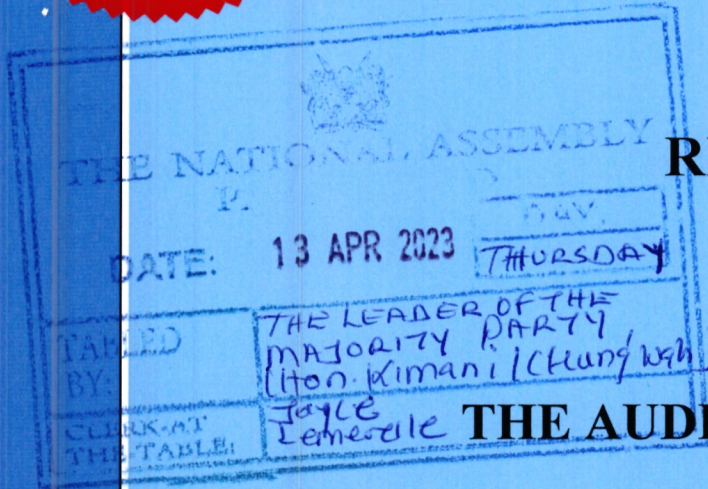
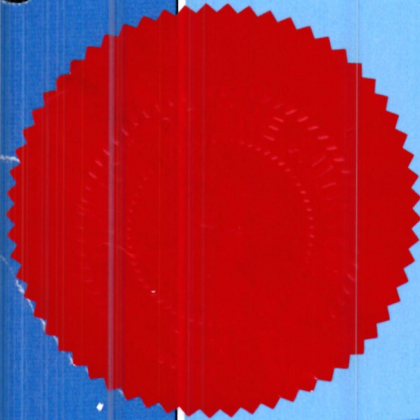
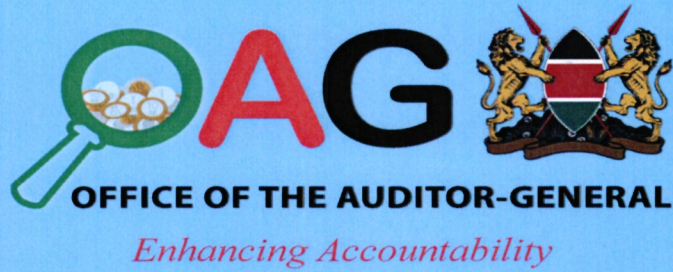


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**MULTINATIONAL KENYA-TANZANIA
POWER INTERCONNECTION PROJECT
(KENYAN COMPONENT) (ADF LOAN
NO. 2100150032846)**

**FOR THE YEAR
ENDED 30 JUNE, 2022**

**KENYA ELECTRICITY TRANSMISSION
COMPANY LIMITED**



THE KENYA TANZANIA POWER INTERCONNECTION PROJECT - (KENYAN COMPONENT)

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

PROJECT GRANT/CREDIT NUMBER: ADF LOAN NO: 2100150032846

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30 JUNE, 2022**

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

ABBREVIATIONS

ADF	African Development Fund
EUR	Euro
GAAP	Generally Accepted Accounting Principles
GOK	Government of Kenya
HVDC	High Voltage Direct Current
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
KETRACO	Kenya Electricity Transmission Company
KTPIP	Kenya Tanzania Power Interconnection Project
NCPE	North China Power Engineering Company
kV	Kilovolts
PFSs	Project Financial Statements
RAP	Resettlement Action Plan
SORP	Statement of Receipts and Payments
UA	Units of Account
UAC	Unit of Currency
US	United States Dollar
OGW	Order of Grand Warrior

TABLE CONTENTS	PAGE
1. PROJECT INFORMATION AND OVERALL PERFORMANCE.....	1
2. STATEMENT OF PERFORMANCE AGAINST PROJECT’S PREDETRMINED OBJECTIVES.....	7
3. ENVIROMENTAL AND SUSTAINABILITY REPORTING.....	8
3. ENVIROMENTAL AND SUSTAINABILITY REPORTING.....	9
4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES.....	10
5. REPORT OF THE INDENDENT AUDITOR ON THE KENYA TANZANIA POWER INTERCONNECTION PROJECT (KENYAN COMPONENT)	11
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2022	14
7. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2022	15
8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2022.....	16
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS.....	17
10. SIGNIFICANT ACCOUNTING POLICIES	18
11 NOTES TO THE FINANCIAL STATEMENTS.....	22
12. OTHER IMPORTANT DISCLOSURES.....	25
13 PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S RECOMMENDATIONS.....	26
14 ANNEXES	28

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name

The project's official name is The Kenya Tanzania Power Interconnection Project (Kenyan Component).

Objective

The key objective of the project is to contribute to the delivery of adequate and reliable power supply which will catalyse the growth and competitiveness of the rural economy and the development of social institutions such as schools and hospitals.

Address

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

The address of its registered office is:

Kenya Tanzania Power Interconnection Project (Kenyan Component)
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 PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.2 Project Information

Project Start Date:	The project start date is 14 February 2017
Project End Date:	The project end date is 31 December 2022
Project Manager:	The project manager is Engineer Ruth Mburu
Project Sponsor:	The project sponsors are Government of Kenya and African Development Fund (ADF)

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 number	P-Z1-FA0-086ADF, LOAN NO: 2100150032846
Strategic goals of the project	The strategic goals of the project are as follows: (i) To contribute to the delivery of adequate and reliable power supply. (ii) To improve the affordability of electricity in the East Africa region through cross-border exchanges of cheap and cleaner surplus power from neighbouring countries. (iii) To Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region..
Achievement of strategic goals	The project management aims to achieve the goals through the following means: Planning, designing, building and maintaining a new electricity transmission line.
Other important background information of the project	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: 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. The project is being financed by African Development Fund (ADF) and the Government of Kenya through the Ministry of Energy and The National Treasury. 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.

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.3 Project Overview (continued)

<p>Current situation that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas:</p> <p>(i) Inadequate and unreliable power supply.</p> <p>Key Data: Kenya Tanzania Power Interconnection Project Lot K1 (Isinya-Namanga).</p> <p>Scope: Design, manufacture, supply, civil work, erection, testing and commissioning of 400kV double circuit overhead HVAC transmission line Contractor: North China Power Engineering Company (NCPE) Contract No: KETRACO/PT017/2014 Contract Award Date: 18 October 2016 Contract Effective Date: 14 February 2017 Original Contract Price: US\$ 22,428,704 plus KShs 439,444,244 Contract Completion Date: Twenty-two (22) months from Contract effective date.</p> <p>The scope comprises:</p> <p>a. Transmission lines: Construction of a 400kV 510km Transmission line (TL) 510kms double circuit between Tanzania (414km) and Kenya(96km)</p> <p>b. Substations: It includes the construction of a 400kV substation in Arusha and extension of Singida substation in Tanzania and the construction of 400kV substation at Isinya in Kenya (Component A4 - System Reinforcement financed by World Bank).</p> <p>c. Rural Electrification: 80km of 33kv lines and LV system and customer connections along the 400kV TL in Tanzania and Rural Electrification, consisting of 147km of 33kV line, 34 transformers and connection to customers in Kenya</p> <p>d. Consultancy services for studies: Interconnection Tariff Study and The Feasibility study for the 2nd Interconnection between Kenya and Tanzania (Menengai – Mwanza)</p> <p>Engineering Services for Kenya Tanzania Power Interconnection Project Lot K1 (Isinya-Namanga).</p> <p>Key contractual data</p> <p>Scope: Project Supervision and Management Consultant: M/s Intec GOPA International Energy Consultants of Germany. Contract No: KETRACO/PT/016/2014-PA/001/2015/HQ/C/024 Contract Signed On: 09 May 2016 Contract Price: EUR 2,024,137.50 and KShs 16,262,400 Contract Completion: 24 months from contract effective date</p>
<p>Project duration</p>	<p>The project started on 14 February 2017 and is expected to run until 31 December 2022.</p> <p>Pre-construction costs amounting to KShs 22,904,446 was incurred in the financial year 2015/2016.</p>

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.4 Bankers

Below is the bank account for the current year.

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

1.5 Auditors

The project is audited by;

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

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

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Engineer Anthony Wamukota	Ag. Managing Director	Master of Science Power Systems, Master of Business Administration, Bachelor of Science Electrical Engineering	Ag. Managing Director
Tom Imbo	General Manager Finance	Masters Business Administration, Bachelor of Education, Certified Public Accountant	Project reporting
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, registered and Licensed land economist	Wayleaves Acquisition (Land Economists, Land surveyors, Social Economists, Environmental Experts)
Engineer Ruth Mburu	Project Manager	Bachelor's Degree in Civil Engineering	Project coordinator
Dickens Makana	Project Accountant	Bachelor of Commerce (Finance), Certified Public Accountants (Graduate)	Preparation of project financial reports

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.7 Funding summary

The Project financing is for duration of 7 years from 2015 to 2022 with an approved budget of ADF funding amounting to U.A. 27,500,000 equivalent to KShs. 4,332,955,000 (translated at 30 June 2022 at the rate of 1UA=KShs 157.562) and counterpart funding of KShs. 1,714,560,408 as highlighted in the table below:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30 June 2022)		Undrawn balance to date	
	Donor currency (UA) (A)	KShs (A')	Donor currency (UA) (B)	KShs (B')	Donor currency (UA) (A)-(B)	KShs (A')-(B')
(i) Loan						
ADB Loan No.2100150032846	27,500,000	4,332,955,000	18,259,032	2,644,827,714	9,240,968	1,688,127,286
(ii) Counterpart funds						
Government of Kenya	-	1,267,354,692	-	1,267,354,692	-	-
KETRACO Funding		409,486,413		409,486,413		
Transfer From KETRACO		37,719,305		37,719,305		
Total	27,500,000	6,047,515,410	18,259,032	4,359,388,124	9,240,968	1,688,127,286

B. Application of Funds

Application of funds	Amount received to date – (30 June 2022)		Cumulative Amount paid to date – (30 June 2022)		Unutilised balance to date (30 June 2022)	
	Donor currency (UA) (A)	KShs (A')	Donor currency (UA) (B)	KShs (B')	Donor currency (UA) (A)-(B)	KShs (A')-(B')
(i) Loan						
ADB Loan No.2100150032846	18,259,032	2,644,827,714		2,644,827,714	-	-
(ii) Counterpart funds						
Government of Kenya	-	1,267,354,692		1,267,354,692	-	-
KETRACO Funding	-	409,486,413		409,486,413		
Transfer from		37,719,305		37,719,305		
Total	18,259,032	4,359,388,124		4,359,388,124	-	-

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.8 Summary of Overall Project Performance:

- i) During the year under review, the project received KShs 1,014,573,409 against a final budget of KShs 803,000,000 representing 120% budget utilization. The project's cumulative receipts and payments to-date amount to KShs 4,359,388,124 and KShs 4,359,388,124 respectively.
- ii) Physical progress based on outputs, outcomes and impacts since project commencement.

Kenya Tanzania Power Interconnection Project Lot K1

Contract effective 14 February 2017:

- The overall implementation status of this project as at 30 June 2022 was at 93% .
 - Transmission line **Lot K1** is effective and show an overall progress of 93% as compared to a planned progress of 100%;
 - Rural Electrification **Lot K2** is effective and show an overall progress of 90% compared to a planned progress of 100%;
- Isinya 400Kv substation 99% complete.

Subject	Weight	Planned	Ac-tual	Comment
Design	5%	100%	100%	Milestone achieved.
Supply of equipment and material	60%	100%	100%	Milestone achieved.
Civil works foundations	15%	100%	100%	Milestone achieved.
	80%			
Tower erection works	10%	100%	99.60%	Milestone achieved.
Conductor, earthwire and OPGW stringing works	8%	90%	42%	Milestone not met due to ROW issues.
Line testing and commissioning works	2%	-	0%	Milestone not met due to ROW issues.
Total progress	100%		93%	

- iii) Value for money achievements:

The project is still ongoing. It is expected that when the project is complete there will be adequate and reliable power supply. The affordability of electricity in the East Africa region through cross-border exchanges of cheap and cleaner surplus power from neighbouring countries will also be improved through providing a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region.

- iv) Absorption rate for each year since the commencement of the project;

FINANCIAL YEAR	% of variance
2020/22	64%
2020/21	105%
2019/20	72%
2018/19	79%
2017/18	12%
2016/17	17%

- v) Implementation Challenges

Implementation of the project has delayed due to insufficient GOK budget allocation.

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 PREDETRMINED OBJECTIVES

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

The key development objective of the project is to:

- Contribute to the delivery of adequate and reliable power supply which will catalyse the growth and competitiveness of the rural economy and the development of social institutions such as schools and hospitals.

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 Kenya Tanzania Project	The ultimate development objective of the project is to improve the supply, reliability and affordability of electricity in the Eastern Africa region through cross-border exchange of cheap and cleaner sur-plus power from neighbouring countries. the project will help to improve the supply of electricity in Tanzania in the short to medium term with imports from Ethiopia.	Project Ongoing.	Number of substations and transmission lines complete.	Overall Project status is at 93%

3. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kenya Electricity Transmission Company Limited (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.

Below is an outline of the organisation's policies and activities that promote sustainability.

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 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:

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. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

4. Employee welfare

During the period, KETRACO undertook a skill gap analysis exercise and submitted a report detailing priority training needs to the Human Resource Advisory Committee for consideration. Several staff members were trained in various identified areas.

In addition, the Company achieved the following in regard to employee welfare;

- (i) KETRACO deployed Azure Multifactor Authentication to all users in the organisation to mitigate against technological hazards. This is to provide an extra layer of security to minimize unauthorised log-ins in KETRACO network. 110 Critical Infrastructure Protection Unit (CIPU) officers were deployed on various substations.
- (ii) A nine-member gender mainstreaming committee was reconstituted and trained in the year. The gender policy was finalized and submitted to the Ministry of Energy and State Department for Gender for review, and later circulated to staff. Staff were also sensitized on gender mainstreaming.
- (iii) KETRACO staff attended an online sensitization on disability mainstreaming conducted by National Council for Persons with Disability (NCPWD). National Council for Persons with Disability (NCPWD) undertook an accessibility and usability audit of KETRACO HQ offices.
- (iv) In the year, an alcohol and drug abuse policy was developed, approved by the Board of Directors and circulated to staff. About 100 Employees were sensitized online on the findings of a baseline survey that was undertaken in the previous financial year by the Alcohol and Drug Abuse prevention committee. In addition, 7 committee members were trained on workplace-based prevention measures
- (v) The company drafted a road safety policy and circulated it to all staff. Road safety committee was reconstituted with the appointment of 10 members. In addition, 20 drivers were trained on defensive driving by the AA of Kenya.

5. 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 endeavour to comply 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.

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.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer of KETRACO and the Project Coordinator for The Kenya Tanzania Power Interconnection Project (Kenyan Component) are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2022.

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

The Chief Executive Officer of KETRACO and the Project Coordinator for The Kenya Tanzania Power Interconnection Project (Kenyan Component) 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 Kenya Tanzania Power Interconnection Project (Kenyan Component) are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2021, and of the Project's financial position as at that date. The Chief Executive Officer of KETRACO and the Project Coordinator for The Kenya Tanzania Power Interconnection Project (Kenyan Component) 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 Kenya Tanzania Power Interconnection Project (Kenyan Component) 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 Chief Executive Officer of KETRACO and the Project Coordinator for The Kenya Tanzania Power Interconnection Project (Kenyan Component) on 30/11 2022 and signed by them.



Chief Executive Officer
ENG. (CPA) Antony Wamukota,
OGW



Project Coordinator
ENG. Justin Muna



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

5. REPORT OF THE INDEPENDENT AUDITOR ON THE KENYA TANZANIA POWER INTERCONNECTION PROJECT (KENYAN COMPONENT)

To the Auditor General

Opinion

We have audited the accompanying financial statements of Kenya Tanzania Power Interconnection Project (Kenyan Component) set out on pages 14 to 30 which comprise the statement of financial assets as at 30 June 2022, and the statement of receipts and payments, statement of cash flows, and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of Kenya Tanzania Power Interconnection Project as at 30 June 2022, and of its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) financial reporting framework under the cash basis of accounting.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Chief Executive Officer of KETRACO and the Project Coordinator are responsible for the other information. The other information comprises the information included in the financial statements but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Project Management for the financial statements

The Chief Executive Officer of KETRACO and the Project Coordinator are responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS) financial reporting framework under the cash basis of accounting and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



5 REPORT OF THE INDEPENDENT AUDITOR ON THE KENYA TANZANIA POWER INTERCONNECTION PROJECT (KENYAN COMPONENT) (Continued)

In preparing the financial statements, the Chief Executive Officer of KETRACO and the Project Coordinator are responsible for assessing the Project's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the Chief Executive Officer of KETRACO and the Project coordinator either intend to terminate the Project, or have no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the Project financial statements

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We 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 our 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Chief Executive Officer of KETRACO and the Project Coordinator's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue sustaining its services. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease sustaining 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.

We communicate with the Chief Executive Officer of KETRACO and the Project Coordinator regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

5. REPORT OF THE INDEPENDENT AUDITOR ON THE KENYA TANZANIA POWER INTERCONNECTION PROJECT (KENYAN COMPONENT) (Continued)

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Fred Aloo**, Practicing certificate No. 1537.



**For and on behalf of Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Nairobi**



REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON MULTINATIONAL KENYA-TANZANIA POWER INTERCONNECTION PROJECT (KENYAN COMPONENT) (ADF LOAN NO. 2100150032846) FOR THE YEAR ENDED 30 JUNE, 2022 - KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure 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 controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report 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 Multi-National Kenya-Tanzania Power Interconnection Project (Kenyan Component) ADF Loan No. 2100150032846) set out on pages 14 to 27, which comprise the statement of financial assets as at 30 June, 2022, 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 Multi-National Kenya-Tanzania Power Interconnection Project (Kenyan Component) as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Loan Agreement No. 2100150032846 dated 30 July, 2015 between the Republic of Kenya and the African Development Fund and the Public Finance Management Act, 2012

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Multi-National Kenya-Tanzania Power Interconnection Project (Kenyan Component) Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a total income budget of Kshs.803,000,000 against actual receipts of Kshs.1,014,573,409 resulting to excess vote of Kshs.211,573,409. The statement also reflects a total expenditure budget balance of Kshs.803,000,000 against actual expenditure of Kshs.1,253,771,158 resulting to unauthorized over expenditure of Kshs.450,771,158.

In the circumstances, it was not possible to confirm whether the excess vote of Kshs.211,573,409 and over expenditure of Kshs.450,771,158 was lawful.

2. Delay in Project Implementation

The Project started on 14 February, 2017 with an expected completion time of April, 2020 which was later extended to 31 December, 2022. As at 30 June, 2022, the Project was at 93% completion with over 100%-time lapse. Though Management has explained that delays were caused by delay in acquiring wayleaves, long negotiation for land compensation and protracted legal cases, it is clear that delay in project implementation could lead to cost overruns and the Project may not be able to utilize the available loan funding.

3. Pending Bills - Goods and Services

As reported in the previous year, the total value of the works and services contracted under the Project amounted to Kshs.3,455,587,779 as disclosed on Annex 2A of the financial statements. The amount certified as payable totalled Kshs.2,687,604,960 out of which payments totalling Kshs.2,643,019,770 were made over the years leaving an unpaid balance of Kshs.44,585,190.

Delay in settling pending bills may result to wasteful expenditure on interest, penalties and litigation costs.

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, except the effects of the matter described in the Basis for

Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, 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.

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 worksheets.

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by African Development Fund (ADF), I report based on my audit, that:

- 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. In my opinion, 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.

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 to 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'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

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's policies and procedures may deteriorate.

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

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

Nairobi

08 December, 2022

Kenya Electricity Transmission Company Limited
 Kenya Tanzania Power Interconnection Project (Kenyan Component)
 Reports and Financial Statements
 For the financial year ended 30 June, 2022

6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021/2022		2020/2021		Cumulative to-date (From inception) KShs
		Receipts and payments controlled by the entity KShs	Payments made by third parties KShs	Receipts and payment controlled by the entity KShs	Payments made by third parties KShs	
RECEIPTS						
Transfer from Government entities	11.1	346,000,000	-	100,000,000	-	1,267,354,692
KETRACO Funding	11.2	409,486,413	-	409,486,413	-	409,486,413
Transfer From KETRACO	11.2	37,719,305	-	37,719,305	-	37,719,305
Loan from external development partners	11.3	-	221,367,691	-	604,107,193	2,644,827,714
TOTAL RECEIPTS		793,205,718	221,367,691	100,000,000	604,107,193	4,359,388,124
PAYMENTS						
Purchase of goods and services	11.4	112,684,220	-	33,448,147	-	290,758,417
Acquisition of non-financial assets	11.5	919,719,247	221,367,691	64,511,047	604,107,193	4,068,629,707
TOTAL PAYMENTS		1,032,403,467	221,367,691	97,959,194	604,107,193	4,359,388,124
SURPLUS/ (DEFICIT)		(239,197,749)	-	2,040,806	-	-

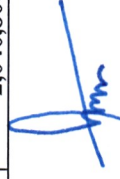
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.


 Ag. Chief Executive Officer

ENG. (CPA) Antony Wamukota, OGW



Project Coordinator
 ENG. Justin Muna



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

7. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2022

	Note	2021/2022	2020/2021
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	11.6	-	239,197,749
Total Cash and Cash Equivalents		-	239,197,749
TOTAL FINANCIAL ASSETS		-	239,197,749
REPRESENTED BY			
Fund balance b/fwd	11.7	239,197,749	237,156,943
Deficit/(surplus) for the year		(239,197,749)	2,040,806
NET FINANCIAL POSITION		-	239,197,749

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30/11 2022 and signed by:



Chief Executive Officer
 ENG. (CPA) Antony Wamukota,
 OGW



Project Coordinator
 ENG. Justin Muna

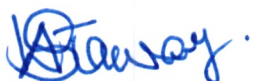


General Manager - Finance
 CPA Tom Imbo
 ICPAK Member Number: 7039

8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021-2022 KShs	2020-2021 KShs
Cash flows from operating activities			
Receipts from operating activities			
Transfer from Government entities	11.1	346,000,000	100,000,000
KETRACO Funding	11.2	409,486,413	-
Transfer From KETRACO	11.2	37,719,305	-
Payments from operating activities			
Purchase of goods and services	11.4	(112,684,220)	(33,448,147)
Net cash flow from operating activities		680,521,498	66,551,853
Cash flows from investing activities			
Acquisition of assets	11.5	(1,141,086,938)	(668,618,240)
Net cash flow from Investing Activities		(1,141,086,938)	(668,618,240)
Cash flows from financing activities			
Proceeds from foreign borrowings	11.3	221,367,691	604,107,193
Net cash flow from Financing Activities		221,367,691	604,107,193
Net increase in cash and cash equivalents		(239,197,749)	2,040,806
Cash and cash equivalent at beginning of the year		239,197,749	237,156,943
Cash and cash equivalent at end of the year		-	239,197,749

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/6/2022 and signed by:



Chief Executive Officer
ENG. (CPA) Antony Wamukota,
OGW



Project Coordinator
ENG. Justin Muna



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

Kenya Electricity Transmission Company Limited
 Kenya Tanzania Power Interconnection Project (Kenyan Component)
 Reports and Financial Statements
 For the financial year ended 30 June, 2022

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget		Adjustments		Final Budget		Actual on Comparable Basis		Budget Utilization Difference		% of Utilization	
	a	KShs	b	KShs	c=a+b	KShs	d	KShs	e=c-d	KShs	f=d/c %	
Receipts												
Transfer from Government entities	441,000,000		(145,000,000)		296,000,000		346,000,000		-		117%	
Ketraco Funding					-		409,486,413					
Transfer From Ketraco					-		37,719,305					
Proceeds from borrowings	507,000,000				507,000,000		221,367,691		285,632,309		44%	
Total Receipts	948,000,000		(145,000,000)		803,000,000		1,014,573,409		285,632,309		126%	
Payments												
Purchase of goods and services	112,684,220				112,684,220		112,684,220		-		100%	
Acquisition of non-financial assets	835,315,780		(145,000,000)		690,418,580		1,141,086,938		(450,771,158)		165%	
Total Payments	948,000,000		(145,000,000)		803,000,000		1,253,771,158		(450,771,158)		156%	

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements.
 The Project had been allocated Kshs. 948 million but was reviewed downwards to Kshs 803 million This was done during supplementary Budget by the National Treasury.



Chief Executive Officer
 ENG. (CPA) Antony Wamukota, OGW



Project Coordinator
 ENG. Justin Muna



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

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 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.

10.2 Reporting entity

The financial statements are for the JICA Funded Projects under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

10.3 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.

10.4 Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

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

iv) Donations and grants

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

v) Proceeds from borrowing

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

vi) Undrawn external assistance

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

10 SIGNIFICANT ACCOUNTING POLICIES

10.5 Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as annex 4 to these financial statements.

10.6 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.

10.7 Cash and cash equivalents

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

10.8 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.

10 SIGNIFICANT ACCOUNTING POLICIES (Continued)

10.9 Imprests and advances

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

10.10 Contingent Liabilities

A contingent liability is:

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

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

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

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

10.11 Contingent Assets

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

10.12 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.

10.13 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.

10. SIGNIFICANT ACCOUNTING POLICIES (Continued)

10.14 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 party's 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.

10.15 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.

10.16 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.

10.17 Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended 30 June 2022.

10.18 Prior period adjustments

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

11 NOTES TO THE FINANCIAL STATEMENTS

11.1 Receipts from Government of Kenya

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

	2021/2022	2020/2021	
	KShs	KShs	Cumulative to-date (from inception)
<i>Counterpart funding through Ministry Of Energy</i>			
Counterpart funds Quarter 4* 20/21	50,000,000		50,000,000
Counterpart funds Quarter 1	110,250,000	12,500,000	222,750,000
Counterpart funds Quarter 2	110,250,000	37,500,000	559,512,398
Counterpart funds Quarter 3	(44,750,000)	50,000,000	285,697,812
Counterpart funds Quarter 4*	120,250,000	-	149,394,482
Total	346,000,000	100,000,000	1,267,354,692

*Fourth quarter transfer from the Government of Kenya for 2020/2021 amounting to KShs. 50,000,000 was received on 6 July 2021 and therefore has been included in this report.

*The budget was revised from Kshs. 441million to Kshs. 296million. The negative in Q3 was as a result of the adjustments since Q1 and Q2 disbursements had already been done as at the time of the supplementary budget.

11.2 KETRACO FUNDING & TRANSFER FROM KETRACO

	2021/2022	2020/2021	
	KShs	KShs	Cumulative to-date (from inception)
<i>Counterpart funding through Ministry Of Energy</i>			
KETRACO Funding	409,486,413	-	409,486,413
Transfer From KETRACO	37,719,305	-	37,719,305
Total	447,205,718	-	447,205,718

11. NOTES TO THE FINANCIAL STATEMENTS (continued)

11.3 Loan from External Development Partners

During the 12 months to 30 June 2022 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received as direct payment*	Total amount in KShs	
				KShs	
				2021/22	2020/21
Loans Received from Bilateral Donors (Foreign Governments)					
ADB Loan No.2100150032846	01/07/2021-30/06/2022	1,404,956	221,367,691	221,367,691	604,107,193
Total		1,404,956	221,367,691	221,367,691	604,107,193

Translated as at 30 June 2022 at the rate of 1UA=KShs 157.562

* The direct payment grants represent payments for goods and services done directly by the donor on behalf of the project.

11.4 Purchase of Goods and Services

	2021/2022			2020/2021	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	
Consultancy/legal Fees	9,584,513	-	9,584,513	19,144,192	63,187,395
Domestic travel and subsistence	18,019,185	-	18,019,185	9,977,400	72,122,477
Foreign travel and subsistence	1,703,051	-	1,703,051	851,264	1,703,051
Other operating payments	195,934	-	195,934	-	470,456
Administrative Costs	83,181,537	-	83,181,537	3,475,291	153,275,038
Total	112,684,220	-	112,684,220	33,448,147	290,758,417

11. NOTES TO THE FINANCIAL STATEMENTS (continued)

11.5 Acquisition of Non-Financial Assets

	2021/2022			2020/2021	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	
Consultancy fees/External Procurement GOK	558,791,187	-	558,791,187	-	562,365,936
Powerline (transmission equipment)		221,367,691	221,367,691	604,107,193	2,644,827,714
Wayleaves	360,928,060	-	360,928,060	64,511,047	861,436,056
Total	919,719,247	221,367,691	1,141,086,938	668,618,240	4,068,629,706

11.6 Cash and Cash Equivalents

	2021/2022	2020/2021
	KShs	KShs
Bank accounts	-	239,197,749
Total	-	239,197,749

The project does not have a separate bank account. The cash is held in KCB Bank Kenya Limited [A/c No 1206560752]

11.7 Fund Balance Brought Forward

	2021/22	2020/21
	KShs	KShs
Bank accounts	239,197,749	237,156,943
Total	239,197,749	237,156,943

12. OTHER IMPORTANT DISCLOSURES

12.1 Pending Accounts Payable (See Annex 2A)

	Balance b/f 2021/2022	Additions for the period	Paid during the year	Balance c/f 2021/2022
Description	KShs	KShs	KShs	KShs
Supply of goods	73,028,461	76,490,878	(104,934,149)	44,585,190
Supply of services	65,418,735	51,014,807	(116,433,542)	
Total	138,447,196	127,505,685	(221,367,691)	44,585,190

12.2 Other Pending Payables (See Annex 2B)

	Balance b/ 2021/2022	Additions for the year	Paid during the year	Balance c/f 2021/2022
Description	KShs	KShs	KShs	KShs
Project Affected Persons	234,484,816	126,443,244	(360,928,059.69)	-
Total	234,484,816	126,443,244	(360,928,059.69)	-


13 PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS


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


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
1. Pending Bills – Goods and Services	As reported in previous year, the total value of works and services contracted under the project amounted to KShs. 3,455,587,779 as disclosed in Annex 3A to the financial statements. The amount certified as payable totalled KShs. 2,561,907,217 out of which payments totalling KShs. 12,423,460,022 were made over the years leaving an unpaid balance of KShs. 138,447,196. Delay in settling pending bills may result to wasteful expenditure on interest and litigation costs.	To address delays in the payment for goods and services	Tom Imbo, Ag. GM/Finance & Strategy	The Amounts were settled in July and August 2021	N/A
2. Long Outstanding Way/leave Compensation	As reported in the previous year, the total compensation payments owed to land owners for way/leaves acquired since inception of the project on 5 December 2012 amounted to KShs. 1,363,055,825 as disclosed in annex 3C to the financial statements. The amounts certified as payable amounted to KShs. 734,992,812 and payments made were 500,507,996 leaving a balance of KShs. 234,484,816 unpaid as at 30 June, 2021. It was observed that continued delay in way/leave compensation hindered the timely implementation of the project. Management has attributed the failure to pay the amount to lack of budgetary allocation by the National Treasury and lengthy land valuation negotiations due to absentee land owners and various court injunctions on disputed cases. Since the implementation of the project is behind schedule, any further delay in resolving these issues is likely to delay its completion.	To address delays in the way/leave compensation process	Eng. Justin Muna Ag. General Manager, Design and Construction.	Most of the pending way/leave compensation have since been paid in FY 2021/2022.	N/A

Kenya Electricity Transmission Company Limited
 Kenya Tanzania Power Interconnection Project (Kenyan Component)
 Reports and Financial Statements
 For the financial year ended 30 June, 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
3. Delay in project implementation.	The project started on 14 February, 2017 with an expected completion time of April, 2020. As at 30 June, 2021, the project was 86% complete with over 100%-time lapse. Though management has explained that delays were caused by delay in acquiring wayleaves, long negotiation for land compensation and protracted legal cases, it is clear that delay in project implementation could lead to cost overruns and the project may not be able to utilize the available loan funding	To address delays in project implementation.		As at 30 June 2022, the project was 93% complete as compared to 86% in the previous year.	


 Ag. Chief Executive Officer
 ENG. (CPA) Antony Wamukota, OGW
 Date


 Project Coordinator
 ENG. Justin Muna
 Date


 General Manager - Finance
 CPA Tom Imbo
 ICPAK Member Number: 7039
 Date 30/11/22

Kenya Electricity Transmission Company Limited
Kenya Tanzania Power Interconnection Project (Kenyan Component)
Reports and Financial Statements
For the financial year ended 30 June, 2022

14 ANNEXES

ANNEX1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance(below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
	Kshs	Kshs	Kshs	Kshs	
Receipts					
Transfer from Government entities	296,000,000	346,000,000	(50,000,000)	117%	(i)
Ketraco Funding	-	409,486,413	(409,486,413)	-	
Transfer From Ketraco	-	37,719,305	(37,719,305)	-	
Proceeds from borrowings	507,000,000	221,367,691	285,632,309	44%	(ii)
Total Receipts	803,000,000	1,014,573,409	(211,573,409)	126%	
Payments					
Purchase of goods and services	112,684,220	112,684,220	-	100%	
Acquisition of non-financial assets	690,315,780	1,141,086,938	(450,771,158)	165%	(iii)
Total payments	803,000,000	1,253,771,158	(450,771,158)	156%	

- (i) The utilization of 117% is due to the Kshs. 50,000,000 of FY 2020/2021 that was disbursed and received in FY 2021/2022.
(ii) Low absorption was due to insufficient counterpart funding from GOK.
(iii) The utilization of 165% is due to additional funding from Ketraco.

Kenya Electricity Transmission Company Limited
Kenya Tanzania Power Interconnection Project (Kenyan Component)
Reports and Financial Statements
For the financial year ended 30 June, 2022

14 ANNEXES (Continued)

ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount KShs	Date Contracted	Amount of Work Certified KShs	Amount Paid To-Date KShs	Outstanding Balance 2022 KShs	Outstanding Balance 2021 KShs
	a	b	c	d	e=c-d	
Supply of goods						
KTPIP – NCPE	2,310,156,512	18.10.2016	1,895,982,228	1,865,629,992	30,352,236	56,456,897
	439,444,244	18.10.2016	273,551,455	259,318,500	14,232,954	-
M/s JV of Unique System FZE and Philafe Engineering Limited	176,136,603	07.05.2018	148,747,649	148,747,649	-	12,693,111
	120,797,818	07.05.2018	100,062,795	100,062,796	-	3,878,453
Sub-Total	3,046,535,177		2,418,344,128	2,373,758,937	44,585,190	73,028,461
Supply of services						
Intec GOPA	240,872,363	09.05.2016	197,857,218	197,857,218	-	17,943,199
	16,262,400	09.05.2016	6,098,400	6,098,400	-	-
STUDIO	83,103,517	30.12.2019	33,609,772	33,609,772	-	33,609,772
MERCADOS	68,814,322	15.11.2019	31,695,443	31,695,443	-	13,865,764
Sub-Total	409,052,602		269,260,833	269,260,833	-	65,418,735
Grand Total	3,455,587,779		2,687,604,960	2,643,019,770	44,585,190	138,447,196

14 ANNEXES (Continued)

ANNEX 2B - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief transaction description	Original amount	Date payable contracted	Amount of Work Certified to date	Amount paid to-date	Outstanding balance	
						2022	2021
		a	b	c	d=b-c		
Amounts due to Third Parties		KShs		KShs	KShs	KShs	KShs
Project Affected Persons	Wayleaves compensation	1,555,751,120	2016-2022	861,436,056	861,436,056	-	234,484,816
		1,555,751,120		861,436,056	861,436,056	-	234,484,816

ANNEX 3 – SUMMARY OF FIXED ASSETS REGISTER

Asset class	Opening Cost KShs 2021/2022	Donations in form of assets KShs 2021/2022	*Purchases/ Additions in the Year KShs 2021/2022	Closing Cost KShs 2021/2022
Powerline (Transmission Equipment)	2,927,542,769	-	1,141,086,938	4,068,629,708
Total	2,927,542,769	-	1,141,086,938	4,068,629,708

Notes

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

