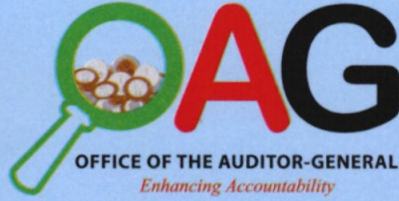


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



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REPORT

OF NATIONAL ASSEMBLY
PAPERS LAID

DATE: 25 FEB 2026

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Wednesday

THE AUDITOR-GENERAL

TABLED
BY:

Majority Party Whip

CLERK-AT
TABLE:

Irene Nduku

ON

**OLKARIA-LESSOS-KISUMU TRANSMISSION
LINES CONSTRUCTION PROJECT (JICA LOAN
NUMBER KE- P28)
FOR THE YEAR ENDED
30 JUNE, 2025**

**KENYA ELECTRICITY TRANSMISSION
COMPANY LIMITED**



OLKARIA-LESSOS-KISUMU TRANSMISSION LINES CONSTRUCTION PROJECT

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED (KETRACO)

JICA LOAN NO.KE-P28

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

Transitional International Public Sector Accounting Standards (IPSAS) Financial Statements

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1. ACRONYMS AND GLOSSARY OF TERMS

GOK	Government of Kenya
HVDC	High Voltage Direct Current
ISA	International Standards on Auditing
JICA	Japan International Co-operation Agency
JPY	Japanese Yen
KETRACO	Kenya Electricity Transmission Company
KV	Kilovolts
PFSs	Project Financial Statements
PIU	Project Implementing Unit
RAP	Resettlement Action Plan
SORE	Statement of Receipts and Expenditure
UA	Units of Account
USD	United States Dollar
IPSAS	International Public-Sector Accounting Standards
MDAs	Ministries, Departments and Agencies
JV	Joint Venture
FCPA	Fellow of the Institute of Certified Accountants of Kenya
CPA	Certified Public Accountant of Kenya
ISO	International Organisation for Standardisation
Ag	Acting
Eng	Engineer
BSc	Bachelor of Science
IEK	Institution of Engineers of Kenya
BA	Bachelor of Arts
UON	University of Nairobi
ISK	Institution of Surveyors of Kenya
MA	Master of Arts
OGW	Order of Grand Warrior
ICPAK	Institute of Certified Public Accountants
HRAC	Human Resource Advisory Committee

Kenya Electricity Transmission Company Limited
OLKARIA-LESSOS-KISUMU TRANSMISSION LINES CONSTRUCTION PROJECT (JICA Loan
No.Ke-P28)
Reports & Financial Statements
For the Year Ended 30 June 2025

JV	Joint Venture
AGPO	Access to Government Procurement Opportunities
CSR	Corporate Social Responsibility
OSH	Occupation, Safety and Health
EACC	Ethics and Anti-Corruption Commission
PSASB	Public Sector Accounting Standards Board.
MBS	Moran of the order of the Burning Spear

2. PROJECT INFORMATION AND OVERALL PERFORMANCE

2.1 Name and registered office

Name: The project's official name is the Olkaria-Lessos-Kisumu Transmission Lines Construction Project.

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

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

The address of its registered office is:

Kenya Electricity Transmission Company Limited
 Block B, Kawi House
 Off Red Cross Road, South C
 P. O. Box 34942 – 00100
 Nairobi.

Contacts: The following are the project contacts

Telephone: (+254) 20 – 4956000

E-mail: info@KETRACO.co.ke

Website: www.KETRACO.co.ke

2.2 Project Information

Project start dates:	KETRACO/PT/005/2014-LOT 1 - 23 February 2016 KETRACO/PT/005/2014-LOT 2 - 15 February 2016 KETRACO/PT/005/2014-LOT 3 - 16 February 2016
Project end dates:	KETRACO/PT/005/2014-LOT 1 –30 June 2021 KETRACO/PT/005/2014-LOT 2 – 31 May 2021 KETRACO/PT/005/2014-LOT 3 – 31 March 2022
Project manager:	The project manager is Eng. Samson Akuto
Project sponsor:	The project sponsors are Government of Kenya and JICA
Project Completion report:	Still in the process of being finalized in consultation with JICA.

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.3 Project Overview

Line Ministry/ State Department of the project	The project is under the supervision of the Kenya Electricity Transmission Company Limited, a state corporation under the State Department of Energy.
Project number	KETRACO/PT/005/2014-LOT 1 KETRACO/PT/005/2014-LOT 2 KETRACO/PT/005/2014-LOT 3
Strategic goals of the project	The strategic goal of the project is to increase electricity access and address the challenges of access and low connectivity
Achievement of strategic goals	The project management aimed to achieve the goals through the following means: Lot 1 – Design, manufacture, supply, erection, testing and commissioning of the 400kV transmission lines Lot 2 – Design, manufacture, supply, erection, testing and commissioning of 220kV and 132 kV Transmission Lines Lot 3 – Design, manufacture, supply, erection, testing and commissioning of substation extensions at Olkaria, Lessos and Kisumu and a new 220/132/33kV substation at Kibos.
Other important background information of the project	<p>The project is implemented by Kenya Electricity Transmission Company Limited (KETRACO) which was incorporated on 2 December 2008 and registered under the Companies Act, Cap 486 pursuant to Sessional Paper No. 4 of 2004 on Energy. The Company was established to develop new high voltage electricity transmission infrastructure that will form the backbone of the National Transmission Grid, in line with Kenya Vision 2030. Its core business is to plan, design, build and maintain new electricity transmission lines and associated substations. These new lines will include 132kV, 220kV, 400kV and 500kV High Voltage Direct Current (HVDC). In carrying out this mandate, the Company is expected to develop a new and robust grid system in order to:</p> <ul style="list-style-type: none"> (i) Improve quality and reliability of electricity supply throughout the country; (ii) Transmit electricity to areas that are currently not supplied from the national grid; (iii) Evacuate power from planned generation plants; and (iv) Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region. <p>As the owner of the project, KETRACO provides the organizational set up for the activities, qualified staff, and basic office infrastructure for efficient execution of the project.</p> <p>The JICA Funded Projects comprises of projects which are funded jointly by the Government of Kenya through the Ministry of Energy and The National Treasury and a loan obtained from Government of Japan. The loan agreement was signed on 10 December 2010 for JPY 12.41 Billion. The Consultant and Contractors' details are as follows:</p>

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

Project Overview (continued)

	Name	Description	Project Scope	Contract Amount-USD	Completion date
	JV of Nippon Koei Philkoei UK and Gibb International	Consultant-signed on 09 December 2011	Engineering and project management services	JPY 305,118,100 USD 724,190 and KShs 274,688,910	30 June 2022
	JV of Kalpataru and Kinden	Contractor-signed on 10 March 2015	Lot 1 – Design, manufacture, supply, erection, testing and commissioning of the 400kV transmission lines	USD 66,843,520.02 and KShs 942,085,144.63	30 June 2021
	JV of NARI Group Corporation and CCCE	Contractor-signed on 10 March 2015	Lot 2- Design, manufacture, supply, erection, testing and commissioning of 220kV and 132 kV Transmission Lines	USD 19,579,361	31 May 2021
	JV of Sieyuan and NEIE	Contractor-signed on 31 March 2015	Lot 3- Design, manufacture, supply, erection, testing and commissioning of substation extensions at Olkaria, Lessos and Kisumu and a new 220/132/33kV substation at Kibos.	USD 12,087,842.80 and KShs 556,224,871.97	31 March 2022
Current situation that the project was formed to intervene	Low electricity access and low connectivity.				
Project duration	The project commenced in February 2016 and was completed in June 2021.				

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.4 Bankers

The following are the bankers for the current year:

NCBA Bank
 Mara & Ragati Roads, Upper Hill
 P. O. Box 30437 – 00100 GPO
 Nairobi, Kenya.

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

Central Bank of Kenya
 Head Office, Haile Selassie Avenue,
 P.O. Box 60000-0200, Nairobi,

2.5 Auditors

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

2.6 Roles and Responsibilities

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

Names	Title designation	Key qualification	Responsibilities
Eng Kipkemoi Kibias	Ag. Managing Director &CEO	Masters in Business Administration, Masters in Nuclear Power Plant Engineering and a Bachelor of Science in Electrical & Electronics Engineering.	Managing Director
Eng. Justin Muna	Ag. GM, Design and Construction	MSc GIS, BSC Civil Engineering	Project Coordinator
CPA Tom Imbo	General Manager, Finance	Masters in Business Administration, Bachelor of Education, CPA	Project Reporting
Engineer Samson Akuto	Project Manager	Bachelor of science Electrical Engineering	Project Engineer
Johnson Muthoka	Senior Manager Wayleaves	BA Land Econ (Hons), Master of Arts (urban and regional planning, Full member of Institute of Survey of Kenya (ISK), registered and Licensed land economist	Wayleaves Acquisition (Land Economists, Land surveyors, Social Economists, Environmental Experts)

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.7 Funding summary

The project was for a duration of 5 years from 2016 to 2021. With an approved budget of JPY 12,410,000,000 equivalent to KES 11,155,473,794 and Counterpart funding of KES 5,871,364,524 as highlighted in the table below.

A. Source of Funds

Source of funds	Development Partner Commitment		Amount received to date – (30.06.2025)		Undrawn balance to date - (30.06.2025)	
	<i>JPY</i>	<i>KShs</i>	<i>JPY</i>	<i>KShs</i>	<i>JPY</i>	<i>KShs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
Loan						
JICA	12,410,000,000	11,155,473,794	12,297,858,733	11,054,723,052	112,141,267	100,750,742
Counterpart funds						
Government of Kenya	-	5,871,364,524	-	5,871,364,524	-	
Funding from Ketraco		1,451,474,149	-	1,451,474,149		-
Miscellaneous receipts		9,654,370		9,654,370		-
Total	12,410,000,000	18,487,966,837	12,297,858,733	18,387,216,095	112,141,267	100,750,742

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

B. Application of Funds

Source of funds	Amount received to date-(30th June 2025)		Cumulative paid to date – (30.06.2025)		Unutilised balance to date - (30.06.2025)	
	<i>JPY</i>	<i>KShs</i>	<i>JPY</i>	<i>KShs</i>	<i>JPY</i>	<i>KShs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
Loan						
JICA	12,297,858,733	11,054,723,052	12,297,858,733	11,054,723,052	-	-
Counterpart funds						
Government of Kenya	-	5,871,364,524	-	5,833,269,249	-	38,095,275
Funding from Ketraco		1,451,474,149	-	1,451,474,149	-	-
Miscellaneous receipts		9,654,370		9,654,370	-	-
Total	12,297,858,733	18,387,216,095	12,297,858,733	18,349,120,820	0	38,095,275

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.8 Summary of Overall Project Performance

i) Budget Performance Against Actual Amounts

During the year under review, the project received KShs. 271,138,961 against a final budget of KShs. 275,800,000. Similarly, the project incurred total expenditure of KShs. 233,155,062 during the year, against a final budget of KShs. 275,800,000 representing 85% budget utilization. The project's cumulative receipts and payments to-date amounts to KShs. 18,387,216,095 and KShs. 18,349,120,820

ii) Physical Progress and Achievements of the Project

JICA finances the Olkaria-Lessos-Kisumu Transmission Line and associated Substations. So far, the Olkaria to Lessos and Lessos to Kisumu Transmission Lines are 100% complete. The substations component comprising of Lot 3 is also 100% complete.

iii) Value for money Achievements

The following value for money achievements will be realised now that the project was completed on 30th June 2021:

- 1/ No power outages in Kisumu and environs. Therefore, no electricity user is off power supply.
- 2/ There is no venting of steam at Olkaria because now there is a line to evacuate power;
- 3/ Reduced losses because higher voltage Olkaria Lessos Kisumu line offers low power losses during transmission;
- 4/ Industries in Kisumu can grow in business due to reliable power supply afforded by the OLK transmission line.

iv) Absorption rate

YEAR	FINAL BUDGET	ACTUAL SPENT	ABSORPTION
	A	B	C=B/A
2016/2017	5,108,000,000	1,313,931,367	25.70%
2017/2018	1,374,500,000	2,298,375,610	167.20%
2018/2019	1,522,000,000	1,375,357,692	90.40%
2019/2020	2,232,000,000	1,939,078,225	86.90%
2020/2021	5,067,559,158	4,525,875,565	89.30%
2021/2022	1,800,000,000	1,841,137,918	102.30%
2022/2023	1,625,000,000	811,941,887	50.00%
2023/2024	433,000,000	336,089,189	77.60%
2024/2025	275,800,000	233,155,062	84.54%
OVERALL			75.40%

v) Implementation Challenges and Way Forward

The project was successfully completed on June 30, 2021

2.9 Summary of Project Compliance:

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

3. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Introduction

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

The key development objectives of the project's 2018-2022 are to:

- a) Enhance electricity access, availability and reliability of the completed transmission lines and substations and complete construction of key transmission infrastructure.
- b) Increase electricity supply by completing transmission lines for evacuating generated power.
- c) Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region

Progress on attainment of Strategic development objectives

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

Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
The Olkaria-Lessos-Kisumu Project	To stabilise power supply in the western parts of Kenya	-Facilitate evacuation of power from the geothermal fields of Olkaria - enabling additional evacuation of power from Olkaria and Loiyangalani	Number of substations and transmission lines completed.	2 Transmission Lines are 100% complete, 229.4 KM of 400 Kv line from Olkaria to Lessos and 79.5 KM 220/132Kv line from Lessos to Kisumu. The new 220/132/33 Kv substation at kibos is 100% complete as well as extension works at the Mamboleo Substation in Kisumu

4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

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

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

Our approach

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

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

1. Sustainability strategy and profile

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

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

2. Environmental and Social Sustainability

Environmental and Social Compliance

KETRACO is committed to sustainable operations in alignment with relevant legislation, including the Environmental Management and Coordination Act (EMCA) 1999, the Climate Change Act 2016, the Sustainable Waste Management Act 2021, and the Land Act 2012. To ensure adherence to these laws and promote responsible environmental stewardship, the company has undertaken the following initiatives. Between July 2024 and June 2025, KETRACO completed twelve (12) ESIA's, ensuring that new projects meet environmental and social requirements.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

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

Development of an operational framework

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

Wayleave Compensation Regulations development

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

Integration of Environmental and Social Considerations

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

Community Sensitization and Awareness

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

Climate Change Mainstreaming

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

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

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

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

Corporate Social Responsibility (CSR) Integration

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

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

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

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

Renewable Energy Contribution

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

3. Safety and Security Measures

During the year ended 30 June 2025, the Company achieved the following;

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

The Section played a key role in ensuring safety and health during the completion and energization of Sabaki river crossing restoration works

5.STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer of KETRACO and the Project Coordinator for the Olkaria- Lessos-Kisumu Transmission Lines Construction 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 2025. This responsibility includes maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; safeguarding the assets of the Project; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

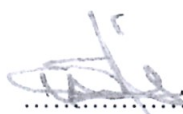
The Chief Executive Officer of KETRACO and the Project Coordinator for the Olkaria- Lessos-Kisumu Transmission Lines Construction Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public-Sector Accounting Standards.

The Chief Executive Officer of KETRACO and the Project Coordinator for the Olkaria- Lessos-Kisumu Transmission Lines Construction 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 2025, and of the Project's financial position as at that date. Chief Executive Officer of KETRACO and the Project Coordinator for the Olkaria- Lessos-Kisumu Transmission Lines Construction 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 Olkaria- Lessos-Kisumu Transmission Lines Construction 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 Chief Executive Officer of KETRACO and the Project Coordinator for the Olkaria- Lessos-Kisumu Transmission Lines Construction Project on 31/10/2025 and signed by them.



.....
Ag. Managing Director &CEO
Eng. Kipkemoi Kibias



.....
Ag. General Manager, Design
and Construction
Eng. Justin Muna

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON OLKARIA-LESSOS-KISUMU TRANSMISSION LINES CONSTRUCTION PROJECT (JICA LOAN NUMBER KE- P28) FOR THE YEAR ENDED 30 JUNE, 2025 – KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

PREAMBLE

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

- A. Report on 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 the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on 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 is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

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

I have audited the accompanying transitional International Public Sector Accounting Standards (IPSAS) financial statements of Olkaria – Lessos – Kisumu Transmission Lines

Report of the Auditor-General on Olkaria – Lessos – Kisumu Transmission Lines Construction Project (JICA Loan Number KE-P28) for the year ended 30 June, 2025 – Kenya Electricity Transmission Company Limited

Construction Project set out on pages 1 to 24, which comprise the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, 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 transitional IPSAS financial statements present fairly, in all material respects, the financial position of Olkaria – Lessos – Kisumu Transmission Lines Construction Project as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with the Transitional International Public Sector Accounting Standards (Accrual Basis) including the transitional provisions permitted under IPSAS33 and comply with the Financing Agreement between the Republic of Kenya and the Japan International Cooperation Agency Loan Number P28 dated 10 December, 2010 and the Public Finance Management Act, 2012 and the National Treasury and Economic Circular No.3 of 14 April, 2025.

Basis for Opinion

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

Emphasis of Matter

Long Outstanding Payables

The statement of financial position and Note 10 to the financial statements reflects trade and other payables balance of Kshs.1,968,497,149. As disclosed in the aging analysis contained in Note 10 to the financial statements, the amount had been outstanding for over three (3) years, including Kshs.1,040,819,054 in respect of outstanding wayleaves. Management did not provide justification for non-payment of the long outstanding amount which ought to have formed a first charge in the subsequent years' budget.

In addition, a summary of sources of funds indicates that the project had drawn a total of Kshs.18,387,216,095 out of the total committed funding of Kshs.18,387,216,095, resulting to a balance of Kshs.100,750,742 as undrawn. With nearly all funding commitment drawn and paid, it was not clear how Management intended to settle the outstanding payables considering that the Project had lapsed as at 31 March, 2022.

My Opinion is not modified in respect of these matters.

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

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Fund in 2024/2025 revealed that the following matters remained unresolved.

	Financial Year	Audit Issue
1.	2023/2024	Budgetary Control and Performance
2.	2023/2024	Unauthorized Transfers from KETRACO
3.	2023/2024	Failure to Open and maintain Project Account
4.	2023/2024	Failure to Automate the Financial Reporting Process.

Other Information

The Management is responsible for the other information set out on page iv to xv which comprise of Project Information and Overall Performance, Statement of Performance Against Predetermined Objectives, Environmental and Sustainability Reporting Governance Statement, Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on

Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Failure to Develop a Project Completion Report

The project information and overall performance indicates that the project was successfully completed on 30 June, 2021, however, as at the time of audit in September 2025, Management had not prepared a project completion report as required in section 4, sub section 5 of the loan agreement signed between Japan International Corporation Agency (JICA) and the Government of Kenya which provides that the Borrower shall promptly, in any event not later than six (6) months after completion of the Project, cause the executing Agency to furnish JICA with a project completion report in such form and in such details as JICA may reasonably request.

In circumstances, Management was in breach of the project Loan Agreement.

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

REPORT ON 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 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 overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by Financing Agreement between the Republic of Kenya and the Japan International Cooperation Agency dated 10 December 2010, I report, based on my audit, that:

Report of the Auditor-General on Olkaria – Lessos – Kisumu Transmission Lines Construction Project (JICA Loan Number KE-P28) for the year ended 30 June, 2025 – Kenya Electricity Transmission Company Limited

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

Basis for Conclusion

The Financing Agreement between the Republic of Kenya and the Japan International Cooperation Agency requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. 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 (Accrual 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 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.

The Board of Directors is 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 International Standards of Supreme Audit Institutions (ISSAIs). The standards require 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 ISSAIs 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 consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

03 December, 2025

7. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2025

	Notes	FY 2024/2025
		Kshs
Revenue		
Revenue Transfers	6	271,138,961
Funding from KETRACO		-
Miscellaneous Revenue		-
Total revenue		271,138,961
Expenses		
Total expenses		-
Other gains/(losses)		
Gain/(Loss) on foreign exchange transactions	7	1,639,924
Depreciation		500,126,288
Surplus/ (deficit)		(227,347,403)

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



.....
 Ag. Managing Director & CEO
 Eng. Kipkemoi Kibias



.....
 Ag. General Manager, Design
 and Construction
 Eng. Justin Muna



.....
 General Manager-Finance
 CPA Tom Imbo
 ICPAK Member Number:
 7039

8. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

	Note	FY 2024/2025	1st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	8	38,095,275	5,198,764
Receivables		-	-
Total Current Assets		38,095,275	5,198,764
Non-Current Assets			
Property, Plant and Equipment	9	18,504,264,833	18,928,231,947
Total Non- Current Assets		18,504,264,833	18,928,231,947
Total Assets (a)		18,542,360,108	18,933,430,711
Liabilities			
Current Liabilities			
Trade and Other Payables	10	1,968,497,149	2,105,613,416
Retention	11	60,050,354	60,186,893
Deferred Income		-	-
Total Current Liabilities		2,028,547,503	2,165,800,309
Total Liabilities (b)		2,028,547,503	2,165,800,309
Net Assets (a-b)		16,513,812,604	16,767,630,402
Represented By:			
Accumulated Surplus		16,513,812,604	16,767,630,402
Total Net Assets		16,513,812,604	16,767,630,402

The financial statements were approved on..... 31/10/252025 and signed by:



.....
 Ag. Managing Director & CEO
 Eng. Kipkemoi Kibias



.....
 Ag. General Manager, Design
 and Construction
 Eng. Justin Muna



.....
 General Manager-Finance
 CPA Tom Imbo
 ICPAK Member Number:
 7039

9. STATEMENT OF CHANGES IN NET ASSETS

Description	Accumulated Surplus
	Kshs
As at 30th June 2024 (Cash Basis)	5,198,764
Adjustments:	
Asset Recognition	18,928,231,947
Liabilities recognition	(2,165,800,309)
As at 1st July 2024	16,767,630,402
Surplus/(Deficit) for the year	(227,347,403)
Refund to JICA	(26,470,395)
As at 30th June 2025	16,513,812,604

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

The financial statements were approved on.....31/10/.....2025 and signed by:



.....
 Ag. Managing Director & CEO
 Eng. Kipkemoi Kibias



.....
 Ag. General Manager, Design
 and Construction
 Eng. Justin Muna



.....
 General Manager-Finance
 CPA Tom Imbo
 ICPAK Member Number:
 7039

10. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2025

Description	Note	FY 2024/2025
		Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers	6	271,138,961
Miscellaneous Revenue		-
Total receipts		271,138,961
Payments		
Total payments		-
Net cash flow from operating activities	12	271,138,961
Cashflow from investing activities		
Acquisition of non-financial assets		(211,772,055)
Net cash flows from investing activities		(211,772,055)
Cash flow from financing activities		
Refund to JICA		(26,470,395)
Net cash flow from financing activities		(26,470,395)
Net increase/Decrease in cash and cash equivalents		32,896,511
Cash and cash equivalent at 1st July 2024	8	5,198,764
Cash and cash equivalent at end June 2025	8	38,095,275

11. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 TH JUNE 2025

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget Carry Overs from previous periods		-	-	-	-	-
Receipts						
Revenue Transfers	451,500,000	(175,700,000)	275,800,000	271,138,961	4,661,039	
Miscellaneous Revenue	-	-	-	-	-	
Total Revenue	451,500,000	(175,700,000)	275,800,000	271,138,961	4,661,039	-
Payments						
Work in Progress	451,500,000	(175,700,000)	275,800,000	233,155,062	42,644,938	84.54%
Total Payments	451,500,000	(175,700,000)	275,800,000	233,155,062	42,644,938	84.54%
Surplus				37,983,899		

Budget reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	37,983,899
1	Unutilised funds remaining in contractors account at the time of account closure	111,376
	Closing Cash and Cash Equivalent as per the statement of Cash flows	38,095,275

- i) Underutilization of 84.54% occasioned by invoices that were in payment process as at 30.06.2025 to be settled in Q1 of 2025/2026.
- ii) Change in final budget occasioned by reduction in Supplementary Estimates No. 1

12. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The project is under the supervision of the Kenya Electricity Transmission Company Limited which derives its authority and accountability from Company's Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya.

The strategic goal of the project is to stabilise power supply in the western parts of Kenya

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS). The Olkaria Lessos Kisumu Transmission Lines Construction Project has taken advantage of the transitional provision under IPSAS 33 and therefore this first-year financial statements are transitional financial statements

These financial statements were authorized for issue by the accounting officer on ...31/10/...2025.

3. Adoption of New and Revised Standards

- i) *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>No impact</p>
IPSAS 44: Non- Current Assets Held for	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p>

Standard	Effective date and impact:
Sale and Discontinued Operations	<p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>No impact</p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>Applicable for accounting of infrastructure assets e.g Transmission Lines</p>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> <li data-bbox="475 1442 1468 1581">i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. <li data-bbox="475 1599 1468 1682">ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; <li data-bbox="475 1700 1468 1839">iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.

Standard	Effective date and impact:
	<p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>Applicable in measuring the current operational value of infrastructure assets</p>

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025

Standard	Effective date and impact:
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>Applicable in accounting for binding and unbinding arrangements.</p>
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>Applicable when accounting for transfer of assets to KETRACO</p>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>No impact</p>

Standard	Effective date and impact:
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. No impact

iii) Early adoption of standards

The project did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Notes to the financial statements (continued)

b) Budget information

The original budget for FY 2024/2025 was approved by the Board on 29th July 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the project upon receiving the respective approvals to conclude the final budget. Accordingly, the project recorded additional appropriations through Supplementary budgets I, II III as approved by National Treasury for the FY 2024/2025. The project's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5 under section **Eleven** of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The project does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the project's financial statements.

Notes to the financial statements (continued)

e) Provisions

Provisions are recognized when the project has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the project expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The project 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.

Contingent assets

The project 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 project 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.

f) Nature and purpose of reserves

The project creates and maintains reserves in terms of specific requirements.

g) Changes in accounting policies and estimates

The project recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

h) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the

Notes to the financial statements (continued)

closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

i) Related parties

The project regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the project, or vice versa. Members of key management are regarded as related parties and comprise the directors and management.

j) 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.

k) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

Notes to the financial statements (continued)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the project financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the project.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

Provisions

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. The project did not have provisions.

Notes to the financial statements (continued)

6. Revenue Transfers

Description	FY 2024/2025
	KShs
Conditional Transfers	
GoK Counter Part funding	271,138,961
Transfers from Development partner 2	
<i>Other conditional transfers (specify)</i>	-
Total Conditional Transfers (b)	271,138,961
Total Transfers for the Year (a + b)	271,138,961

Note 6 a)

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund	Total transfers (Current FY)
	Kshs	Kshs	Kshs	Kshs
GOK Funding	271,138,961		0	271,138,961
Development Partner 1	-		0	-
Development Partner 2	-	-	0	-
Subtotal	-	-	0	-
Deferred Income realized	-	-	0	-
Transfers in Kind	-	-	0	-
Total	271,138,961	-	0	271,138,961

7. Gain/Loss on foreign exchange transactions

Description	FY 2024/2025
	Kshs
Gain on foreign exchange transactions	1,639,924
Loss on foreign exchange transactions	-
Total Gain/Loss	1,639,924

Notes to the financial statements (continued)

8. Cash and Cash Equivalents

Description	FY 2024/2025	1st July
	Kshs	Kshs
Cash in Bank-KCB A/C No. 1111251622	38,095,275	5,198,764
Cash on hand	-	-
<i>Others (Specify)</i>	-	-
Total Cash and Cash Equivalents	38,095,275	5,198,764

9. Property Plant and Equipment

	Land	Substation	Transmission Line	Total
Cost	Kshs	Kshs	Kshs	Kshs
Depreciation rate	0%	2.50%	2.50%	
As At 1 July 2024 (opening balances)	27,839,040	1,439,965,986	18,835,344,048	20,303,149,074
Additions	-	-	76,159,173	76,159,173
Disposals	-	-	-	-
Transfers/Adjustments	-	-	-	-
As at 30th June 2025	27,839,040	1,439,965,986	18,911,503,221	20,379,308,247
Depreciation And Impairment				
As at 1 July 2024	-	(113,681,526)	(1,261,235,600)	(1,374,917,127)
Depreciation charge for the year	-	(37,735,081)	(462,391,207)	(500,126,288)
Impairment loss	-	-	-	-
Transfers/Adjustments	-	-	-	-
As At 30th June 2025	-	(151,416,607)	(1,723,626,807)	(1,875,043,414)
Net Book Values				
As at 1 st July 2024	27,839,040	1,326,284,460	17,574,108,448	18,928,231,948
As at 30 th June 2025	27,839,040	1,288,549,379	17,187,876,414	18,504,264,833

Notes to the financial statements (continued)

10. Payables

Description	FY 2024/2025		1 st July 2024	
	Kshs		Kshs	
Trade payables	1,968,497,149		2,105,613,416	
Employee payables	-		-	
<i>Other payables (specify)</i>	-		-	
Total trade and other payables	1,968,497,149		2,105,613,416	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	%	0	%
1-2 years	-	%	0	%
2-3 years		%	100,626,175	4.78%
Over 3 years	1,968,497,149	100.00%	2,004,987,242	95.22%
Total (tie to above total)	1,968,497,149		2,105,613,416	

11. Retention

Description	FY 2024/2025		1 st July 2024	
	Kshs		Kshs	
Contractor's Retention	60,050,354		60,186,893	
Total retention	60,050,354		60,186,893	
Ageing analysis: (Retention)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	%	0	%
1-2 years	-	%	0	%
2-3 years	-	%	-	%
Over 3 years	60,050,354	100.00%	60,186,893	100.00%
Total	60,050,354		60,186,893	

Notes to the financial statements (continued)

12. Cash Generated from Operations

Description	FY 2024/2025
	Kshs
Surplus/Deficit for the year	(227,347,403)
Adjusted for:	
Non-cash grants received	-
Impairment	-
Gains on foreign exchange	(1,639,924)
Depreciation	500,126,288
Working capital adjustments	
Increase/ in inventory	-
Increase in receivables	-
Increase in deferred income	-
Decrease in payables	
Increase in payments received in advance	-
Net cash flow from operating activities	271,138,961

13. ANNEXES

ANNEX 1: PRIOR YEAR AUDITOR-GENERAL'S RECOMMENDATIONS

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Action Points	Status:	Time frame:
1. Absorption of Project Funds	Records available together with Paragraph 2.7 of the project information revealed that the Donor had committed an amount Kshs.18,208,029,490 for the Project which was closed on 31 March, 2022. However, actual drawdowns during the project life amounted to Kshs.18,137,886,490 leaving an undrawn balance of Kshs.65,481,961 before completion of the Project's planned deliverables which may now not be realized.	<p>The unutilised amount of KES 65,481,961 is made up of;</p> <ul style="list-style-type: none"> • Ksh 19,807,739 which was for commitment fees for purposes of loan administration. • Ksh 2,632,433 was under the consultant's category whereby the consultant had been fully paid for the amounts invoiced hence the balance. • Ksh 43,041,789 was tied under the Commitment Procedure for one of the contractors (M/s Nari) whereby the contractor did not exhaust the ceiling under this category hence the balance. <p>(See attached the project Procurement Administration Sheet)</p>	General Manager, Finance	Ongoing	June 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Action Points	Status:	Time frame:
2. Wayleave Compensation	<p>The statement of receipts and payments reflects acquisition of non-financial assets amounting to Kshs.331,475,377. The amount includes wayleaves compensation totalling Kshs.207,513,658 as disclosed in Note 6 to the financial statements. The compensation was paid to one hundred and seventy-two (172) project affected persons during the year under review. However, review of documents revealed that the Project commenced in February 2016 and was successfully completed in June 2021. Further, previous year audited financial statements reflected outstanding wayleaves totalling to Kshs.27,347,743 resulting to a variance of Kshs.180,165,915. Management explained that the outstanding wayleaves totalling Kshs.27,347,743 was based on allocated budget at the end of the previous financial year.</p> <p>Failure to record all the pending payables balance distorts accounting records.</p>	<p>As at the time of project completion in June 2021, the project had outstanding wayleave payments due to insufficient budgetary allocation by the National Treasury.</p> <p>In FY 2022/2023 Kshs.27,347,743 was accounted for in the financial statements based on the allocated budget at the end of the financial year. However, included in the Financial Statements audited accounts for the year ending 30th June 2023 (under the annex for other pending payables) is a note for all wayleave outstanding payments of Kes 2,311,616,229. (See attached annex -appendix 3)</p> <p>The additional Kshs.180,165,915 paid in Financial Year 2023/2024 is therefore part of the outstanding amount of Kes 2,311,616,229.</p>	General Manager, Finance	Ongoing	June 2025
3. Long outstanding pending bills.	<p>Other Important Disclosures Note 1 to the financial statements reflects pending accounts payable totalling Kshs.988,541,473 which has been outstanding for over one year. This was contrary to Regulation 42 (1) (a) of the Public Finance Management (National Government) Regulations 2015 which states that debt service payments shall be a first charge on the</p>	<p>Management has continuously made submissions to parent ministry requesting for budget to settle the long outstanding pending bills.</p> <p>In FY 2022/2023 Kshs.27,347,743 was accounted for in the financial statements based on the allocated budget at the end</p>	General Manager, Finance	Ongoing	June 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Action Points	Status:	Time frame:
	<p>consolidated fund and the Accounting Officer shall ensure this is done to the extent possible that the government does not default on debt obligations.</p> <p>Management attributed failure to pay the amount to lack of budgetary allocation and disbursement from the National Treasury.</p> <p>Non-payment of the long outstanding bills exposes the Project to the Effect of incurring significant unquantified interest costs and penalties with the continued delay in payment.</p> <p>Further, other important disclosures under Note 2 to the financial statements reflects other pending accounts payables totalling Kshs.1,177,258,836. The amount is an increase of Kshs.1,149,911,093 or 4205% Kshs.27,347,743 reported in the previous year. All the accepted offers were recognised in the year under review regardless of the budget allocation. Offers totalling Kshs 1,015,842,233 as disclosed in Annex 3B to the financial statements have not been accepted.</p> <p>Failure to settle bills during the year they relate to distorts the financial statements and adversely affects the budgetary provision of the subsequent year as they form the first charge.</p>	<p>of the financial year. In FY 2023/2024, all accepted offers for compensation were recognized in the financial statements regardless of allocated budget hence the increase by Kshs. 1,149,911,093.</p> <p>(Attached is a listing for the balance of Kshs.1,177,258,836)</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Action Points	Status:	Time frame:
4. Budgetary Control and Performance	<p>The statement of comparison of budget and actual amounts reflects total income budget amounting to Kshs.433,000,000 against actual receipts of Kshs.221,000,000 resulting to underfunding of Kshs.212,000,000 or 49% of the budget. Similarly, the statement reflects total expenditure amounting to Kshs.433,000,000 against actual expenditure of Kshs.336,036,958 resulting to under absorption of Kshs.96,963,042 or 22% of the budget.</p> <p>The underfunding, underperformance and over expenditure may have affected the planned activities and may have impacted negatively on service delivery to the public.</p>	<p>The underfunding of Ksh 212,000,000 is attributed to lack of disbursement of funds by the National Treasury.</p> <p>The project was however allocated 275.8 million Local AiA in FY 2024/2025</p>	General Manager, Finance	Ongoing	June 2025
5. Unresolved Prior Year Matters	In the audit report of the previous year, six (6) issues were raised under Other Matter, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Although the Management has indicated that some of the issues have been resolved under progress on follow-up of the auditor's recommendation section of the financial statements, the matters remained unresolved as at 30 June 2024.	See the attached management comments on status of progress on follow-up of the prior year's auditor general recommendations and the support thereof. (Appendix 9)	General Manager, Finance	Ongoing	June 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Action Points	Status:	Time frame:
6. Unauthorized Transfers from KETRACO.	<p>The statement of receipts and payments reflects transfer from Kenya Electricity Transmission Company Limited (KETRACO) of Kshs. 4,661,039 relating to a borrowing as disclosed in Note 2 to the financial Statements. However, the transfers were not included in the approved budget for the year and had not been funded by the end of the year. This was contrary to Section 43(1) of the Public Finance Management Act, 2012 which provides that an accounting officer shall not authorize the transfer of an amount that is appropriated to another government entity or person.</p> <p>Further, the approval by Board of Directors, loan agreement and approval by the Cabinet Secretary were not provided for audit review. This was contrary to Section 51(2) of the Public Finance Management Act, 2012 which states that a national government entity shall obtain the approval of the cabinet Secretary for its intended program of borrowing, refinancing and repayment of loans.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>The transfer was part of the budgeted funds for the year, but the project was underfunded and there was need for KETRACO to settle some project related cost. This was however recovered as a first charge from FY 2024/2025 disbursements.</p>	<p>General Manager, Finance</p>	<p>Resolved, awaiting review by parliament.</p>	<p>June 2025</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Action Points	Status:	Time frame:
7. Failure to Open and Maintain a Project Bank Account	<p>The statement of financial assets reflects cash and cash equivalents totalling Kshs.5,198,764. The balance differs with the cashbook balance of Kshs 648,782,252. The variance was attributed to the Company maintaining one bank account for all donor projects. This is contrary to Regulation 76 (1) of the Public Finance Management Regulations, 2015 which provides that for the purpose of disbursement of project funds, there shall be opened and maintained a project account for every project at Central Bank of Kenya.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>Cognizant of section 76 (1) under the Public Finance Management Regulations, the specific section relates to management of grants and donations (Donor Funds). The project is financed by JICA and funds received from this financing are settled through direct payment.</p> <p>The project counterpart funding is financed by GoK and funds disbursed through the Ministry to the Company's development bank account (KCB a/c 1111251622) This account has been approved by The National Treasury. (See Letter Attached - Appendix 4)</p> <p>The Project Development account only holds GoK counterpart funding and is reconciled periodically. (See attached reconciliation- Appendix 4).</p>	General Manager, Finance	Ongoing	June 2025
8. Failure to Automate the Financial Reporting Process	<p>As previously reported, review of the financial reporting process revealed significant manual interventions. Although the sub ledgers and ledgers are extracted from the Intelligence Business Reporting Module of the SAP System,</p>	<p>The company is in the process of fully automating the projects reporting system (Project services module in SAP) and integrating SAP with Integrated Location Intelligence System (ILIS). This will ensure</p>	General Manager, Finance	Ongoing	June 2025

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	<p>the processing of the trial balance and financial statements is done manually on excel worksheets.</p> <p>In the circumstances, the manual processing of financial records exposes the Project's reporting process to a greater risk of errors.</p>	<p>end to end processing of the project financial information in the system and reporting. Subsequently, KETRACO has engaged BI experts who are helping in full automation of the project's module in the SAP.</p>			



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 Ag. Managing Director & CEO
 Eng. Kipkemoi Kibias



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 Ag. General Manager, Design
 and Construction
 Eng. Justin Muna

ANNEX 2 – RECONCILIATION OF INTER-ENTITY TRANSFERS

Project Name:Olkaria Lessos Kisumu Transmission Line Project				
Break down of transfers from the State Department of Energy				
a.	Government Counterpart funding			
		Bank Statement Date	Amount (Kshs)	
		18.10.2024	64,288,961	FY 2024/2025
		17.01.2025	68,950,000	FY 2024/2025
		05.02.2025	68,950,000	FY 2024/2025
		10.04. 2025	68,950,000	FY 2024/2025
		Total	271,138,961	
B.	Direct payments			
		Bank Statement Date	Amount (Kshs)	
			0	
		Total	0	
C.	Others			
		Bank Statement Date	Amount (Kshs)	
			0	
		Total	0	
		Total (A+B+C)	271,138,961	

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department



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 Eng. Kipkemoi Kibias



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 and Construction
 Eng. Justin Muna

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) FY 2023/2024	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) FY 2024/2025
Work in Progress	18,137,348,765	2,241,959,482	-	-	20,379,308,247
Total	18,137,348,765	2,241,959,482	-	-	20,379,308,247

