

REPUBLIC OF KENYA



Enhancing Accountability



REPORT

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 03 DEC 2024	DAY: Tuesday
TABLED BY:	Majority Whip Hon. Silvanus Osoo
	Irene Nduku

OF

THE AUDITOR-GENERAL

ON

**LAST MILE CONNECTIVITY PROJECT I
ADF LOAN NO. 2100150032195**

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

**KENYA POWER AND LIGHTING
COMPANY PLC**



LAST MILE CONNECTIVITY PROJECT I

KENYA POWER AND LIGHTING COMPANY PLC.

ADF LOAN NO: 2100150032195

PROJECT ID No: P-KE-FAO-010

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)

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ACRONYMS AND GLOSSARY OF TERMS

ADB	African Development Bank
ADF	African Development Fund
AFD	French Development Agency
CBK	Central Bank of Kenya
Comparative FY	Financial year preceding the current financial year.
EMCA	Environmental Management and Coordination Act
EPRA	Energy and Petroleum Regulatory Authority
ICPAK	Institute of Certified Public Accountants of Kenya
IDA	International Development Agency
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
JICA	Japan International Corporation Agencies
KENGEN	Kenya Electricity Generation Company
KFS	Kenya Forestry Service
LMCP	Last mile Connectivity Project
LV	Low Voltage
MOE	Ministry of Energy
MV	Medium Voltage
NEMA	National Environment Management Authority
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
REREC	Rural Electrification and Renewable Energy Corporation
UA	Unit of Account
WB	World Bank

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and Registered office

Name: Last Mile Connectivity Project I

Objective: The key objective of the project is to support the Government’s initiative of ensuring increased Electricity access to Kenyans, particularly the poor.

Executing Agency: Ministry of Energy and Petroleum

Implementing Agency: Kenya Power and Lighting Company PLC (Kenya Power)

Address: The Implementing Agency headquarters offices are in Nairobi City, Nairobi County, Kenya.

The address of its registered office is:

Stima Plaza
 Kolobot Road, Parklands
 P. O. Box 30099 - 00100
 Nairobi.

Contacts: The following are the projects contacts:

Kenya Power and Lighting Company PLC
 Telephone: +254-02-3201000
 Website: www.kplc.co.ke

1.2 Project Information

Project Start Date:	The project start date is 18 th December 2014.
Project End Date:	The project end date is 31 st December 2024.
Project Manager:	The project manager is Eng. Jared Biwott.
Project Sponsors:	The project sponsors are Government of Kenya and African Development Bank.

1.3 Project Overview

Line Ministry/State Department of the project	The Kenyan Ministry of Energy and Petroleum is the Executing Agency of the project while Kenya Power and Lighting Company PLC (Kenya Power) is the Implementing Agency.
Project number	P-KE-FAO-010- Loan No: 2100150032195
Summary of Project Strategies for achievement of strategic goals	The strategic goal of the project is to support the Government’s initiative of ensuring increased Electricity access to Kenyans, particularly the poor.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: <ul style="list-style-type: none"> • Expansion of the power distribution system to be within reach and thus enable more Kenyans to connect to the grid at affordable cost; and • Reduction of Connection cost paid by the customer.

1.3 Project Overview (continued)

<p>Other important background information of the project</p>	<p>The Government of the Republic of Kenya (the "Government") and the African Development Fund (the "Fund"/"ADF") entered into a Loan Agreement for the Last Mile Connectivity Project I (Project ID. No.: P-KE-FAO-010 and Loan No.: 2100150032195) (the "Project") on 18 December 2014 (the "Loan Agreement"). As per the Loan Agreement, the Fund agreed to extend a loan not exceeding 90 million Units of Account (UA 90,000,000) to the Government.</p> <p>The Loan Agreement was subject to conclusion of a Subsidiary Grant Agreement between the Government and the Kenya Power and Lighting Company PLC for on granting of the loan. The Subsidiary Grant Agreement was signed on 4 September 2015.</p> <p>The scope of the Project is the extension of the low voltage network on existing and new distribution transformers to reach households within the transformer protection distance in areas with a low penetration rate throughout the country. The Project was to include the construction of 11,906.09 kilometres of low voltage distribution lines, and installation of equipment for the connection of 224,952 customers. The Project has been divided into 12 Lots. 10 lots were for supply and installation, 1 lot for supply of meters and 1 for the Supervision and Management Consultant.</p> <p>During implementation, the project realised savings, which were utilised to connect more households and reinforce the network. The Savings component consist of the Contract Four (4) lots.</p>
<p>Areas that the project was formed to intervene</p>	<p>Low Electricity access rate especially in the rural areas across all the 47 Counties of Kenya.</p>
<p>Project duration</p>	<p>The project started on 18 December 2014 and is expected to run until 31st December 2024.</p>

1.4 Bankers

African Development Bank
 Khushee Towers, Longonot Rod Plot 11, Upper Hill
 P.o. Box 4861 00200
 Nairobi

1.5 Independent Auditor

The project is audited by:

The Auditor General
 Anniversary Towers
 P. O. Box 30084 -00100
 Nairobi, Kenya.

1.6 Roles and Responsibilities

Name	Title Designation	Key Qualifications	Responsibilities
Dr. Eng. Joseph Siror	Managing Director and Chief Executive Officer	PhD. Engineering, MBA, BSc. Electrical Engineering	Accounting officer
Eng. Kennedy Owino	Ag. General Manager, Infrastructure Division	MSc. CBIS, BSc. Electrical Eng. & Electronic Engineering	Supervision and Management of all Projects.
Eng. Jared Biwott	Ag. Manager, Connectivity & Turnkey Projects	BSc. Electrical and Electronic Eng.	Project Coordination, Supervision and Management.
Simon Tirop	Chief Accountant, Projects, KPLC	B.Com Accounting, CPA (K), PMD Pro Level 1.	Project Financial Management.
Stella Mucheke	Ag. Chief Supply Chain Officer, Projects	MBA (Operations Management), BA –Economics, Maths and Sociology, CIPS Level 6.	Project Procurement and Contract Management.
Allan Otieno	Procurement specialist	MBA-Procurement & Supply Chain; B.A Anthropology; CIPS Level 4	Project Procurement and Contract Management.
Wilfred Koech	SHE Specialist	M. Philosophy (Environ Sc.), BSc. (Environ. Sc.), Dip. (Environmental Management)	Coordination and Management of Social, Safety and Environmental aspects of the project.

1.7 Funding summary

The Project duration is 10 years, from 2014 to 2024, with an approved budget of UA 106,951,017 equivalent to Kshs 15.733 Billion as highlighted in the table below:

a) Sources of Funds

Source of funds	Donor Commitment		Amount Paid as at 30.06.2024		Undrawn balance as 30.06.2024	
	Unit of Account-UA	KShs '000	Unit of Account-UA	KShs '000	Unit of Account-UA	KShs '000
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
ADF Financing (UA)	90,000,000	13,228,362	80,686,157	11,618,777	9,313,843	1,609,585
(ii) Counterpart funds						
Government of Kenya	16,951,017	2,505,423	13,643,984	2,036,866	3,307,033	468,557
Total	106,951,017	15,733,785	94,330,141	13,655,643	12,620,876	2,078,142

b) Application of Funds

	Amount Received as at 30.06.2024		Cumulative Amount Paid as at 30 June 2024		Unutilised Balance as at 30 June 2024	
	Unit of Account-UA	KShs '000	Unit of Account-UA	KShs '000	Unit of Account-UA	KShs '000
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
ADF Financing (UA)	80,686,157	11,618,777	80,686,157	11,618,777	-	-
(ii) Counterpart funds						
Government of Kenya	13,643,984	2,036,866	13,643,984	2,036,866	-	-
Total	94,330,141	13,655,643	94,330,141	13,655,643	-	-

1.8 Summary of Overall Project Performance:

a) Budget Performance against Actual Amounts

To date the Project has utilised Kshs 13.655 Billion, which is 87% of the budget.

b) Physical Progress and Achievement of the Project

A total of 5,320 transformers were to be maximized under the Project. However, after design the targeted number of transformers was reduced to 4,859.

The total number of customers connected as at 30 June 2024 was 215,966, which is 93% of the total customers targeted. A total of 6,266 households were connected to the electricity from the project during the financial year 2023/2024. Additionally, the realised project savings which were the channelled towards connecting more households and undertake system reinforcement so as to improve its reliability and efficiency. The procurement for the utilization of the savings was completed during the period under review and the implementation ongoing.

During the year under review, the Project absorbed 74%, 47% of the budget in the FY 2022/2023 and 80% in the FY 2021/22.

c) Implementation Challenges and way forward

Despite the successful completion of the Project, Implementation of the project has faced several challenges, which have affected the timely execution and delivery of key project milestones. Some of the challenges include customer registration and on-boarding issues, erratic climatic conditions and Budgetary Constraints.

To mitigate the effects of the various challenges, the Project Implementation Team enhanced supervision of works by increase of site supervisors and closely liaising with Government for adequate funding. In addition, the Team embraced the use of local administration for stakeholder sensitization to facilitate document collection and data gathering

1.9 Summary of Project Compliance

KPLC is entrusted with the responsibility of implementing the Last Mile Connectivity Project I.

a) Compliance with applicable environmental laws and regulations

KPLC strives to comply with all the national and international environmental statutory and regulatory provisions that apply to its operational activities. The key national laws are; the Water Act of 2002 and the Environmental Management and Coordination Act (EMCA) of 1999 and the associated regulations. While key International Best practices include the IFC Performance Standards.

Therefore, all KPLC's projects promote sound healthy environment and opportunities for environmental conservation with local communities in all project areas.

b) Consequences if any suffered on account of non-compliance or likely to be suffered.

KPLC takes the utmost precautions in its operations in ensuring all associated impacts are negligible on health and the environment.

The Company has not suffered any consequences as a result of non-compliance due to its commitment towards environmental regulatory compliance.

c) Mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance

KPLC has a sound environmental policy that reflects commitment to continually improve in the field of environmental management and monitoring. It serves as a guide to the company, Contractors and Suppliers and forms the basis for good collaboration with stakeholders.

The Company continues to streamline its environmental and social management/monitoring plans to be in total compliance with International Environmental Best Practices and Standards. Dissemination of knowledge on environmental conservation, management and awareness has been a key component through the social afforestation program

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Introduction

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

The key development objective of the project's 2023-2027 plan is to support the Government's initiative of ensuring increased electricity access to Kenyans, particularly the poor.

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives are 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. The Project status deliverables as at year-end is as follows.

SN	Item Description	Unit	Quantity	Status of Execution	% Achieved
1	LV route length	km	11,906.09	11.351	95%
2	Customer	PC	224,952	215,966	96%

The project as proposed targets connecting customers in areas with low access to electricity as per the Government policy. The electrification of rural areas has immediate effect on economic activities in that region thus creating employment and increase business opportunities, better education services, improve health facilities and overall quality of life for the citizens. The system reinforcement component will improve the supply reliability and reduction of losses leading to improved customer experience and financial performance.

3. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kenya Power recognizes its responsibility to conduct its business practices in a manner that does not deplete or exploit resources, both human and natural, and allows for sustainable economic activity in the future. The concept of sustainability has evolved to encompass efforts that ensure current business practices, aimed at achieving economic goals that do not compromise the well-being of future generations from an Environmental, Social and Governance (ESG) perspectives. Therefore, the Company is aligning its sustainability strategies and operations with the United Nations Sustainable Development Goals (SDGs) launched in 2015, Kenya's commitments on sustainability and Paris Agreement with a goal of limiting global warming to well below 2°C above pre-industrial temperatures by the turn of this century.

Climate change is undeniably one of the dominant challenges of our time. It is one of the main threats impeding the delicate balance between the Earth's ecosystems and the well-being of our future generations. While remarkable strides have been made towards addressing climate change on the global front through commitments and on the ground through policies and required actions, much more needs to be done collectively and as individual countries. These global efforts, once adopted, can have significant impact and may affect how the Company carries out its business operations to remain competitive in the long term.

The following are some of the key initiatives that the Company is driving in the sustainability agenda:

CLIMATE CHANGE AND ENVIRONMENTAL CONSERVATION

Our infrastructure faces risks from climate change, such as damage to power lines, submersion of substations, reduced water levels in dams, and flooding. These impacts are particularly felt in hydropower generation, leading to reliance on thermal plants, which further contributes to emissions and climate change.

In line with country's commitments under the Kenya National Energy Efficiency and Conservation Strategy and the National Climate Change Action Plan (NCCAP) III 2023-2027, the Company has implemented various initiatives to reduce greenhouse gas emissions. These include off-grid plant hybridisation, electrification of our transport fleet, enhanced energy management, and transparent emissions measurement and reporting.

The off-grid power generation hybridisation project has begun with four stations—Eldas, Elwak, Habaswein and Merti—transitioning from diesel to a solar-diesel hybrid. This initiative will save approximately 2.184 million litres of fuel annually, consequently avoiding nearly five million kgCO₂e emissions.

Additionally, the Company is supporting tree-planting initiatives in government forests and public schools to aid carbon sequestration. In the trading period, 350,000 trees were planted. We are also transitioning our electricity distribution poles from wooden to concrete to maintain nature-based carbon stocks.

Kenya Power continues to promote sector-wide emission reduction initiatives, such as encouraging the use of energy for productive purposes through e-cooking and e-mobility. Under the e-cooking strategy, the Company partnered with local and international organisations to deliver 12 projects under the Modern Energy Cooking Services (MECS) and UK PACT, both being aid-funded initiatives supported by the United Kingdom. This led to the launch of the eCooking Capacity Building and Market Development Programme (eCAP), under which the Company directly implemented five projects.

The Company's training center, IESR, spearheaded three additional projects in the period: establishing scalable feedback mechanisms to assess the impact of eCooking demand stimulation, promoting the adoption of institutional e-Cooking as a replacement for liquefied petroleum gas, and inaugurating the Pika na Power Academy to train e-Cooking champions, with 15 trainees successfully completing the programme. IESR has also funded seven energy-efficient e-Cooking projects to spur uptake.

Another focus area is the transport sector, accounting for 67% of energy sector emissions and 12% of national emissions, is also among our focus areas in climate change mitigation. We have been actively supporting the

adoption of electric vehicles and initiatives to electrify the transport system. To accelerate the e-mobility conversation, we hosted its second E-Mobility Conference and Expo on 24-25 April 2024 in partnership with German Agency for International Cooperation (GIZ). The event attracted over 1,000 stakeholders and 30 exhibitors to review previous recommendations, assess progress, and explore ways to scale EVs adoption, particularly focusing on the role of charging infrastructure in addressing range anxiety, safety, and environmental concerns.

As at December 2023, the country had 3,753 electric vehicles (EVs) on the roads, including two, three, and four-wheelers. The Company has allocated KShs 258 million over four years to promote e-mobility, establishing an EV charging station in our Company headquarters in Nairobi, with plans to expand to various locations across the country. The Company is also greening its fleet, which includes four new electric vehicles purchased during the year, with plans to purchase additional more in the coming years, alongside piloting EV battery swapping stations in Nairobi.

Protecting our Biodiversity

Given our vast network coverage, interactions with biodiversity are inevitable, such as the giraffe incident at Soysambu. In response, the Company is raising power lines near elephant and giraffe crossings, relocating lines, installing aerial balls near bird migration routes, and fitting bird guards on towers. Funding has been allocated to insulate powerlines near wildlife sanctuaries and conservancies to prevent electrocution. Additionally, we donated KShs 171,000 to the Colobus Conservation Trust for habitat restoration in Diani, Kwale county.

The Company has also established an Environmental Management System (EMS) and is working towards ISO 14001:2015 certification to improve environmental performance standards in the Company.

Democratising Access to Energy

Our commitment to inclusivity in energy access remains a cornerstone of our customer experience strategy. Through initiatives such as the Last Mile Connectivity Project we have connected 746,867 households under the donor and Government funded schemes (Phases I, II and III) so far. We have also rolled out phase IV and V of the project which will connect 291,000 households towards bridging the energy divide, bringing reliable electricity to underserved communities. The Last Mile project, implemented by the Company on behalf of Government, has been instrumental in enhancing energy access to over 75 percent of the Kenyan household and will remain critical to the attainment of universal electricity access by the year 2030.

In addition, the Country's policies on uniform tariff design underscore the sector's commitment in ensuring fairness and equity in electricity pricing. This ensures that vulnerable customers are able to access the electricity service at an affordable rate, and ensures that all customers, regardless of geographic location, pay for electricity at applicable rates depending on their consumption levels.

Corporate Social and Environmental Programmes

Our Corporate Social Responsibility and Investments (CSRI) programmes focus on empowering communities, nurturing goodwill, and fostering allegiance to ensure business sustainability. In the year, our initiatives spanned environmental conservation, education, and social impact activities, each tailored to address the unique needs of the communities we serve.

Corporate Social Responsibility and Investments Programmes (2023-24)

Safeguarding our Ecosystems

As a company reliant on natural resources, environmental conservation is a critical pillar of our sustainability strategy. During the year, we continued our dedication to afforestation through the Kijani tree planting campaign. Over 350,000 trees were planted across key forests, institutions, and water catchment areas such as Benon, Mumberes, and Narasha in Baringo county, and Kiu in Makueni county. Working in collaboration with Kenya Forest Service and local Community-Based Organisations, we aim to restore the country's forest cover and improve ecosystem while mitigating the effects of climate change.

Recognising the transformative power of education, Kenya Power remains committed to supporting academic development at all levels. We are prioritising Science, Technology, Engineering, and Mathematics (STEM) education, especially for girls, to bridge the gender gap in technical fields and nurture future talent for the energy sector.

During the year, the Company conducted mentorship programs at Starehe Girls and Boys Centres, Nairobi School, University of Nairobi, and Masinde Muliro University of Science and Technology. Through our partnership with Mentorthon, we mentored over 10,000 students in Elgeyo Marakwet and Baringo Counties.

Through the Kenya Power Endowment Fund, we continued to support students from disadvantaged backgrounds. During the year, we sponsored over 10 students at Starehe Girls and Boys Centre and donated Ksh 500,000 towards Machakos Girls High School's endowment fund. In addition, we renovated facilities at Umoja Primary and Nairobi School and constructed a classroom at Namakhele Primary in Bungoma County. To address infrastructure challenges, we contributed to the construction of a 600-bed hostel at Kapsabet Girls, easing accommodation pressures.

Under the new "Luku Safi" campaign that provides school uniforms to children from disadvantaged backgrounds, we provided school uniforms to over 500 children from Mathare, Daniel Comboni, and Kwa Nge'the primary schools in Nairobi County, helping to restore their dignity and improve their learning experience.

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Educating Our Young

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Promoting community wellness

The Company actively supports programmes that address social welfare and humanitarian needs across our operational areas. In the health sector, we partnered with Mediforte Hospital to offer free medical screenings for the public and Company employees in Kisii County, and collaborated with the Embu County Professionals Development Association (ECPDA) to host a wellness clinic at Kigari Teachers College.

Sports and Uplifting Communities

Sports are integral to national pride and talent development. This year, we sponsored the Stima Darts Club to participate in the International Open Darts Championship, competing alongside teams from Tanzania, Rwanda, Burundi, South Sudan, and Uganda.

We also donated food and diapers to St. Stephen's Children's Home and New Life Home Trust, provided personal effects to Nakuru Women Prisons, and sponsored the Turkana Peace and Development Initiative to promote peace and cohesion among local communities.

Looking to the Future: The Kenya Power Foundation

The Company has long supported social and environmental programs through its 2007 Corporate Social Responsibility (CSR) policy, which committed 1% of the Company's net profit towards initiatives that enhance socio-economic development within the communities we serve in four key areas; environment, education, health, and sports. Over the past decade, the Company has invested approximately KSh.100 million in various initiatives aligned with these thematic areas.

However, due to resource constraints arising during periods of reduced cashflow and profitability, sustaining these community support programmes has been challenging. To address this, the Company has established the Kenya Power Foundation as a vehicle to secure additional funding and ensure sustainable implementation of these programmes. This is underpinned by the newly revised CSRI policy which sustains the 1 percent net profit allocation, while also committing a minimum of KSh 30 million in periods that the Company does not post a profit.

Foundation Purpose Statements

The Foundation is dedicated to creating a brighter future by promoting environmental stewardship, economic empowerment, and social impact by empowering communities by leveraging partnerships to transform lives and Empower communities for a brighter and sustainable future.

The Foundation's programs are aligned with the United Nations Sustainable Development Goals (SDGs) and will focus on three key thematic areas: energy and environment, education and skills development, and social investment and community wellness.

Energy and environment

The Foundation will support initiatives that promote environmental conservation and the protection of endangered species. Key focus areas include Promoting clean energy transitions such as clean cooking technologies and e-mobility, protecting natural ecosystems by advocating for environmentally friendly energy systems, increasing forest cover through tree-planting initiatives around water catchment areas, schools, and hospitals and partnering with organizations to protect and conserve endangered species in various regions across the country.

Education and skills development

To support education and skills development programmes, the Foundation will Improve learning facilities in schools and scaling up endowment funds to support marginalized children, undertake mentorship programs for students from underserved communities, implement youth empowerment initiatives and support skills development programmes, especially in STEM, including enhancing competencies for the Company's technical staff and equipping students in technical institutions.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

KPLC, through the KPLC Project Implementation Team 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 (period) 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 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 KPLC Project Implementation Team 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 (IPSAS).

The KPLC Project Implementation Team is 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 30 June 2024 in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS). The KPLC Project Implementation Team further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project’s financial statements as well as the adequacy of the systems of internal financial control.

The KPLC Project Implementation Team confirms 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 years 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 Kenya Power and Lighting Company PLC Project Implementation Team on 30/10/2024 and signed on their behalf by:



Managing Director & CEO
Name: Dr.(Eng.) Joseph Siror



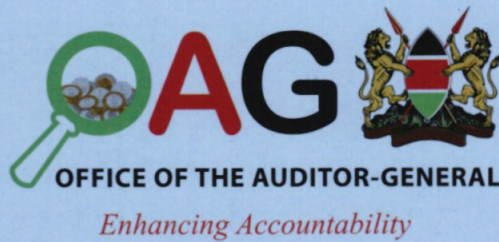
Project Coordinator
Name: Eng. Jared Biwott



Project Accountant:
Name: Simon Tirop
ICPAK Member Number: 9665

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON LAST MILE CONNECTIVITY PROJECT I ADF LOAN NO. 2100150032195 FOR THE YEAR ENDED 30 JUNE, 2024 - KENYA POWER AND LIGHTING COMPANY PLC

PREAMBLE

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

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

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Last Mile Connectivity Project I Loan No. 2100150032195 set out on pages 13 to 24, which comprise the statement of financial assets and liabilities as at 30 June, 2024 and the statement of receipts and

Report of the Auditor-General on Last Mile Connectivity Project I Loan No. 2100150032195 for the year ended 30 June, 2024 - Kenya Power and Lighting Company Plc

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 Last Mile Connectivity Project I 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 Public Finance Management Act, 2012 and ADF Loan No. 2100150032195 dated 18 December, 2014 between African Development Fund and the Government of the Republic of Kenya.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Last Mile Connectivity Project I 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.

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

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total receipts budget and actual on comparative basis amounting to Kshs.508,419,000 and Kshs.377,852,000 respectively, resulting in underfunding of Kshs.130,567,000 or 26% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparative basis of Kshs.508,419,000 and Kshs.377,852,000 respectively, resulting in an under-absorption of Kshs.130,567,000 or 26 % of the budget.

The underfunding and under absorption affected the planned activities of the project and may have impacted negatively on service delivery to the public.

2. Pending Accounts Payable

Note 11.1 to the financial statements reflects pending accounts payable amounting to Kshs.110,967,000. Review of the bills revealed an amount of Kshs.89,064,000 had been outstanding since 2019. Management indicated that the bills relate to contracts which

were terminated due to non-performance. The matter was referred to Arbitration for determination of final settlement including the pending invoices. However, the outcome or status of the arbitration was not provided for review.

Failure to settle bills during the year in which they relate to adversely affects the budgetary provision for the subsequent year as they form a first charge.

Other Information

The Management is responsible for the other information set out on page 1 to 13 which comprise of project information and overall performance, statement of performance against project's predetermined objectives, environmental and sustainability reporting, statement of project management responsibilities. The Other Information does not include the financial statements and my audit report thereon.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit on the Last Mile Connectivity Project I 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 and based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources Section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Delay in Completion of Works

Paragraph 1.7 of the project information and overall performance containing the funding summary reflects that the project was expected to end in December, 2024. According to the project financing agreement the total funding commitment for the project was Kshs.15,733,785,000 which targeted to connect 314,200 customers to power supply. As at 30 June, 2024, the project has utilized a total of Kshs.13,655,643,000, equivalent to 87% of the overall budget. However, the total number of customers connected was 215,966 or 69% of the targeted connections.

In the addition, the contracts between the Company and the private contractors signed on 10 December, 2015 provided for an eighteen (18) months implementation period after signing, which has since lapsed. The project management indicated that the contracts for the two lots were terminated due to nonperformance, and the respective guarantees cashed out. The matter is currently under arbitration.

In the circumstances, the project objectives were yet to be realized and value for money on incomplete connections could not be ascertained.

2. Unsupported Government of Kenya Counterpart Funds

Paragraph 1.7 of project information containing the funding summary reflects Government of Kenya (GOK) counterpart funding of Unit of Account (UA)16,951,017 or Kshs.2,505,423,000 during the year under review. However, the Project Appraisal Report reflects GOK counterpart funding of Unit of Account (UA)9,200,000. or Kshs.1,359,794,000 to cover the costs associated to compensation of Project Affected People (PAP) as well as the construction of the Low Voltage (LV) network. As at 30 June, 2024, the project received and utilized a total amount of UA 13,643,984 equivalent to Kshs.2,036,866,000 against the GOK counterpart funding commitment of Unit of Account (UA) 9,200,000. or Kshs.1,359,794,000 provided for in the Project Appraisal Report. In addition, no amendment to the Financing Agreement and the Project Appraisal Report was provided to indicate an increase in the GOK counterpart funding.

In the circumstances, the validity of disclosures in the project information could not be confirmed.

The audit was conducted in accordance 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 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 controls, risk Management and 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

Conclusion

As required by the African Development Fund, I report based on my audit that 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:

- i. Adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- ii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, 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 comply 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/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 October, 2024

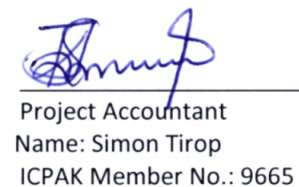
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2024

	Notes	FY 2023/2024			FY 2022/2023			Cumulative to-date (From inception)
		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	
		KShs'000	KShs'000		KShs'000	KShs'000	KShs'000	
Receipts								
GoK Counterparty Funding	10.3	8,419		8,419	172,698		2,036,866	
Loan from African Development Fund	10.4		369,433	369,433		146,982	11,618,778	
Total Receipts		8,419	369,433	377,852	172,698	146,982	13,655,644	
Payments								
Purchase of Goods and Services	10.5				2,754	0	2,754	
Acquisition of Non-Financial Assets	10.6	8,419	369,433	377,852	169,944	146,982	13,652,890	
Total Payments		8,419	369,433	377,852	172,698	146,982	13,655,644	
Surplus		-	-	-	-	-	-	

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



 Managing Director & CEO
 Name: Dr. Eng. Joseph Siror

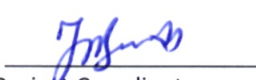

 Project Coordinator
 Name: Eng. Jared Biwott



 Project Accountant
 Name: Simon Tirop
 ICPAK Member No.: 9665

7. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30 JUNE 2024

	Notes	FY 2023/2024	FY 2022/2023
		KShs	KShs
Financial Assets			
Cash and Cash Equivalents			
Bank Balances		-	-
Cash Balances		-	-
Cash Equivalents (short-term deposits)		-	-
Total Cash and Cash Equivalents		-	-
Accounts receivables – Imprest and Advances		-	-
Total Financial Assets		-	-
Represented By			
Fund balance b/fwd		-	-
Prior year adjustments		-	-
Surplus/(Deficit) for the year		-	-
Net Financial Position		-	-


 Managing Director & CEO
 Name: Dr.Eng. Joseph Siror


 Project Coordinator
 Name: Eng. Jared Biwott

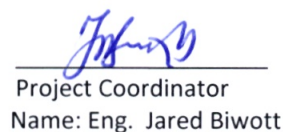

 Project Accountant
 Name: Simon Tirop
 ICPAK Member No.: 9665

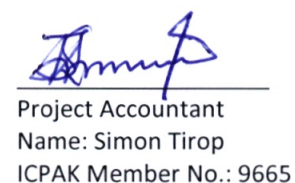
8. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

	Notes	FY 2023/2024 KShs '000	FY 2022/2023 KShs '000
Receipts from operating activities			
Transfer from Government entities	10.3	8,419	172,698
Miscellaneous Receipts		-	-
Net Cash Flows from Operating Activities		8,419	172,698
Net cash flows from Investing Activities			
Audit Fees	10.5		(2,754)
Construction of Distribution Lines	10.6	(377,852)	(316,926)
Net Cash Flows from Investing Activities		(377,852)	(319,680)
Cash Flows from Borrowing Activities			
Proceeds from African Development Bank	10.4	369,433	146,982
Net Cash Flows from Borrowing Activities		369,433	146,982
Net Increase in Cash and Cash Equivalent		-	-
Cash and cash equivalent at beginning of the year		-	-
Cash and cash equivalent at end of the year		-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/10/ 2024 and signed by:


 Managing Director & CEO
 Name: Dr. Eng. Joseph Siror


 Project Coordinator
 Name: Eng. Jared Biwott

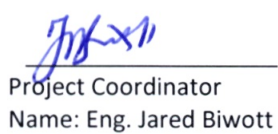

 Project Accountant
 Name: Simon Tirop
 ICPAK Member No.: 9665

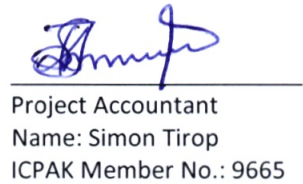
9. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2024

	Original budget	Adjustments	Final budget	Actual on Comparable Basis	Budget Utilization Difference	% Utilization
	A	B	C = A+B	D	E = C-D	F = D/C
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	
Receipts						
Transfer from Government of Kenya	8,419	-	8,419	8,419	-	100%
Proceeds from ADF	500,000		500,000	369,433	130,567	74%
Total receipts	508,419	-	508,419	377,852	130,567	74%
Payments						
Construction of Distribution Lines	508,419	-	508,419	377,852	130,567	74%
Total payments	508,419	-	508,419	377,852	130,567	74%

NB: Budget utilization differences are explained in Annex1 to the financial statements.


 Managing Director & CEO
 Name: Dr.Eng. Joseph Siror


 Project Coordinator
 Name: Eng. Jared Biwott


 Project Accountant
 Name: Simon Tirop
 ICPAK Member No.: 9665

10. NOTES TO THE FINANCIAL STATEMENTS

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

10.1 Basis of Preparation

10.1.1 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.

10.1.2 Reporting entity

The financial statements are for the Last Mile Connectivity Project I under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

10.1.3 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 a thousand Kenya Shilling.

10.2 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.

- **Transfers from the Exchequer**

Transfer from Exchequer is be 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.

- **External Assistance**

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

Donations and grants

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

10.2 Significant Accounting Policies (Continued)

a) Recognition of receipts (continued)

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.

Undrawn external assistance

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

Other receipts

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

b) Recognition of payments

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

- **Compensation of employees**
Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.
- **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.
- **Interest on borrowing**
Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.
- **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.

10 NOTES TO THE FINANCIAL STATEMENTS (continued)

10.2 Significant Accounting Policies (Continued)

b) Recognition of payments (Continued)

• **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.

c) 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.

d) 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 authorized 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.

e) Accounts receivable

For the purposes of these financial statements, imprests and advances to authorized 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.

10 NOTES TO THE FINANCIAL STATEMENTS (continued)

10.2 Significant Accounting Policies (Continued)

f) Contingent Liabilities

A contingent liability is:

- 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
- 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

g) 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.

h) 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.

10 NOTES TO THE FINANCIAL STATEMENTS (continued)

10.2 Significant Accounting Policies (Continued)

i) 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.

j) 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, there was no loan disbursements received in form of direct payments from third parties.

k) 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.

l) 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.

m) 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 30 June 2024.

n) Errors Prior period adjustments

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

10.3 TRANSFERS FROM GOVERNMENT ENTITIES

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

	FY 2023/2024	FY 2022/2023	Cumulative to-date (from inception)
	Kshs '000	Kshs '000	KShs '000
Counterpart Funding	8,419	172,698	2,036,866
Other transfers from government entities	-	-	-
Appropriation in Aid	-	-	-
Total	8,419	172,698	2,036,866

NB: KPLC receive funds through Ministry of Energy in Lump sum for the all the programmes. All the funds are managed together with other Government fund and allocated on need basis.

10.4 LOAN 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 as detailed in the table below:

Name of Donor	Amount in Loan currency UA	Loans received in cash KShs	Loans received as direct payment KShs'000	Total amount in KShs'000	
				FY 2023/2024	FY 2022/2023
Loans Received from Multilateral Donors (International Organizations)					
African Development Fund	1,943,998	0	369,433	369,433	146,982
Total	1,943,998	0	369,433	369,433	146,982

10 NOTES TO THE FINANCIAL STATEMENTS (continued)

10.5 PURCHASE OF GOODS AND SERVICES

	FY 2023/2024			FY 2022/2023	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Total Payments
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Audit fees	-	-	-	2,754	2,754
Total	-	-	-	2,754	2,754

10.6 ACQUISITION OF NON FINANCIAL ASSETS

	FY 2023/2024			FY 2022/2023	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs'000	KShs '000	KShs '000	KShs '000	KShs'000
Construction of Distribution Lines	8,419	369,433	377,852	316,926	13,652,890
Total	8,419	369,433	377,852	316,926	13,652,890

11. OTHER IMPORTANT DISCLOSURES

11.1 PENDING ACCOUNTS PAYABLE (Refer to Annex 2)

Description	Balance b/f FY 2022/2023	Additions for the period	Paid during the year	Balance c/f FY 2023/2024
	KShs'000	KShs'000	KShs'000	KShs'000
Supply of Good and Services	89,064	399,754.72	377,852	110,967
Total	89,064	399,754.72	377,852	110,967


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.

Reference on previous year Audit Report	Observation	Management comments	Focal Point person to resolve the issue	Status	Time frame
Report on the Financial statements	<p>Budgetary Control and Performance</p> <p>The statement of comparative budget and actual amounts for the year and as disclosed under Note 9 to the Financial statement .Out of the total budgeted amount of Kshs. 666,589,000 only 47% was utilized, leading to an underutilization of Kshs 353,018,000 being 53%. The budget under-utilization has not been explained in the financial statements</p>	<p>The underutilization is attributed to the slow implementation progress due to delayed procurement caused by litigations.</p> <p>The matter has since been adjudged, procurement completed and contracts signed.</p>	Project Management Team	Resolved	31/12/2024
Report on lawfulness and effectiveness in the use of Public Resources	<p>Paragraph 1.7 of the Project information on the funding summary reflects that the project is expected to end in June 2024. As 30th June 2023, the project had utilized a total of Kshs. 13,275,038,000 equivalent to 84% of the overall budget. However, the total number of customers' total number of customers connected as at 30th June 2023 was 209,700 connectivity works for Lot 2 and Lot 4 remained at 61% of the targeted connections. However, the contracts between the company and private contractors signed on 10th December 2015 provided for an 18 months implementation after signing dates, which has since lapsed.</p> <p>The project management explained that the contracts for the two lots were terminated due to nonperformance and guarantees en-cashed, the matter is currently under arbitration.</p> <p>In the circumstances, the project objectives were yet to be realized and value for money on incomplete connections could not be confirmed.</p>	<p>There is delayed implementation of works for Lot 2 & 4 since they constitute a matter in dispute in the ongoing arbitration and could lead to legal breaches if implemented.</p>	Project Management Team	Recurring	31/12/2024


 Managing Director & CEO
 Name: Dr. Eng. Joseph Siror


 Project Coordinator
 Name: Eng. Jared Biwott


 Project Accountant
 Name: Simon Tirop
 ICPAK Member No.: 9665

ANNEX 1: VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on Comparable Basis	Budget Utilization Difference	% Utilization	Comments on Variance
	A	B	C = A + B	D	E = C - D	F = D / C	
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000		
Receipts							
Transfer from Government of Kenya	8,419	-	8,419	8,419	-	100%	(i)
Proceeds from ADF	500,000		500,000	369,433	130,567	74%	
Total receipts	508,419	-	508,419	377,852	130,567	74%	
Payments							
Construction of Distribution Lines	508,419	-	508,419	377,852	130,567	74%	(i)
Total payments	508,419	-	508,419	377,852	130,567	74%	

- (i) The underutilization is attributed to the slow implementation progress due to delayed procurement. The matter has been resolved contracts signed and Implementation is ongoing.



ANNEX 2: ANALYSIS OF PENDING BILLS

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Amount Approved for payments	Outstanding Balance as June 2023	Outstanding Balance as June 2022
		KShs		KShs	KShs	KShs	KShs
		a	b	c	d	e= d-c	
Lot 1-Gammon India Ltd	Construction of Distribution Lines	2,515,190,252	30/03/2016	2,193,157,368.90	2,193,157,368.90	-	-
Lot 2- AEE Power S.A	Construction of Distribution Lines	2,376,920,220	23/03/2016	1,485,370,112.07	1,541,980,034.42	56,609,922.25	56,609,922
Lot 3-Rwathia Distributor JV	Construction of Distribution Lines	1,706,758,972	15/04/2016	1,613,794,080.82	1,613,794,080.82		
Lot 4-AEE Power S.A	Construction of Distribution Lines	1,574,587,087	30/03/2016	1,117,594,226.60	1,150,047,833.24	32,453,606.64	32,453,606
Lot 5-Etrade Company Ltd	Construction of Distribution Lines	1,132,843,148	17/05/2016	1,113,652,313.91	1,113,652,313.91	-	-
Lot 6-Polyphase Systems Ltd	Construction of Distribution Lines	406,177,170	17/05/2016	344,257,474.30	344,257,474.30	-	-
Lot 7-Neo Electric Company Ltd	Construction of Distribution Lines	1,720,885,769	01/06/2016	1,718,105,390.47	1,718,105,390.47	-	-
Lot 8-Metsec Cables Ltd	Construction of Distribution Lines	1,405,276,589	24/04/2016	1,319,683,615.74	1,319,683,615.74	-	-
Lot 9-Angelique International Ltd	Construction of Distribution Lines	735,678,957	17/05/2016	713,536,880.60	713,536,880.60	-	-
Lot 10-Etrade Company Ltd	Construction of Distribution Lines	776,997,264	17/05/2016	712,145,826.26	712,145,826.26	-	-
Shenhen Inhemeter	Construction of Distribution Lines	728,069,880	27/10/2016	728,069,880.00	728,069,880.00	-	-
Feedback Infra Pvt Ltd	Construction of Distribution Lines	153,948,691	08/01/2016	183,983,514.84	183,983,514.84	-	-
Padaa Enterprises	Construction of Distribution Lines	300,883,909	03/03/2023	232,242,045.85	254,147,197.85	21,905,152.00	-
Ernst and Young	Supply of Goods and Services	2,753,638	30/06/2022	2,753,638.	2,753,638.16	-	-
Padaa Enterprises	Supply of Goods and Services	266,180,233	30/06/2023	67,700,918.90	67,700,918.90	-	-
Padaa Enterprises	Supply of Goods and Services	306,808,565	30/06/2023	55,313,487.86	55,313,487.86	-	-
Powergroup Technologies	Supply of Goods and Services	266,034,681	30/06/2023	54,282,530.56	54,282,530.56	-	-
Grand Total		15,236,087,637		13,655,643,305.84	13,766,611,986.84	110,968,681.00	89,063,528

The Pending Bills at the end of the year comprises of approved outstanding payments as at year-end.

ANNEX 3: SUMMARY FIXED ASSETS REGISTER

Asset class	Opening Cost as at 01.07.2023	Acquisition in the year	Disposals in the Year	Transfers in/(out)	Closing Cost as 30.06.2024
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
	(a)	(b)	(c)	(d)	(e)=(a)+(b)-(c)+(-)d
Construction of Distribution Lines	13,275,038	377,852	-	-	13,652,890
Total	13,275,038	377,852	-	-	13,652,890