

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**THE NATIONAL ASSEMBLY  
PAPERS LAID**

**DATE: 25 FEB 2025**

**DAY.**

**TUESDAY**

**OF TABLED  
BY:**

DEPUTY ~~MINISTER~~ WHIP  
HON. NAOMI WAGO, MP

**CLERK-AT  
THE-TABLE:**

DAVID MCHARIA

PARLIAMENT  
OF KENYA  
LIBRARY

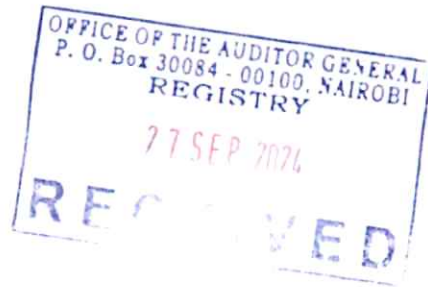
**THE AUDITOR-GENERAL**

**ON**

**EAST AFRICA SKILLS FOR TRANSFORMATION  
AND REGIONAL INTEGRATION (EASTRIP)  
CREDIT NO. 6334-KE**

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

**KENYA ELECTRICITY GENERATING  
COMPANY PLC**



**KenGen - Geothermal Training Centre**

**Project Name: East Africa Skills for Transformation and Regional Integration**

**Implementing Entity: Kenya Electricity Generating Company Plc**

**International Development Association Credit Number: 6334-KE**

**Financial Statements for the year ended 30 June 2024**

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

**East Africa Skills for Transformation and Regional Integration Project  
Reports and Financial Statements  
For the year ended 30 June 2024**

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**I. PROJECT INFORMATION AND OVERALL PERFORMANCE**

(a) Name and registered office

*Name: The project's official name is East Africa Skills for Transformation and Regional Integration Project (EASTRIP)*

*Objective: The Project Development Objective (PDO) is to increase the access and improve the quality of TVET programs in selected Regional Flagship TVET Institutes and to support regional integration in East Africa.*

*Address: The project implemented by Kenya Electricity Generating Company Plc is at the KenGen Geothermal Training Centre (KenGen-GTC).*

(b) Project Information

<i>Project Start Date:</i>	<i>The project start date is 14 June 2019</i>
<i>Project End Date:</i>	<i>The initial project end date was 31 December 2024. An extension of two years was granted by the World Bank to end on 31 December 2026</i>
<i>Project Coordinator:</i>	<i>Kenya Electricity Generating Company Plc</i>
<i>Project Sponsor:</i>	<i>The World Bank-International Development Association (IDA)</i>

(c) Project Overview

<i>Line Ministry/Department of the project</i>	The project is under the supervision of the Ministry of Education, State Department for Vocational and Technical Training
<i>Project number</i>	<i>P163399</i>
<i>Strategic goals of the project</i>	<p>The Project Development Objectives (PDOs) are:</p> <ul style="list-style-type: none"> <li>a) To increase the access and improve the quality of TVET programs in selected Regional Flagship TVET Institutes and to support regional integration in East Africa.</li> <li>b) Investing in strengthening pertinent KenGen-GTC governance and management</li> <li>c) Develop market relevant competency-based training programs</li> <li>d) Provision of training to Institutes' managers and trainers to upgrade their technical knowledge and practical skills and promote student- centered pedagogy and IVCT competency</li> <li>e) Upgrade key training facilities in KenGen-GTC including acquisition of equipment</li> </ul>

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I. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

(c) Project Overview (Continued)

<i>Line Ministry/Department of the project</i>	The project is under the supervision of the Ministry of Education, state department for vocational and technical training.
<i>Achievement of strategic goals</i>	<p><i>The project management aims to achieve the Project Development through the following means:</i></p> <p><b>Component 1:</b> Strengthening selected regional flagship TVET Institutes for high quality skills development in priority sectors;</p> <ul style="list-style-type: none"> <li>a) Strengthening governance and management</li> <li>b) Institutionalizing industry links</li> <li>c) Developing market relevant competency-based training programs</li> <li>d) Training of TVET managers and teachers/trainers</li> <li>e) Provision of key training facilities and equipment</li> <li>f) Outreach and support for non-project national TVET institutes</li> </ul> <p><b>Component 2:</b> Creating national TVET enabling environments;</p> <ul style="list-style-type: none"> <li>a) Strengthening national TVET quality assurance and industrial partnership</li> <li>b) Capacity building for TVET policy development and implementation</li> <li>c) Promoting regional integration</li> <li>d) Facilitating national project coordination, and M&amp;E</li> </ul> <p><b>Component 3:</b> Enhancing regional collaboration in TVET and project coordination;</p> <ul style="list-style-type: none"> <li>a) Harmonization of standards and mutual recognition of qualifications for priority occupations</li> <li>b) Facilitating student and staff mobility through exchange programs</li> <li>c) Regional project coordination and M&amp;E</li> </ul>
<i>Other important background information of the project</i>	<p>Some of the flagship TVET institutes specifically contribute to climate change adaptation and mitigation through their focus on renewable energy.</p> <p>KenGen Geothermal Training Center in Kenya promotes the capacity building in renewable energy to accelerate geothermal, hydro, solar and wind energy development in the region. A range of practical and technical trainings in exploration, utilization and sustainability of renewable energy resources, care and maintenance of production equipment, and other specialized courses related to renewable energy development shall be offered, including a certificate in renewable energy.</p> <p>EASTRIP aims to achieve the PDO of 'increasing the access and improve the quality of TVET programs in selected Regional Flagship TVET Institutes and supporting regional integration in East Africa', to contribute to realizing higher order outcomes, of 'promoting regional integration through supporting for the regional corridors and sector markets.</p> <p>To achieve the PDO, the project will focus on three areas: increasing access to TVET programs, improving quality and relevance of TVET programs, and supporting regional integration.</p>

**East Africa Skills for Transformation and Regional Integration Project  
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**I. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**(c) Project Overview (Continued)**

<i>Line Ministry/Department of the project</i>	The project is under the supervision of the Ministry of Education, state department for vocational and technical training.
<i>Current situation that the project was formed to intervene</i>	The project was formed to intervene in the following areas: <ul style="list-style-type: none"> <li>• Strengthening selected regional flagship TVET Institutes for high quality skills development in priority sectors</li> <li>• Creating national TVET enabling environments</li> <li>• Enhancing regional collaboration in TVET and project coordination</li> </ul>
<i>Project duration</i>	<i>The project's initial period was 5 years from June 2019 to December 2024. However, an extension of two years was granted to end December 2026.</i>

**(d) Bankers**

The following are the bankers for the current year:

KCB Bank Kenya PLC  
Moi Avenue Branch  
Nairobi, Kenya

**(e) Auditors**

The project is audited by delegated auditors of the Office of the Auditor General:

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

**(f) Roles and Responsibilities**

<i>Names</i>	<i>Title designation</i>	<i>Role/Responsibilities</i>
Eng. Peter Njenga	<i>Managing Director &amp; Chief Executive Officer (MD &amp; CEO)</i>	<i>Coordination of project work to attain strategic project objectives</i>
Mary Maalu	<i>General Manager, Finance &amp; Accounts</i>	<i>Coordination of the financing and accounting activities</i>
Peketsa Mangi	<i>General Manager, Geothermal Resource Development KenGen-GTC, Center Director/ Project Manager</i>	<i>Supervision of project work</i>

**(g) Funding summary**

The initial Project duration was 5 years from 2019 to 2024 which has been extended by a further 2 years to 2026 with initial funding from World Bank-International Development Association (IDA).

The grant amount is EUR 9,280,000 as highlighted in the table below:

East Africa Skills for Transformation and Regional Integration Project  
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I. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

(g) Funding summary (Continued)

Below is the funding summary:

Source of funds	Donor commitment		Amount received to 30 June 2024		Undrawn balance to 30 June 2024	
	EUR'000 (A)	KShs'000 (A')	EUR'000 (B)	KShs'000 (B')	EUR'000 (A)-(B)	KShs'000 (A')-(B')
(i) Grant						
World Bank (IDA)	9,280 <sup>(i)</sup>	1,280,569 <sup>(ii)</sup>	8,471 <sup>(iii)</sup>	1,168,432 <sup>(iii)</sup>	809 <sup>(iv)</sup>	112,137 <sup>(iii)</sup>
<b>Grand total</b>	<b>9,280<sup>(i)</sup></b>	<b>1,280,569<sup>(ii)</sup></b>	<b>8,471<sup>(iii)</sup></b>	<b>1,168,432<sup>(iii)</sup></b>	<b>809<sup>(iv)</sup></b>	<b>112,137<sup>(iii)</sup></b>

Note:

- i) The contract for the above financing was signed on 14<sup>th</sup> June 2019 and the amount of commitment was EUR 9,280,000 approximately Kshs 1,280,569,319 based on amounts already received from the Exchequer in Kenya Shillings. Funds outstanding in the Designated Account (DA-G) in EUROS and undisbursed commitment in EUROS translated using the 30<sup>th</sup> June 2024 spot exchange rate of Kshs/EURO 138.6023.
- ii) Cumulative disbursement to Designated Account (DA-G) at National Treasury by the World Bank as at 30<sup>th</sup> June 2024 was EUR 8,470,931, net of EUR 10 transfer charges. In the current financial year, the World Bank disbursed a total of EUR 5,023,565 to the Designated Account (DA-G) at National Treasury.

Disbursement Ref	Amount in EURO	Date of Disbursement to DA-G From World Bank	Financial Year
KENGEN WA 007	2,147,547	5-Jun-24	2023/2024
KENGEN WA 006	1,847,458	18-Mar-24	2023/2024
KENGEN WA 005	500,210	29-Feb-24	2023/2024
DLI 003 KENGEN	528,350	11-Sep-23	2023/2024
<b>Total FY 2023/2024</b>	<b>5,023,565</b>		
(KENGEN WA 003	1,328,000	12-Apr-23	2022/2023
DLI 002 KENGEN	148,300	10-Aug-22	2022/2023
DLI 001 KENGEN	200,116	13-Jul-22	2022/2023
<b>Total FY 2022/2023</b>	<b>1,676,416</b>		
KENGEN WA 001A	1,770,950	19-Feb-20	2019/2020
<b>Total FY 2019/2020</b>	<b>1,770,950</b>		
<b>Total Disbursed</b>	<b>8,470,931</b>		

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I PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

(g) Funding summary (Continued)

Note: (Continued)

- iii) Cumulatively the total amount transferred from the Designated Account (DA-G) in National Treasury to the Project Account (PA) as at 30<sup>th</sup> June 2024 was EUROs 3,975,726 equivalent to Kshs. 539,914,356 out of which EURO 2,204,776 equivalent to Kshs 339,914,356 was transferred from the DA-G to Project Account in the current FY2023/2024.

An additional amount of EURO 1,458,000 equivalent to Kshs 207,552,569 was transferred by the National Treasury from the DA-G account on 23<sup>rd</sup> May 2024 and received in the Project Account on 2<sup>nd</sup> July 2024, two days after end of financial year FY2023/2024.

Financial Year	EURO	Kshs Equivalent	Date	Label
FY2019/2020	1,770,950	200,000,000	19-Feb-20	(a)
FY2021/2022	-	-		
FY2022/2023	-	-		
FY2023/2024	1,000,000	150,000,000	13-July-23	(b)
	676,426	638,800	16-Jan-24	
	528,350	106,139,477	03-Nov-23	
		83,136,079	03-Nov-23	
<b>Total Transferred as at 30<sup>th</sup> June 2024</b>	<b>3,975,726</b>	<b>539,914,356</b>		<b>(e=a+b)</b>
Amount in Transit From DA-G to Project Account (PA)	1,458,000	207,552,569	Received in Project Account 2 <sup>nd</sup> July 2024	(d)
Outstanding in DA-G as at 30 <sup>th</sup> June 2024	3,037,215	420,964,998	Translated using 30 <sup>th</sup> June 2024 Spot Rate Kshs/EURO 138.6023	(e)
<b>Total Disbursed as at 30<sup>th</sup> June 2024</b>	<b>8,470,941</b>	<b>1,168,431,923</b>		<b>(f=c+d+e)</b>
Outstanding Disbursement/ Undrawn Balance	809,059	112,137,395	Translated using 30 <sup>th</sup> June 2024 Spot Rate Kshs/EURO 138.6023	(g)
<b>Total Commitment Amount</b>	<b>9,280,000</b>	<b>1,280,569,318</b>		<b>(h=f+g)</b>

- iv) The Undrawn Balance of EURO 809,059 equivalent of Kshs.112,137,395 as at 30<sup>th</sup> June 2024 is translated to Kshs using the closing rate, which is the Spot exchange rate for 30<sup>th</sup> June 2024 (Kshs/EURO 138.6023) in line with the Financial reporting Under the Cash Basis of Accounting standards.
- v) The Disbursement translations for expenditures are done in line with World Bank requirements of first in first out to avoid any translation/ exchange rate differences.

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I. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

(h) Summary of Overall Project Performance:

- i) **Project Expenditure.** In the current financial year FY2023/2024 the total expenditure was EURO 2,447,511 equivalent to Kshs 338,688,694 in line with the approved Strategic Investment Plans (SIPs). Total Expenditure to date (project life) stands at EURO 3,624,376 equivalent to Kshs 471,581,058 as at 30th June 2024. In the period under review, critical milestones were achieved that will accelerate the rate of absorption of funds:
- ii) **Upgrade of training facility.** Commencement of the construction of KenGen Geothermal Training Center (KenGen GTC) was achieved on 17th May 2023. This has significantly contributed to absorption of the grant amounts due to ongoing construction works. The centre facilities under construction include facilities such as administration block, laboratory, workshop, accommodation–hostels (male and female) and an executive villa, kitchen and dining, associated infrastructure including but not limited to road network, water supply system, waste-water disposal systems, fencing, landscaping, power room and lighting.  
  
The construction project is currently at 70% and is behind schedule. The contractor has indicated that the project will be completed by 30th November 2024.
- iii) **Access to TVET programs.** This target focuses on students' enrolment both for short- and long-term courses, gender and student's region of origin. KenGen GTC has met the targets for short term and long-term enrolment as well as regional students' enrolment. Additionally, the centre enrolled students for the first cohort of the two long term diploma programs in Geology technology and Energy project management which started in the month of March 2024.
- iv) **Quality and relevance of TVET Programs.** This target focuses on teacher-to-student ratio, quality of trainers and other attributes such as graduate employment rate, six (6) months after graduation particularly for female students. KenGen GTC has achieved the first target of teacher to student ration. In addition, trainers are currently undergoing 9 months Post graduate Training in Technical Education program in pedagogy that will be completed in March 2025 to enhance quality of programs offered.
- v) **Development of Competency Based Education and Training (CBET) demand driven long and short programs.** The Centre surpassed the targets of demand driven long and short programs, developed and accredited.
- vi) **Exchange of trainers in another Country.** The Centre has also achieved 90% of this target relating to trainers who have undertaken exchanges programs in other countries.
- vii) **Partnership/linkages establishment.** The target requires the Centre to establish linkages with industries as well as other training institutions. Partnerships with other training institutions target has been surpassed and the Centre is working towards establishments of Industry partnerships.
- viii) **Environment, Social, Safety and Health Safeguards.** The Centre has a well-established and functional Grievance Redress Mechanism (GRM) committee which addresses the environment, social, safety and health safeguards. During the ongoing upgrade of the training facilities, reported grievances were resolved and closed amicably.

**East Africa Skills for Transformation and Regional Integration Project**  
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**For the year ending 30 June 2024**

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**II. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The MD & CEO and Project Manager for EASTRIP 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's transactions for and as at the end of the financial year ended 30<sup>th</sup> June 2024. These responsibilities include:

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

The MD & CEO and Project Manager for EASTRIP 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 MD & CEO and Project Manager for EASTRIP 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<sup>th</sup> June 2024, and of the Project's financial position as at that date. The MD & CEO and Project Manager for EASTRIP 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.

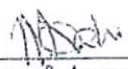
The MD & CEO and Project Manager for EASTRIP Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

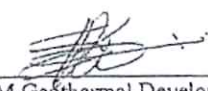
**Approval of the Project financial statements**

The Project financial statements were approved by the MD & CEO and Project Manager for EASTRIP Project on ..... 2024 and signed by them.

  
\_\_\_\_\_  
Managing Director & CEO

Eng. Peter Njenga

  
\_\_\_\_\_  
GM Finance & Accounts  
Mary Maalu

  
\_\_\_\_\_  
Ag. GM Geothermal Development  
(Project Manager)  
Evans Bett

# REPUBLIC OF KENYA

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HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON EAST AFRICA SKILLS FOR TRANSFORMATION AND REGIONAL INTEGRATION PROJECT (IDA CREDIT NO. 6334-KE) FOR THE YEAR ENDED 30 JUNE, 2024 - KENYA ELECTRICITY GENERATING COMPANY PLC

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### PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, 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

#### Qualified Opinion

The accompanying financial statements of set out on pages 11 to 15, which comprise the statement of assets and liabilities as at 30 June, 2024, the statement of receipts and

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*Report of the Auditor-General on East Africa Skills for Transformation and Regional Integration Project (Credit No. 6334-Ke) for the year ended 30 June, 2024 - Kenya Electricity Generating Company PLC*

payments, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Deloitte & Touché LLP, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results 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, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the East Africa Skills for Transformation and Regional Integration Project as at 30 June, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with June, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No.6134-KE dated 18 December, 2018, between the International Development Association (IDA) and the Republic of Kenya and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Presentation and Disclosure Omissions in the Financial Statements**

Review of the financial statements of the project for the year revealed presentation errors and omissions as detailed below;

- i. The financial statements did not include a statement of comparison of budget and actual amount as required in Paragraph 1.3.27 of International Public Sector Accounting Standard Cash Basis which provides that an entity that makes publicly its approved budget shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate financial statements or as additional columns in the statements of cash receipts and payments.
- ii. The financial statements did not include notes to the financial statements in support of amounts reflected in the financial statements. This was contrary to Paragraph 1.3.4 (c) of International Public Sector Accounting Standard Cash Basis which provides that an prepare and present financial statements which include accounting policies and explanatory notes to the financial statements.
- iii. The financial statements did include a statement of performance against predetermined objectives, environmental and sustainability reporting, significant accounting policies and annexes as required by financial reporting guidelines and templates issued by the Public Sector Accounting Standards Board (PSASB).
- iv. The statement of financial assets and liabilities is indicated as statement of assets and liabilities (balance sheet) which deviates from the financial reporting template.

- v. The statement of receipts and payment reflects Nil balance in respect of IDA Credits for the comparative year. However, the financial statements for the 2022/2023 financial year reflects IDA credits amounting to Kshs.252,533,267.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Electricity Generating Company PLC 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 audit of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### **Other Information**

Management is responsible for the other information set out on page 2 to 8 which comprise of the Project information and overall performance, statement of project management responsibilities and the independent auditor's opinion. 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.

## **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

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*Report of the Auditor-General on East Africa Skills for Transformation and Regional Integration (Credit No. 6334-Ke) for the year ended 30 June, 2024 - Kenya Electricity Generating Company PLC*

financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

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

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal 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 overall 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 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

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*Report of the Auditor-General on East Africa Skills for Transformation and Regional Integration (Credit No. 6334-Ke) for the year ended 30 June, 2024 - Kenya Electricity Generating Company PLC*

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 for 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**

**09 December, 2024**

**East Africa Skills for Transformation and Regional Integration Project**  
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**III. STATEMENT OF RECEIPTS AND PAYMENTS**

[Based on classification of expenditures by nature]

	Notes	30 June 2024 Kshs	30 June 2023 Kshs	30 June 2022 KShs	30 June 2021 KShs	30 June 2020 KShs	Cumulative to-date KShs
<b>RECEIPTS</b>							
Opening balance (Project Account)		100,363,278	148,112,419	194,300,277	201,037,993	-	-
IDA credits Project Account		339,914,356	-	-	-	200,000,000	539,914,356
Net interest income		9,582,467	8,741,444	11,197,302	12,278,903	1,037,993	42,838,109
<b>TOTAL RECEIPTS</b>		<b>449,860,101</b>	<b>156,853,863</b>	<b>205,497,579</b>	<b>213,316,896</b>	<b>201,037,993</b>	<b>582,752,465</b>
<b>PAYMENTS</b>							
SIPs expenditure National work plans		(338,688,694)	(56,490,585)	(57,385,160)	(19,016,619)	-	(471,581,058)
<b>TOTAL PAYMENTS</b>		<b>(338,688,694)</b>	<b>(56,490,585)</b>	<b>(57,385,160)</b>	<b>(19,016,619)</b>	<b>-</b>	<b>(471,581,058)</b>
<b>Surplus for the year</b>		<b>111,171,407</b>	<b>100,363,278</b>	<b>148,112,419</b>	<b>194,300,277</b>	<b>201,037,993</b>	<b>111,171,407</b>
<b>Cash at beginning of the year</b>		<b>100,363,278</b>	<b>148,112,419</b>	<b>194,300,277</b>	<b>201,037,993</b>	<b>-</b>	<b>-</b>
<b>Cash at end of the year</b>		<b>111,171,407</b>	<b>100,363,278</b>	<b>148,112,419</b>	<b>194,300,277</b>	<b>201,037,993</b>	<b>111,171,407</b>
<b>Project Account</b>		<b>111,171,407</b>	<b>100,363,278</b>	<b>148,112,419</b>	<b>194,300,277</b>	<b>201,037,993</b>	<b>111,171,407</b>
<b>DA-G</b>		<b>420,964,998</b>	<b>101,894,467</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>420,964,998</b>
<b>Cash In Transit</b>		<b>207,552,569</b>	<b>150,638,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>207,552,569</b>
<b>Total Cash Year End (Project Account, DA-G &amp; Cash in Transit)</b>		<b>739,688,974</b>	<b>352,896,545</b>	<b>148,112,419</b>	<b>194,300,277</b>	<b>201,037,993</b>	<b>739,688,974</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Project financial statements were approved on 25 September 2024 and signed by:



Managing Director & CEO

Eng. Peter Njenga



GM Finance & Accounts

Mary Maalu



Ag. GM Geothermal Development  
(Project Manager)


Evans Bett


East Africa Skills for Transformation and Regional Integration Project  
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**IV. STATEMENT OF ASSETS AND LIABILITIES (BALANCE SHEET)**

	Notes	30-June-	30-June-	30-June	30-June	30-June
		2024	2023	2022	2021	2020
		Kshs	Kshs	Kshs	Kshs	Kshs
<b>FINANCIAL ASSETS</b>						
Cash and cash equivalents Project Account		111,171,407	100,363,278	148,112,419	194,300,277	201,037,993
Cash In Transit from DA-G to Project Account (EURO 1,458,000)		207,552,569	150,638,800	-	-	-
Cash and cash Equivalents Designate Account (DA-G) (EURO 3,037,215)		420,964,998	101,894,467	-	-	-
<b>Total financial assets</b>		<b>739,688,974</b>	<b>352,896,545</b>	<b>148,112,419</b>	<b>194,300,277</b>	<b>201,037,993</b>
<b>FINANCIAL LIABILITIES</b>						
Payables		-	-	-	-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net financial assets (liabilities)</b>		<b>739,688,974</b>	<b>352,896,545</b>	<b>148,112,419</b>	<b>194,300,277</b>	<b>201,037,993</b>
<b>REPRESENTED BY:</b>						
Accumulated surplus (deficit) from the previous years		-	-	-	-	-
Net Surplus (deficit) for current year		739,688,974	352,896,545	148,112,419	194,300,277	201,037,993
<b>Total closing balances/Net financial position (Fund Balance).</b>		<b>739,688,974</b>	<b>352,896,545</b>	<b>148,112,419</b>	<b>194,300,277</b>	<b>201,037,993</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Project financial statements were approved on 15.11.2024 and signed by:

  
 Managing Director & CEO  
 Eng. Peter Njenga

  
 GM Finance & Accounts  
 Mary Maalu

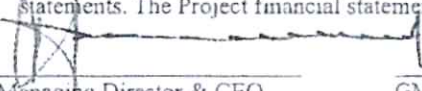
  
 Ag. GM Geothermal Development  
 (Project Manager)  
 Evans Bett

East Africa Skills for Transformation and Regional Integration Project  
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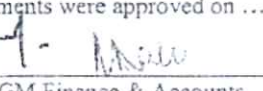
V. STATEMENT OF CASH FLOWS

	Notes	30-June-	30-June-	30-June	30-June	30-June
		2024	2023	2022	2021	2020
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<b>Cash flow from operating activities</b>						
<b>Receipts</b>						
Project Account credits		339,914,356	-	-	-	200,000,000
<b>Total Receipts</b>		<b>339,914,356</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,000,000</b>
<b>Expenses</b>						
SIPs expenditure	1.3	(338,688,694)	(56,490,585)	(57,385,160)	(19,016,619)	-
National work plans		-	-	-	-	-
<b>Total operating expenses</b>		<b>(338,688,694)</b>	<b>(56,490,585)</b>	<b>(57,385,160)</b>	<b>(19,016,619)</b>	<b>-</b>
<b>Net cash flows from operating activities</b>	<b>A</b>	<b>1,225,662</b>	<b>(56,490,585)</b>	<b>(57,385,160)</b>	<b>(19,016,619)</b>	<b>200,000,000</b>
<b>Cash flow from investing activities</b>						
Net interest income		9,582,467	8,741,444	11,197,302	12,278,903	1,037,993
<b>Net cash flows from investing activities</b>	<b>B</b>	<b>9,582,467</b>	<b>8,741,444</b>	<b>11,197,302</b>	<b>12,278,903</b>	<b>1,037,993</b>
<b>Cash flow from financing activities</b>						
Proceeds from borrowings		-	-	-	-	-
<b>Net cash flow from financing activities</b>	<b>C</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>A+B+C</b>	<b>10,808,129</b>	<b>(47,749,141)</b>	<b>(46,187,858)</b>	<b>(6,737,716)</b>	<b>201,037,993</b>
<b>Cash and cash equivalents at beginning of year Project Account</b>		<b>100,363,278</b>	<b>148,112,419</b>	<b>194,300,277</b>	<b>201,037,993</b>	<b>-</b>
<b>Cash and Cash equivalents end of year Project Account</b>		<b>111,171,407</b>	<b>100,363,278</b>	<b>148,112,419</b>	<b>194,300,277</b>	<b>201,037,993</b>
Cash in DA-G		420,964,998	101,894,467	-	-	-
Cash in Transit end of year		207,552,569	150,638,800	-	-	-
<b>Total Cash &amp; Cash Equivalent (Project Account, DA-G and Cash in Transit)</b>		<b>739,688,974</b>	<b>352,896,545</b>	<b>148,112,419</b>	<b>194,300,277</b>	<b>201,037,993</b>

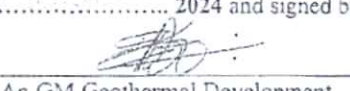
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Project financial statements were approved on ..... 2024 and signed by:

  
 Managing Director & CEO

Eng. Peter Njenga

  
 GM Finance & Accounts

Mary Maalu

  
 Ag. GM Geothermal Development  
 (Project Manager)  
 Evans Bett

## VI. NOTES TO THE FINANCIAL STATEMENTS

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

### 10.1 Basis of Preparation

#### 1.1.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with the cash basis of accounting under the International Public Sector Accounting Standards (IPSAS). The accounting policies have been consistently applied to all the years presented.

#### 1.1.2 Reporting entity

The financial statements are for the EASTRIP Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012. The project is implemented by Kenya Electricity Generating Company Plc under the supervision of the National Government of Kenya through the Ministry of Education.

#### 1.1.3 Reporting currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Project.

### 1.2 Significant Accounting Policies

#### a) Revenue (Recognition of receipts)

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

- **Transfers from the Treasury and Other General Government Units/Entities:**

Where transfers are received from the Treasury and/or other General Government Units/Entities, these are recognized in the Project books of account when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity (Project).

- **Other receipts:** - These include receipts such as proceeds from disposal of assets and refunds. These are recognized in the financial statements at the time associated cash is received by the project.

- **External Assistance**

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

#### Donations and grants

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

During the reporting period, direct project credits were received as revenue by the project. These are funds received from the donor to finance the project activities.

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VI. NOTES TO THE FINANCIAL STATEMENTS (continued)

1.2 Significant Accounting Policies (continued)

b) Expenses (Recognition of Payments)

Payments represent outlays of cash made by the entity or other agencies for and on behalf of the Project. All payments are recognized and included in the financial statements when cash is paid out.

- **SIPs Expenditure:** - Payments for civil works, goods, consulting services and training are recognized in the period when they are paid for.
- **National work plans:** - Goods, services, consultancies and other operating costs are recognized as payments in the period when the goods/services are paid for.

c) Foreign currency transactions

- **World Bank Disbursement:** The World Bank disburses funds in euros (EUR) to a Designated Account (DA-G) managed by The National Treasury.
- **Transfer to Project Account:** The National Treasury converts the euros to Kenya Shillings and transfers the funds to the Project Account. Since all eligible expenditures are made in Kenya Shillings, no foreign currency differences arise during these transactions.
- **Translation of Outstanding Balances:** At the end of the financial year, any funds remaining in the Designated Account (DA-G) that have not yet been converted and transferred to the Project Account are translated using the spot exchange rate. This is necessary because the National Treasury has not yet provided the indicative exchange rate that will be used for the conversion when the funds are eventually transferred.

d) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost.

e) 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 30 June 2024.

1.3 SIPs Expenditure

	FY2024	FY2023	FY2022	FY2021	FY2020	Cumulative to-date
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Civil works	312,076,521	-	-	-	-	312,076,521
Goods	-	-	-	-	-	-
Consulting services	8,146,074	21,049,000	16,497,199	375,832	-	46,068,156
Training	18,466,099	35,441,585	40,887,961	18,640,787	-	113,436,381
<b>Total</b>	<b>338,688,694</b>	<b>56,490,585</b>	<b>57,385,160</b>	<b>19,016,619</b>	<b>-</b>	<b>471,581,058</b>