

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**EASTERN ELECTRICITY HIGHWAY
PROJECT (IDA CREDIT NO. 5148-KE;
AFD LOAN NO. CKE 1030 01B AND
ADF LOAN NO. 2100150027845)**

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

**KENYA ELECTRICITY TRANSMISSION
COMPANY LIMITED**

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OF KENYA
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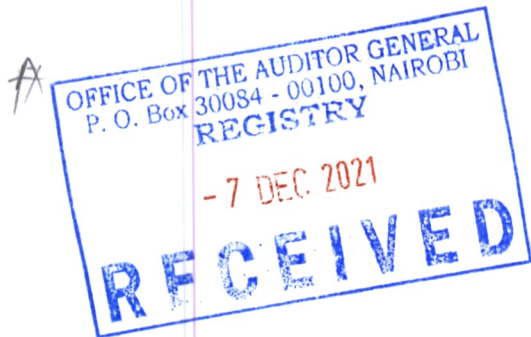
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Project Name THE EASTERN ELECTRICITY HIGHWAY PROJECT

**Implementing Entity KENYA ELECTRICITY TRANSMISSION COMPANY
LIMITED**

**CREDIT NUMBER : IDA CREDIT NO. 5148-KE; AFD LOAN NO: CKE 1030 01B; ADF LOAN
NO: 2100150027845**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2021

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



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ABBREVIATIONS

AfD	Agence Francaise de Developpement
AfDB	African Development Bank
GOK	Government of Kenya
HVDC	High Voltage Direct Current
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
IDA	International Development Association
KETRACO	Kenya Electricity Transmission Company
KV	Kilovolts
PFSs	Project Financial Statements
RAP	Resettlement Action Plan
UA	Units of Account
USD	United States Dollar
KShs	Kenya Shilling
CHF	Canadian Dollar
EUR	Euro
KE	Kenya
CKE	Credit Kenya
OGW	Order of the Golden Warrior
PFM	Public Financial Management Act 2012
FCPA	Fellow of Chartered Professional Accountant
PSAB	Public Sector Accounting Standards Board

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and Registered Office

Name: The project's official name is Eastern Electricity Highway Project.

Objective: The key objective of the project is

1. To help integrate the power system of East African power pool member countries including Ethiopia, Kenya, Tanzania, Rwanda and Uganda. The integration will accelerate the development of regional energy sources to meet increasing electricity demand and reduce cost of electricity.
2. To strengthen the infrastructure platform for a major future expansion of the East African Power Market by providing an opportunity to tap into diverse energy sources available for generation. This will enhance security of supply and will reduce costs.

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

The address of its registered office is:

Eastern Electricity Highway Project
Block B, Kawi House
Off Red Cross Road, South C
P. O. Box 34942 – 00100
Nairobi.

Contacts: The following are the project contacts

Telephone: (+254) 20 – 4956000

E-mail: info@ketraco.co.ke

Website: www.ketraco.co.ke

1.2 Project Information

Project Start Date:	The project start date is 5 December 2012
Project End Date:	The project end date is 30 June 2022
Project Manager:	The project manager is Engineer Justin Muna
Project Sponsors:	The project sponsor are the Government of Kenya through the National Treasury and Ministry of Energy, International Development Association, African Development Fund and Agence Francaise de Development

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Kenya Electricity Transmission Company Limited, a state corporation under the State Department of Energy.
Project numbers	5148-KE; CKE 1030 01B; 2100150027845
Strategic goals of the project	To increase the volume and reduce the cost of electricity supply in Kenya and to support a program aimed at integrating the East African power pool transformation towards full access to electricity by individual Eastern African Power pool countries through regional power interconnection.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Construction of 612 kilometres of 500KV from Ethiopia to Suswa in Kenya. (ii) Construction and commissioning of one converter substation. (iii) Carrying out the environmental and social management plan and the resettlement action plan. (iv) System reinforcement of the substations and Project Management. (v) Capacity Building
Other important background information of the project	<p>Kenya Electricity Transmission Company Limited (KETRACO) was incorporated on 2 December 2008 and registered under the Companies Act, Cap 486 pursuant to Sessional Paper No. 4 of 2004 on Energy.</p> <p>The Company was established to develop new high voltage electricity transmission infrastructure that will form the backbone of the National Transmission Grid, in line with Kenya Vision 2030 and the big four Agenda</p> <p>Its core business is to plan, design, build and maintain new electricity transmission lines and associated substations. These new lines will include 132kV, 220kV, 400kV and 500kV High Voltage Direct Current (HVDC).</p> <p>In carrying out this mandate, the Company is expected to develop a new and robust grid system in order to:</p> <p>(i) Improve quality and reliability of electricity supply throughout the country; (ii) Transmit electricity to areas that are currently not supplied from the national grid; (iii) Evacuate power from planned generation plants; and (iv) Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region. (v) Facilitate power trade.</p> <p>The Eastern Electricity Highway Project is financed by the following partners:</p> <ul style="list-style-type: none"> • World Bank Credit no- 5148-KE • African Development Bank (AfDB) - Loan/Grant Number - 2100150027845 • Agence Francaise de Development (AFD) –Credit No.- CKE 1030 01B • Government of Kenya through the Ministry of Energy and the National Treasury.

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.3 Project Overview (continued)

	<p>As the owner of the project, KETRACO provides the organizational set up for the activities, qualified staff and basic office infrastructure for efficient execution of the project.</p> <p>Key contractual data</p> <p><i>Scope:</i> Project Supervision and Management of Subcomponent A4-System Reinforcement</p> <p><i>Consultant:</i> Lahmeyer International GmbH <i>Loan No:</i> IDA Credit No. 5148-KE <i>Contract Signed On:</i> 21 January 2015 <i>Contract Price:</i> The quoted price is in two currencies Euro 1,768,815.and KShs 90,428,000 <i>Contract Completion:</i> 30 September 2020.</p> <p><i>Scope:</i> Subcomponent A4-System Reinforcement; Construction of 400/220kv Isinya, Athi river and Nairobi North Substations Extensions. <i>Consultant:</i> National Contracting Company <i>Loan No:</i> IDA Credit No. 5148-KE <i>Contract Signed On:</i> 30 April 2015 <i>Contract Price:</i> The quoted price is in four currencies Euro 4,258,823, USD 26,898,688, CHF 80,497 and KShs508,430,442 <i>Contract Completion:</i> 30 September 2020.</p> <p><i>Scope:</i> Construction of Eastern Electricity Highway Project. Lot 4: LOG LOGO - ETHIOPIA BORDER <i>Contract No.</i> KETRACO/PT/0112016-LOT 4 <i>Contractor:</i> KEC International Limited <i>Loan No:</i> 2100150027845 <i>Contract Signed On:</i> 30 June 2016 <i>Contract Price:</i> The quoted price is in two currencies Euro 32,675,204 and KShs 1,212,729,004 <i>Contract Completion:</i> 31 December 2018.</p> <p><i>Scope:</i> Construction of Eastern Electricity Highway Project. Lot 5: KINAMBA – LOG LOGO <i>Contract No:</i> KETRACO/PT/0112016-LOT 5 <i>Contractor:</i> Larsen & Toubro Limited <i>Loan No:</i> CKE 1030 01B <i>Contract Signed On:</i> 30 June 2016 <i>Contract Price:</i> The quoted price is in two currencies Euro 37,968,115 and KShs 1,228,371,755</p>
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1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.3 Project Overview (continued)

	<p><i>Contract Completion: 30.6.2019</i></p> <p><i>Scope: Construction of Eastern Electricity Highway Project. Lot 6: SUSWA - KINAMBA Contract No. KETRACO/PT/0112016-LOT 6 Contractor: Kalpataru Power Transmission Limited Loan No: CKE 1030 01B and 2100150027845 Contract Signed On: 30 June 2016 Contract Price: The quoted price is in two currencies Euro 30,101,856. and KShs 1,342,264,921. Contract Completion: 30.9.2020</i></p> <p><i>Scope: Construction of Eastern Electricity Highway Project Lot1: Suswa Substation Contract No:KETRACO/PT/17/2015 Contractor:Siemens AG Loan No:IDA 5148 Contract Signed:28 October 2015 Contract price:The quoted price in four currencies USD 86,341,305.,EUR 123,560,813.,CHF 3,015,753 and KShs 125,125,459 Contract completion:30 December 2022</i></p>
Current situation that the project was formed to intervene	Low rate of access to electrical power for the people in the member countries and low level of regional power trade.
Project duration	The project started on 5 December 2012 and is expected to run until 31 December 2022

1.4 Bankers

The following are the bankers for the current year:

- (i) KCB Bank Limited
 Moi Avenue
 P. O. Box 30081 – 00100
 Nairobi.
- (ii) National Commercial Bank of Africa
 P. O. Box 44599 – 00100
 Nairobi.
- (iii) Standard Chartered Bank Ltd
 P. O. Box 30001-00100
 Nairobi.

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.5 Auditors

Delegated Auditor: Deloitte & Touche LLP
 Certified Public Accountants (Kenya)
 Deloitte Place, Waiyaki Way, Muthangari
 P. O. Box 40092 - 00100 GPO
 Nairobi.

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

1.6 Roles and Responsibilities

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

Names	Title designation	Key qualification	Responsibilities
FCPA Fernandes Barasa	managing Director	Fellow and a former Chairman of the Institute of Certified Public Accountants of Kenya; also a lead ISO auditor; he has a wealth of experience in Public Finance and risk management as well as corporate governance among others.	Managing Director
Engineer Anthony Wamukota	General Manager Design and Construction	Bachelors Degree in Civil Engineering, Certified Public Accountant, Member of Institute Of Engineers	Wayleaves Acquisition (Land Projects Coordinator)
Tom Imbo	General manager Finance	Masters Business Administration, Bachelor of Education, Certified Public Accountant	Project reporting
Engineer Justin Muna	Project Manager	MSc GIS, BSC Civil Engineering	Project coordinator
Johnson Muthoka	Senior Manager Wayleaves	BA Land Econ (Hons), Master of Arts (urban and regional planning (University of Nairobi), Full member of Institute of Survey of Kenya (ISK), registered and Licensed land economist	Wayleaves Acquisition (Land Economists, Land surveyors, Social Economists, Environmental Experts)
Bill Silingi Otieno	Project Accountant	Bachelor of Business Management (Finance and Banking), Certified Public Accountant CPA(K)	Preparation of project financial reports

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.7 Funding summary

The Project financing is for duration of 10 years from 2012 to 2022 with an approved budget of USD 441,000,000, UA 75,000,000 and EUR 91,000,000 (EUR 13.5 million and EUR 22,943,918 reallocated to Nairobi Ring) and counterpart funding of KShs 8,585,000,000 as highlighted in the table below.

A. Source of funds

	Donor Commitment		Amount received to date: - 30 June 2021		Undrawn balance as at: 30 June 2021	
	Donor currency	KShs (A')	Donor currency (B)	KShs (B')	Donor currency (A)-(B)	KShs (A')-(B')
(i) Loans						
International Development Association	USD	441,000,000	265,335,946	26,730,454,839	175,664,054	20,245,923,561
African Development Fund	UA	75,000,000	56,219,027	8,089,411,062	18,780,973	2,841,388,938
Agence Francaise de Development	EUR	54,556,082	54,556,082	7,715,849,226		
(ii) Counterpart funds						
Government of Kenya		-	-	4,208,464,567	-	4,376,535,433
Total				46,744,179,693		27,463,658,565

B. Application of funds

Source of fund	Amount received as at: - 30.6.2021		Cumulative amount paid to date		Undrawn balance as at: 30.6.2021		% of drawdown
	Donor currency (B)	KShs (Million) (B')	Donor currency (B)	KShs (Million) (B')	Donor currency (A)-(B)	KShs (A')-(B')	
(i) Grant/Loan							
World Bank	265,335,946	26,730,454,839	265,335,946	26,730,454,839	175,664,054	20,245,923,561	60
African Development Bank	56,219,027	8,089,600,430	56,219,027	8,089,411,062	18,780,973	2,841,199,570	75
Agence Francaise de Development	54,556,082	9,310,850,000	54,556,082	7,715,849,226			100
(ii) Counterpart funds							
Government of Kenya	-	4,208,464,567	-	4,208,464,567	-	4,376,535,433	
		48,339,369,836		46,744,179,693		27,463,658,564	

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.8 Summary of Overall Project Performance:

1.8.1 Budget Performance Against Actual Amounts

During the year under review, the project received KShs 6,616,824,364 against a final budget of KShs 6,696,000,000. Similarly, the project incurred total expenditure of KShs 5,848,436,687 during the year, against a final budget of KShs 6,696,000,000 representing 87% budget utilization. The project's cumulative receipts and payments to-date amounts to KShs 46,766,744,125 and KShs 45,705,938,489 respectively.

1.8.2 Physical Progress and Achievements of the Project

LOT 1 (KEN) – Milestones

- The contract was signed on 28 October 2016
- The Kick off meeting held on 8 and 9 December 2016
- Advance payment to contractor paid on 18 March 2016
- Contract effective date set as 30 March 2016 and completion date as 31 December 2022
- Handover of Electrode Site done on 31 May 2016

LOT 1 (KEN) – Procurement of Helicopter

- Specific procurement notice done on 23 October 2015
- Bid opening done on 5 April 2016
- Evaluation of the bid documents completed, and report forwarded to financiers for no objection
- Contract awarded to Finmeccanica Helicopter Division in September 2016
- Delivered in December 2018.

	Milestones	Percentage
LOT 1	Civil works	100%
	Autotransformers	100%
	Converter transformers	100%
	AC switchyard	100%
	Control building	100%

LOT 4 (From Loglogo to Kenya - Ethiopia Border)

- Contractor is KEC International Ltd
- Lot completed in September 2018

	Milestones	Percentage
LOT 4	Excavations	100%
	Foundations	100%
	Tower erection	100%
	OPGW stringing (Km)	100%
	Cond.stringing (Km)	100%

LOT 5 (From Oldonyiro to Loglogo)

- Contractor is Larsen & Toubro Limited

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.8 Summary of Overall Project Performance(continued)

1.8.2 Physical Progress and Achievements of the Project (Continued)

Lot completed on 25 February 2020

	Milestones	Percentage
LOT 5	Excavations	100 %
	Foundations	100 %
	Tower erection	100 %
	OPGW stringing (Km)	100 %
	Cond.stringing (Km)	100 %

LOT 6 (From Suswa Substation to Oldonyiro)

- Contractor is Kalpataru Power Transmission Ltd
- Site storage yard established in Gilgil, establishment of site offices and accommodation in Nyahururu complete

	Milestones	Percentage
LOT 6	Excavations	100 %
	Foundations	99.4 %
	Tower erection	97.5 %
	OPGW stringing (Km)	98 %
	Cond.stringing (Km)	98 %

The project has achieved value for money evidenced with completion of lot 4 and 5 within the contract period and savings arising from competitive tendering.

1.8.3 Value for Money Achievements

The Eastern Electricity Highway Project upon completion will enhanced evacuation of power from Ethiopia into the East African power pool member countries including Ethiopia, Kenya, Tanzania, Rwanda and Uganda. The integration will accelerate the development of regional energy sources to meet increasing electricity demand and reduce cost of electricity.

1.8.4 Absorption rate per year

Financial Year	Budget	Actual	Absorption rate (%)
	KShs	KShs	
2015/16	13,074,437,564	10,806,578,000	83
2016/17	11,131,383,143	4,237,002,490	38
2017/18	7,029,474,407	5,768,919,192	82
2018/19	6,481,000,000	6,055,230,643	93
2019/20	11,810,750,000	11,142,839,573	94
2020/21	6,696,000,000	6,616,824,364	99

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.8 Summary of Overall Project Performance(continued)

1.8.5 Implementation Challenges and Way Forward

- Encroachment of the way leave trace by the local communities in Samburu hence rerouting
- Stoppages by Local communities at Laisamis and Loglogo
- Delay in acquisition of way leave in Lot 6 (Nakuru and Nyandarua Counties) due to absentee landlords,court cases and delayed land negotiations by PAPs.

1.9 Summary of Project Compliance:

The project reporting has complied with the applicable laws and regulations, and essential external financing agreements/covenants.

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

This project aims to provide reliable and affordable energy from a regional resource base, allowing access to considerable clean regional energy resources, reducing pollution and vulnerability to climate change, thus strengthening environmental resilience. The principal objectives of this project are to:

- (i) Contribute to the integration of the electricity markets of the East African Power Pool through the interconnection of the two countries power systems.
- (ii) Increase the supply and reduce the cost of electricity in Kenya.
- (iii) Provide revenues to Ethiopia through the export of electricity from Ethiopia to Kenya and other neighbouring countries.

Progress on attainment of Strategic development objectives

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

Project	Objectives	Outcome	Indicator	Performance
The EEH Project	(i) Contribute to the integration of the electricity markets of the East African Power Pool through the interconnection of the two countries power systems.	Project yet to become operational	Lot 4 and 5 of the transmission line complete	Project status at 98% complete
	(ii) Increase the supply and reduce the cost of electricity in Kenya. (iii) Provide revenues to Ethiopia through the export of electricity from Ethiopia to Kenya and other neighbouring countries.			

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT / SUSTAINABILITY REPORTING

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

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

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

Our approach

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

Below is a brief highlight of our achievements in each pillar.

1. Social Sustainability strategy and profile

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

In addition, KETRACO offered youth internship opportunities to fresh graduates and industrial attachments to ongoing University students for the purpose of transferring skills and future career preparation.

2. Environmental performance

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

**3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING
(Continued)**

2 Environmental performance (continued)

The Environmental Management and Coordination Act, Cap 387;The Environmental Impact (Assessment and Auditing) Regulations, 2003;Environmental Management and Coordination (Environmental Impact Assessment and Audit) Regulations, 2003;Environmental Management and Coordination (Water Quality) Regulations of 2006;Environmental Management and Coordination (Waste Management) Regulations of 2006 ; Environmental Management and Co-ordination (Controlled Substances) Regulations, 2007;The Environmental Management and Co-ordination (Conservation of biological diversity and resources, and access to genetic resources and benefits sharing) Regulations, 2006;The Environmental Management and Coordination (Wetlands, Riverbanks, Lakeshores and seashores management) Regulations, 2009;Environmental Management and Coordination (Noise and Excessive Vibration Pollution Control) Regulations, 2009;Environmental Management and Coordination (Air Quality) Regulations, 2008;Occupational Safety and Health Act (OSHA 2007) ;Wildlife Management and Conservation Act, 2013;Forest Act 2015 ;Public Health Act (Cap. 242) 36;The Environment and Land Court Act, 2011;Water Act, 2002.

3. Employee welfare

Competence management

KETRACO has developed many policies that guide recruitment among them being the Gender policy which is in line with a third rule enshrined in the constitution. The skills gap analysis report was received from the consultant and training priority areas picked for discussion during HRAC meeting as intervention for skills gaps identified. The company also developed reward and performance system policy that help in recognizing performance and sanctions. A committee to handle staff appraisals was formed during the year (Performance management review committee), an ad-hoc committee answerable to HRAC.

Safety and security measures

During the year ended 30 June 2021, the Company achieved the following;

1. Championed the roll out of ISO 45001: 2018 – Occupational health and safety management system certification journey in the company through staff awareness trainings, development of safety procedures and carrying out internal audits. The Section also developed a Safety and Health policy being a management tool for OSH in the organization.
2. Participated in the development of the Energy (Incident and Accident Reporting) Regulations as well being incorporated in the Ministerial OSH Committee.
3. Promotional of safe work through effective incident and accident investigations, OSH inspections /audits, robust risk assessment and monitoring implementations of corrective actions for both operational sites and sites under construction.
4. Sensitized/trained staff and contracted personnel on workplace safety and health measures in the offices and substations. As well as dissemination of vital Osh information to employees.

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING (Continued)

3. Employee welfare (continued)

Safety and security measures (continued)

5. Participated in the management of COVID-19 pandemic through development of guidelines, protocols, and purchase of protective equipment.
6. Enhanced public safety by listening to safety and health concerns of employees and other stakeholders and guiding appropriately.
7. Developed guidelines on statutory occupational safety and health training requirements for the company.
8. The Section played a key role in ensuring safety and health during the completion and commissioning of Olkaria-Lessos-Kisumu transmission line and associated substations.
9. Participated in the development of the Energy (Incident and Accident Reporting) Regulations.

4. Market place practices

KETRACO continues to comply with the Treasury Circular No. 09/2015 on creation of the Government Advertising Agency (GAA) to coordinate public sector advertising; and Office of the President Circular No. OP/CAB.58/4A on establishment of MyGov publication. In addition, we are guided by the company's core values and endeavour to responsibly update our stakeholders on our mandate through various Information, Education and Communication (IEC) materials published in print, broadcast and / or electronic media.

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

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

As part of the signed performance contract on corruption prevention the company updated the Corruption Risk Assessment and mitigation plan which is shared with the Ethics and Anti-Corruption Commission (EACC). On a quarterly basis the corruption prevention committee held update meetings and reported on implementation status with supporting documents to EACC.

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

**3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING
(Continued)**

4. Market place practices (continued)

The Company continued implementing corruption prevention measures as identified in the corruption risk assessment and mitigation plan. In addition, Integrity Committee quarterly meetings were held and quarterly reports of the corruption risk assessment reports and the implementation of the mitigation plans were prepared and submitted to EACC.

5 Community engagements

KETRACO has remained committed to engaging with local communities in project affected areas, the general public, sector partners and other stakeholders aiming at cultivating their goodwill, cooperation and amicable association. In this regard, KETRACO ensured that all Corporate Social Responsibility projects were implemented through a consultative process with stakeholders' right from the initial project planning through to commissioning.

The host communities in the areas where the projects traverses have benefited from employment opportunities by KETRACO and its contractors. This has boosted the living standards of the communities in the project areas.

During the year, KETRACO developed a customer relationship management system on Integrated Location Intelligence System (ILIS) platform, which is aimed at enhancing handling of customer complaints and access to information by various stakeholders especially in wayleave acquisition grievance recording and resolution.

In Lot 4, only one PAP was affected which is the County Government of Marsabit. This is a community land and legally entrusted with the county government. To ensure proper use for the community, we had Consultations with the community and county government officials and helped community come up with projects that would benefit the community. This was done and monitored, projects are in different stages being monitored by KETRACO. A total of KShs. 117 Million has been disbursed to the various communities in Marsabit and Isiolo counties as per the memorandum of understanding with the communities

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer of KETRACO and the Project Coordinator for the Eastern Electricity Highway 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 30 June 2021. 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; selecting and applying appropriate accounting policies; and (v) making accounting estimates that are reasonable in the circumstances.

The Chief Executive Officer of KETRACO and the Project Coordinator for the Eastern Electricity Highway 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 Chief Executive Officer of KETRACO and the Project Coordinator for the Eastern Electricity Highway 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 30 June 2020, and of the Project's financial position as at that date. The Principal Secretary for the Ministry of Energy and Petroleum and the Project Coordinator for the Eastern Electricity Highway 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 Chief Executive Officer of KETRACO and the Project Coordinator for the Eastern Electricity Highway Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

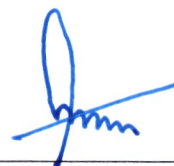
The Project financial statements were approved by The Chief Executive Officer of KETRACO and the Project Coordinator for the Eastern Electricity Highway Project on 30/11 2021 signed by them.



Chief Executive Officer
FCPA Fernandes Barasa, OGW



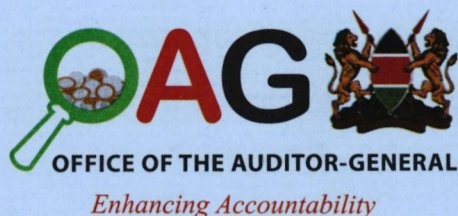
Project Coordinator
Antony Wamukota:



General Manager Finance
Tom Imbo
ICPAK Member Number:7039

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HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON EASTERN ELECTRICITY HIGHWAY PROJECT (IDA CREDIT NO. 5148-KE; AFD LOAN NO.CKE 1030 01B AND ADF LOAN NO.2100150027845) FOR THE YEAR ENDED 30 JUNE, 2021 - KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, 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, 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

The accompanying financial statements of Eastern Electricity Highway Project set out on pages 19 to 34, which comprise the statement of financial assets as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Deloitte and Touche, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the result of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the Financial Statements present fairly, in all material respects, the financial position of Eastern Electricity Highway 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 Public Finance Management Act, 2012 and respective Financing Agreements No.5148-KE of 5 December, 2012; Loan No.CKE 1030 01B of 16 December, 2013 and Loan No.2100150027845 of 6 December, 2012 between the Republic of Kenya and the International Development Association (IDA), Agence Francaise De Development (AFD) and African Development Fund (ADF).

In addition, the special Accounts Statement present fairly the special accounts transaction and closing balances 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 Easter Electricity Highway project 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 judgment, are of most significance in the audit of the financial statements. I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1. Pending Bills

Note 12:1 and 12.2 to the Financial Statements reflect pending bills amounting to Kshs.383,308,720 as at 30 June, 2021 (2020: Kshs.2,640,343,389). During the year under review, the project management made payments amounting to Kshs.5,611,733,914 while accumulating bills amounting to Kshs.3,354,699,245.

Report of the Auditor-General on Eastern Electricity Highway Project (IDA Credit No.5148-KE; AFD Loan No.CKE 1030 01B and ADF Loan No.2100150027845) for the year ended 30 June, 2021 - Kenya Electricity Transmission Company Limited

Management has not explained why the bills were not settled during the year they were incurred. The Project is at risk of incurring significant interest costs and penalties with the continued delay in payment.

Failure to settle bills during the year they were incurred distorts the financial statements and adversely affects the budget provision for the subsequent year as they form the first charge.

2. Undrawn Fund Balance

As reported previously, the project had an approved budget of US\$ 441,000,000, AU 75,000,000, EUR 54,556,082 and counterpart funding by the Government of Kenya of Kshs.8,585,000,000, all equivalent to Kshs.74,208,027,626. The Project was envisaged to be completed by 30 September, 2020. However, as at 30 June, 2021 there was an undrawn balance of Kshs.27,463,658,564 or approximately 37% of the project funding with total pending bills of Kshs.383,308,720. It is likely that the project funding of Kshs.27,463,658,565 which had not been drawn may not be absorbed by the time of expiry of the funding period.

Consequently, the significant unutilized funding balance may result in funds being locked in the current project whereas these funds could have been utilized on other projects to deliver services to Kenyans.

3. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflected actual receipts of Kshs.6,616,824,364 against final budget of Kshs.6,696,000,000 resulting to a shortfall of Kshs.79,175,636. Further, the actual expenditure for the year amounting to Kshs.5,848,436,687 against the final budget expenditure of Kshs.6,696,000,000 resulting to an under absorption of Kshs.847,563,313. Management did not provide explanation regarding the under absorption.

4. Long Outstanding Wayleave Compensation

As reported in the previous year, the expected compensation to landowners for wayleaves acquired since inception amounted to Kshs.2,615,896,273 out of which an amount of Kshs.2,387,141,878 was certified as payable. The project management had so far paid an amount of Kshs.2,572,091,186 leaving a balance of Kshs.43,805,087 unpaid. The Management has attributed the failure to pay the amount to lack of budgetary allocation from National Treasury and lengthy land valuation negotiations due to absentee landowners and various court injunctions on disputed cases.

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, 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

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 complying, 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

Automation of the Financial Reporting Process

Review of the financial reporting process revealed significant manual interventions. Although the subledgers and ledgers are extracted from the Intelligence Business reporting module of the SAP system, the processing of the trial balance and financial statements is done manually on excel worksheet.

Consequently, the manual interventions may result in errors in the financial statements.

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 governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue sustain services, disclosing, as applicable, matters related to

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

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

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

Those charged with governance are responsible for overseeing the project financial reporting process, reviewing the effectiveness of how the entity 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

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 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 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 the project 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 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 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


15 December, 2021

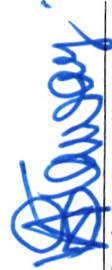
Kenya Electricity Transmission Company Limited
 Eastern Electricity Highway Project
 Reports and Financial Statements
 For the Year Ended 30 June 2021

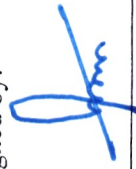
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020/2021			2019/2020			Cumulative-to-date
		Receipts and payments controlled by the entity KShs	Payments made by third parties KShs	Totals KShs	Receipts and payment controlled by the entity KShs	Payments made by third parties KShs	Totals KShs	
Receipts								
Transfer from Government entities	11.1	388,250,000	-	388,250,000	510,250,000	-	510,250,000	4,208,464,567
Loan from external development partners	11.2	-	6,212,004,816	6,212,004,816	97,490,028	10,534,718,501	10,632,208,529	42,535,715,126
Miscellaneous receipts	11.3	16,569,548	-	16,569,548	381,044	-	381,044	22,564,432
Total Receipts		404,819,548	6,212,004,816	6,616,824,364	608,121,072	10,534,718,501	11,142,839,573	46,766,744,125
Payments								
Purchase of goods and services	11.4	158,178,492	-	158,178,492	310,003,687	-	310,003,687	1,345,917,864
Acquisition of non-financial assets	11.5	281,023,178	5,409,235,017	5,690,258,195	270,321,331	10,534,718,501	10,805,039,832	44,360,020,625
Total Payments		439,201,670	5,409,235,017	5,848,436,687	580,325,018	-	11,115,043,519	45,705,938,489
(Deficit)/ Surplus		(34,382,122)	802,769,799	768,387,677	27,796,054	-	27,796,054	1,060,805,636

The accounting policies and explanatory notes to these project financial statements form an integral part of the project financial statements. The project financial statements were approved on 30/11/2021 and signed by:


 Chief Executive Officer
 FCPA Fernandes Barasa, OGW


 Project Coordinator
 Antony Wamukota


 General Manager Finance
 Tom Imbo
 ICPAK Member Number: 7039

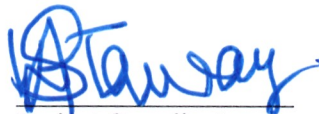
7. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2021

	Notes	2020/2021 KShs	2019/2020 KShs
Financial Assets			
Cash and cash equivalents			
Bank balances	11.6	1,060,805,636	292,417,959
Total Financial Assets		<u><u>1,060,805,636</u></u>	<u><u>292,417,959</u></u>
Represented By			
Fund balance b/fwd	11.7	292,417,959	264,621,905
Surplus for the year		768,387,677	27,796,054
Net Financial Position		<u><u>1,060,805,636</u></u>	<u><u>292,417,959</u></u>

The accounting policies and explanatory notes to these project financial statements form an integral part of the project financial statements. The project financial statements were approved on 30/06/2021 2021 and signed by:



Chief Executive Officer
 FCPA Fernandes Barasa, OGW



Project Coordinator
 Antony Wamukota




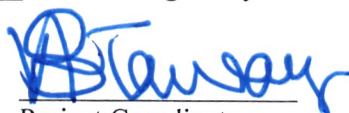
General Manager Finance
 Tom Imbo
 ICPAK Member Number: 7039

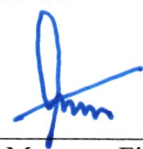
8. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020/2021 KShs	2019/2020 KShs
Cash flows from operating activities			
Receipts for operating income			
Transfers from Government entities	11.1	388,250,000	510,250,000
Miscellaneous receipts	11.3	16,569,548	381,044
Payments from operating expenses			
Purchase of goods and services	11.4	(158,178,492)	(310,003,687)
Net cash flows generated from operating activities		246,641,056	200,627,357
Cash flows from investing activities			
Acquisition of non-financial assets	11.5	(5,690,258,195)	(10,805,039,832)
Cash Flows from financing Activities			
Proceeds from Foreign Borrowings	11.2	6,212,004,816	10,632,208,529
Net cashflow from financing activities		6,212,004,816	10,632,208,529
Net Increase in Cash and Cash Equivalents		768,387,677	27,796,054
Cash and cash equivalent at beginning of the year		292,417,959	264,621,905
Cash and cash equivalent at end of the year	11.6	1,060,805,636	292,417,959

The accounting policies and explanatory notes to these project financial statements form an integral part of the project financial statements. The project financial statements were approved on 30/06/2021 2021 and signed by:


 Chief Executive Officer
 FCPA Fernandes Barasa, OGW


 Project Coordinator
 Antony Wamukota


 General Manager Finance
 Tom Imbo
 ICPAK Member Number:7039

Kenya Electricity Transmission Company Limited
 Eastern Electricity Highway Project
 Reports and Financial Statements
 For the Year Ended 30 June 2021

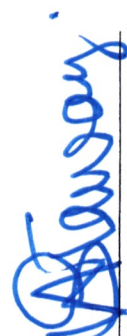
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payment Item	Original Budget		Adjustments		Final Budget		Actual Comparable basis		Variance		% of variance f=d/c%
	a	b	c	d	e=c-d	f=d/c%					
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs		
Receipts											
Transfer from Government entities	372,000,000	-	372,000,000	388,250,000	(16,250,000)	104%					
Proceed from domestic and foreign grants	7,824,000,000	(1,500,000,000)	6,324,000,000	6,212,004,816	111,995,184	98%					
Miscellaneous receipts	-	-	-	16,569,548	(16,569,548)						
Total receipts	<u>8,196,000,000</u>	<u>(1,500,000,000)</u>	<u>6,696,000,000</u>	<u>6,616,824,364</u>	<u>79,175,636</u>						
Payments											
Purchase of goods and services	(122,261,125)	-	(122,261,125)	158,178,492	35,917,367	-129%					
Acquisition of non-financial assets	(8,073,738,875)	1,500,000,000	(6,573,738,875)	5,690,258,195	(883,480,680)	-87%					
	<u>(8,196,000,000)</u>	<u>1,500,000,000</u>	<u>6,696,000,000</u>	<u>5,848,436,687</u>	<u>(847,563,313)</u>						

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



Chief Executive Officer
 FCPA Fernandes Barasa, OGW



Project Coordinator
 Antony Wamukota



General Manager Finance
 Tom Imbo
 ICPAK Member No:7039

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

10.1.1 Statement of compliance and basis of preparation

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

10.1.2 Reporting entity

The financial statements are for the Eastern Electricity Highway Project 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 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 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 and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

10. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Recognition of receipts (Continued)

- **External Assistance (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 recognised 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.

- **Purchase of goods and services**

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

- **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.

10. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

e) 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 Authority to incur expenditure holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

f) Pending bills

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

g) Third party payments

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

10. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) 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.

i) 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.

j) 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.

k) 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 31 June 2021.

l) Errors

Material prior year 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 year(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior year presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior year presented.

11. NOTES TO THE FINANCIAL STATEMENTS

11.1 RECEIPTS FROM GOVERNMENT OF KENYA

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

	2020/2021	2019/2020	Cumulative to-date
	KShs	KShs	KShs
Counterpart funding through State Department of Energy			
Counterpart funds Quarter 1	109,250,000	182,500,000	1,238,142,983
Counterpart funds Quarter 2	186,000,000	218,500,000	1,331,421,900
Counterpart funds Quarter 3	93,000,000	109,250,000	1,105,339,797
Counterpart funds Quarter 4*	-	-	533,559,887
Total	388,250,000	510,250,000	4,208,464,567

*Fourth quarter transfer from the Government of Kenya for 2020/2021 amounting to KShs 93,000,000 was received on were received on 6 July 2021 and therefor have not been included in this report.

11.2 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2021 we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Loans received as cash	Loans received as direct payment	Total amount	
					2020/2021	2019/2020
			KShs	KShs	KShs	KShs
Loans Received from Multilateral Donors						
International Development Association (IDA)	2020-2021	USD 43,884,996	99,536,535	4,806,646,941	4,906,183,475	9,716,953,233
African Development Fund (ADF)	2020-2021	UA 1,404,299	-	235,851,523	235,851,523	561,206,341
Agence Francaise de Development (AFD)	2020-2021	EUR 8,348,782	829,151,645	240,818,173	1,069,969,818	354,295,345
Total			928,688,179	5,283,316,637	6,212,004,816	10,632,454,919

11. NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.3 MISCELLANEOUS RECEIPTS

	2020/2021			2019/2020	Cumulative to- date
	Receipts controlled by the entity in cash	Receipts controlled by third parties	Total receipts		
	KShs	KShs	KShs	KShs	KShs
Interest income	16,569,548	-	16,569,548	381,044	22,564,432
Total	16,569,548	-	16,569,548	381,044	22,564,432

11.4 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		
	KShs	KShs	KShs	KShs	KShs
Legal / consultancy	35,893,312	-	35,893,312	124,751,357	305,881,173
Audit fees	-	-	-	-	2,037,975
Other project costs	86,791,164	-	86,791,164	40,661,248	559,624,876
Site travel expense and accommodation	35,494,016	-	35,494,016	34,671,019	368,453,776
Training	-	-	-	109,920,063	109,920,063
Total	158,178,492	-	158,178,492	310,003,687	1,345,917,864

11.5 ACQUISITION OF NON-FINANCIAL ASSETS

	2020/2021			2019/2020	Cumulative to- date
	Payments made by the entity in cash	Payments made by third parties	Total payments		
	KShs	KShs	KShs	KShs	KShs
Consultancy fees	-	-	-	-	633,373,692
Motor vehicles	-	-	-	-	308,644
Powerline (transmission equipment)	5,463,539,393	-	5,463,539,393	10,534,718,501	41,178,680,239
Wayleaves	226,718,802	-	226,718,802	270,321,331	2,547,658,050
Total	5,690,258,195	-	5,690,258,195	10,805,039,832	44,360,020,626

11.6 CASH AND CASH EQUIVALENTS

	2020/2021	2019/2020
	KShs	KShs
Bank accounts balances (Note 11.6A)	1,060,805,636	292,417,959
Total	1,060,805,636	292,417,959

The project has 5 project accounts spread within the project implementation area managed by KETRACO as listed below:

11. NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.6A Bank Accounts

	2020/2021	2019/2020
	KShs	KShs
Foreign Currency Accounts		
Standard Chartered Bank [A/c No. 9304026386600]	-	190,042
Standard Chartered Bank [A/c No. 8704026386600]	-	473,421
Total foreign currency balances	-	663,463
Local Currency Accounts		
NCBA Bank [A/c No 1001309443]	28,571,524	1,207,384
Standard Chartered Bank [A/c No.0104026386600]	762,697,909	46,687
Kenya Commercial Bank	269,536,203	290,498,425
Total local currency balances	1,060,805,636	291,754,496
Total bank account balances	1,060,805,636	292,417,959

11.6B Special Deposit Account

The balances in the Project's Special Deposit Account as at 30 June 2021 are not included in the statement of the Financial Assets since they are yet to be drawn into the exchequer Account as voted provision.

Below is the Special Deposit Account 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.

	2020/2021	2019/2020
	KShs	KShs
Foreign currency bank Account No.1000214279		
Opening balance	179,659	18
Total amount deposited in the account	100,322,200	97,660,577
Total amount withdrawn (as per Statement of Receipts and Payments)	(100,501,859)	(97,490,027)
Less: (forex loss)/gain	-	9,091
Closing balance (as per SDA bank account reconciliation attached)	-	179,659

The Special Deposit Account(s) reconciliation statements(s) has been attached as Annex 4 to support these closing balances.

11.7 FUND BALANCE B/FWD

	2019/2020	2019/2020
	KShs	KShs
Bank balances	292,417,959	264,621,905
Total	292,417,959	264,621,905

12. OTHER IMPORTANT DISCLOSURES

12.1 PENDING BILLS (Annex 2A)

Description	Balance b/f 2020/2021	Additions for the year	Paid during the year	Balance c/d 2020/2021
	KShs	KShs	KShs	KShs
Supply of Goods	2,520,993,826	2,997,489,397	5,178,979,590	339,503,633
Supply of services	53,146,933	152,888,589	206,035,522	-
Total	2,574,140,759	3,150,377,986	5,385,015,112	339,503,633


12.2 OTHER PENDING PAYABLES (Annex 2B)

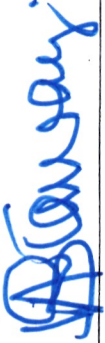
Description	Balance b/f 2020/2021	Additions for the year	Paid during the year	Balance c/f 2021/2022
	KShs	KShs	KShs	KShs
Project affected persons	66,202,630	204,321,259	226,718,802	43,805,087
Total	66,202,630	204,321,259	226,718,802	43,805,087

13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
n/a	Pending bills KShs. 4,576,275,824	All pending bills were as a result of inadequate budget from Treasury. They were settled in October 2020.	Tom Imbo Ag. GM/Finance & Strategy	Resolved	October 2020
n/a	Undrawn balances KShs. 35,658,914,156	Resulted from Project Appraisal document and savings realized after tendering process, wayleaves financing based on actual valuations.	Tom Imbo Ag. GM/Finance & Strategy	Resolved	June 2020
n/a	Long outstanding wayleave payments	The budget is adequate, delays in wayleave payments occasioned by: <ul style="list-style-type: none"> • Legal suits • Policy changes • Absentee landlords. • Long land negotiations procedures by PAPs 	GM Technical services	ongoing	N/A


 Chief Executive Officer
 FCPA Fernandes Barasa, OGW

Project Coordinator
 Antony Wamukota


Date _____

Date _____

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payment Item	Final Budget	Actual Comparable basis	Variance	% of variance	Comment on Variance
	c	d	e=c-d	f=d/c%	
Receipts					
Transfer from Government entities	372,000,000	388,250,000	(16,250,000)	104%	(i)
Proceed from domestic and foreign grants	6,324,000,000	6,212,004,816	111,995,184	98%	(ii)
Miscellaneous receipts	-	16,569,548	(16,569,548)	-	(iii)
Total receipts	6,696,000,000	6,616,824,364	79,175,636		
Payments					
Purchase of goods and services	(122,261,125)	158,178,492	35,917,367	-129%	(iv)
Acquisition of non-financial assets	(6,573,738,875)	5,690,258,195	(883,480,680)	-87%	(v)
Total payments	(6,696,000,000)	5,848,436,687	(847,563,313)		

Explanations for all variance below 90% and above 100%

- i. Includes exchequer receipts for Financial Year 2019/2020 of KShs 109,250,000*
- ii. (ii) The movements in miscellaneous receipts relates to the interest income from the bank balance held in financial institutions. This balance was not budgeted*
- iii. This amount relates to administrative, travel and consultancy costs budgeted under item (i) above.*
- iv. The project is 99% complete hence slowed project activities that has impacted on budget absorption.*

ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Currency	Revised Amount (as per latest addendum)	Date Contracted	Amount for Certified Work To-Date	Amount Paid To-Date	Outstanding Balance 2021	Outstanding Balance 30.6.2020
	KShs	a	b	c	KShs	KShs	KShs
Supply of goods						e=c-d	
Kalpataru Power Transmission National Company	KShs	5,600,200,961	30.6.2015	4,605,425,059	4,581,772,794	23,652,265	24,515,677
KEC International	KShs	4,476,760,666	30.4.2014	3,980,089,047	3,944,358,677	35,730,370	-
Siemens Isolux	KShs	4,795,665,213	30.6.2015	4,463,372,518	4,463,372,518	-	-
Larsen & Toubro	KShs	26,711,453,410	28.10.2015	21,997,160,087	21,717,039,089	280,120,998	2,496,478,149
Leonardo Helicopters	KShs	5,391,575,587	30.6.2015	4,813,412,001	4,813,412,001	-	-
Sub-Total		47,785,924,556	8.9.2016	40,665,070,325	40,325,566,692	339,503,633	2,520,993,826
Supply of services							
Lahmeyer International	KShs	1,607,588,529	30.8.2012	1,350,055,291	1,350,055,291	-	53,146,933
Sub-Total		1,607,588,529	-	1,350,055,291	1,350,055,291	-	53,146,933
Grand Total		49,393,513,085		42,015,125,616	41,675,621,983	339,503,633	2,574,140,759

ANNEX 2B - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount KShs	Date Payable Contracted KShs	Amount of Certified Work To-Date KShs	Amount Paid To-Date KShs	Outstanding Balance 2021 KShs	Outstanding Balance 2020 KShs
		a	b	c	d	e=c-d	
Amounts due to Third Parties							
Project affected persons	Wayleaves	2,615,896,273	30.6.2014	2,615,896,273	2,572,091,186	43,805,087	66,202,630
Grand Total		2,615,896,273		2,615,896,273	2,572,091,186	43,805,087	66,202,630

Kenya Electricity Transmission Company Limited (KETRACO)
 Eastern Electricity Highway Project
 Reports and Financial Statements
 For the year Ended 30 June 2021

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost	*Purchases/Additions in the Year	** Disposals in the Year	Closing Cost
	KShs (a)	KShs (b)	KShs (c)	KShs (d)= (a)+ (b)-(c)
Powerline (Transmission Equipment)	38,669,762,430	5,690,258,195	-	44,360,020,625
Total	38,669,762,430	5,690,258,195	-	44,360,020,625

Notes

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

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

ANNEX 4 – SPECIAL DEPOSIT ACCOUNT NO. 1000214279 RECONCILIATION STATEMENT

	FY 2020/21	FY 2019/20
	KShs	KShs
Central Bank of Kenya		
Balance at 1 July	179,659	18
Add	100,322,200	97,660,577
Disbursement received during the year		
Less	(100,501,859)	(97,490,028)
Disbursement to the Project Account		
Forex gain/(loss)	=	9,091
Balance at 30 June	-	179,659