting Policies (Continued)

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.

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.

Significant Accounting Policies (Continued)

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank

account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Restriction on cash

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

h) Accounts receivable

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

Significant Accounting Policies (Continued)

i)Contingent Liabilities

A contingent liability is:

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

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

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

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

j) Contingent Assets

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

KENYA ELECTRICITY MODERNISATION PROJECT, CREDIT NUMBER: 5587KE
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Significant Accounting Policies (Continued)

k) Pending bills

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

l) Budget

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

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

m) Third party payments

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

During the year no loan disbursements were received in form of direct payments from third parties.

Significant Accounting Policies (Continued)

n) Exchange rate differences

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

o) Comparative figures

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

p) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2021.

q) Errors

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

KENYA ELECTRICITY MODERNISATION PROJECT, CREDIT NUMBER: 5587KE
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For the financial year ended June 30, 2021

11. NOTES TO THE FINANCIAL STATEMENTS

11.1 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

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

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Total amount in KShs	
				2020/21	2019/20
Loans Received from Multilateral Donors (International Organisations)					
International Development Association	23/06/2021	127,206	14,068,258	14,068,258	29,807,657
Total		127,206	14,068,258	14,068,258	29,807,657

11.2 PURCHASE OF GOODS AND SERVICES

	2020/2021			2019/2020	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	
Training payments	-	-	-	7,339,893	95,254,600
Other operating payments	20,848,467	-	20,848,467	17,514,421	179,506,338
Total	20,848,467	-	20,848,467	<u>24,854,314</u>	<u>274,760,938</u>

KENYA ELECTRICITY MODERNISATION PROJECT, CREDIT NUMBER: 5587KE
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.3 ACQUISITION OF NON-FINANCIAL ASSETS

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Purchase of office furniture & general equipment	-	-	-	147,000	147,000
Research, studies, project preparation, design & supervision	6,047,694	-	6,047,694	-	16,490,799
Total	<u>6,047,694</u>	=	<u>6,047,694</u>	<u>147,000</u>	<u>16,637,799</u>

KENYA ELECTRICITY MODERNISATION PROJECT, CREDIT NUMBER: 5587KE
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For the financial year ended June 30, 2021

11.4 CASH AND CASH EQUIVALENTS

	2020/21	2019/20
	KShs	KShs
Bank accounts (Note 11.4A)	21,116,595	33,627,958
Total	<u>21,116,595</u>	<u>33,627,958</u>

The project has one number of project accounts spread within the project implementation area and one number of foreign currency designated accounts managed by the National Treasury as listed below:

11.4 A Bank Accounts

Project Bank Accounts

	2020/21	2019/20
	KShs	KShs
Central Bank of Kenya (A/c No.. 1000390875)	21,116,595	33,627,958
Total bank account balances	<u>21,116,595</u>	<u>33,627,958</u>

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2021 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts Movement Schedule

	2020/21	2019/20
	KShs	KShs
(i) Central Bank of Kenya [A/c No...1000250698]		
Opening balance	17,652,521	5,159,613
Total amount deposited in the account	23,591,720	42,300,565
Total amount withdrawn (as per Statement of Receipts & Payments)	(14,048,258)	(29,807,657)
Closing balance	<u>27,195,983</u>	<u>17,652,521</u>

11.5 FUND BALANCE BROUGHT FORWARD

	2020/21	2019/20
	KShs	KShs
Bank accounts	-	171,377,346
Outstanding imprests and advances	-	1,097,572
Miscellaneous Receipts	316,540	-

11.6 PRIOR YEAR ADJUSTMENT

	Balance b/f FY 2020/2021 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2019/2020
Description of the error	Kshs	Kshs	Kshs
*Miscellaneous Receipts	-	316,540	316,540
Total	-	316,540	316,540

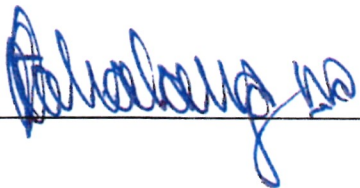
**This relates to inelligible expenditure incurred in the FY 2019/2020, which was refunded*

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12. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S RECOMMENDATIONS

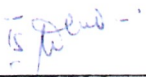
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1152	Budgetary Performance and Control	The under absorption of the budget was due to effect of Covid-19 Pandemic	Resolved	N/A



Principal Secretary
Maj. Gen (Rtd) Dr. Gordon Kihalangwa, CBS

Date



Project Coordinator
Rodney Sultani

Date

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13.ANNEXES

ANNEX1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance(below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Proceeds from borrowings	176,000,000	14,068,258	161,931,743	8%	The under absorption was due to low expenditure hence requisition of funds could not be done since the project requests based on the Statement of Expenditure within a period.
Total Receipts	176,000,000	14,068,258	161,931,743	8%	
Payments					
Purchase of goods and services	154,000,000	20,848,467	133,151,533	13.50%	This was low due to delay in the procurement process on various consultancies.
Acquisition of non-financial assets	25,000,000	6,047,694	18,952,306	24%	This was low due to delay in the procurement process on various consultancies.
Total payments	179,000,000	26,896,161	152,103,839	14%	