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Deputy majority leader
17 Shubute

OF

THE AUDITOR-GENERAL

ON

**POWER TRANSMISSION SYSTEM
IMPROVEMENT PROJECT CREDIT
NUMBER 2100150023752**

**FOR THE YEAR ENDED
30 JUNE, 2023**

**KENYA ELECTRICITY TRANSMISSION
COMPANY LIMITED**



OFFICE OF THE AUDITOR GENERAL
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POWER TRANSMISSION SYSTEM IMPROVEMENT PROJECT

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED (KETRACO)

PROJECT CREDIT NUMBER: ADF LOAN NO. 2100150023752

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30th JUNE 2023**

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

Kenya Electricity Transmission Company Limited
Power Transmission System Improvement Project
Report and Financial Statements
For the Year Ended 30 June 2023

Kenya Electricity Transmission Company Limited
Power Transmission System Improvement Project
Report and Financial Statements
For the Financial Year Ended 30 June 2023

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1. ACRONYMS AND GLOSSARY OF TERMS

ADB	African Development Bank
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 Limited
KV	Kilovolts
PFSs	Project Financial Statements
RAP	Resettlement Action Plan
SORE	Statement of Receipts and Expenditure
UA	Units of Account
US\$	United States Dollar
PFM	Public Financial Management Act 2012
UON	University of Nairobi
MSc	Master of Science
GIS	Geographic Information System
BSC	Bachelor of Science
FCPA	Fellow Certified Public Accountant
OGW	Order of the Golden Warrior
KM	Kilo Metres
ISK	Institute of Surveyor of Kenya
BA Econ	Bachelor of Arts Economics
UAC	Unit of Account
Hons	Honours
MA	Masters in Arts
EACC	Ethics and Anti-Corruption Commission

2. PROJECT INFORMATION AND OVERALL PERFORMANCE

2.1 Name and Registered Office

Name: The project's official name is Power Transmission System Improvement Project.

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:

Power Transmission System Improvement Project
 Block B, Kawi House
 Off Red Cross Road, South C
 P. O. Box 34942 – 00100 Nairobi

Contacts: The following are the project contacts

Telephone: (+254) 20 – 4956000

E-mail: info@ketraco.co.ke

Website: www.ketraco.co.ke

2.2 Project Information

Project start date:	The project start date is 16 April 2013
Project end date:	The project end date is 31 st December 2023
Project manager:	The project manager is Engineer. Justin Muna
Project sponsor:	The project sponsor are Government of Kenya and African Development Bank

2.3 Project Overview

Line Ministry/ State Department of the project	The project is under the supervision of the Kenya Electricity Transmission Company Limited, a state corporation under the State Department of Energy.
Project number	2100150023752
Strategic goals of the project	The strategic goal of the project is to contribute to the delivery of adequate and reliable power supply.

2. PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

2.3 Project Overview (continued)

<p>Achievement of strategic goals</p>	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> • Construction of 431KM of 132 KV lines, the extension of six substations and the construction of eight new substations that will contribute to the capacity of Kenya to increase the number of new connections by 200,000 annually as well as the rural electricity connectivity rate from the current 23% to 40% by 2023.
<p>Other important background information of the project</p>	<p>The project is implemented by Kenya Electricity Transmission Company Limited (KETRACO), which was incorporated on 2 December 2008 and registered under the Companies Act, Cap 486 pursuant to Sessional Paper No. 4 of 2004 on Energy. The Company was established to develop new high voltage electricity transmission infrastructure that will form the backbone of the National Transmission Grid, in line with Kenya Vision 2030. Its core business is to plan, design, build and maintain new electricity transmission lines and associated substations. These new lines will include 132KV, 220KV, 400KV and 500KV High Voltage Direct Current (HVDC). In carrying out this mandate, the Company is expected to develop a new and robust grid system in order to:</p> <ul style="list-style-type: none"> (i) Improve quality and reliability of electricity supply throughout the country; (ii) Transmit electricity to areas that are currently not supplied from the national grid; (iii) Evacuate power from planned generation plants; and (iv) Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region. <p>The project is being financed by African Development Fund (ADF) and the Government of Kenya through the Ministry of Energy and Petroleum and The National Treasury.</p> <p>As the owner of the project, KETRACO provides the organizational set up for the activities, qualified staff and basic office infrastructure for efficient execution of the project.</p> <p>The Power Transmission System Improvement project was designed for the construction of 431KM of 132 KV lines, the extension of six substations and the construction of eight new substations that will contribute to the capacity of Kenya to increase the number of new connections by 200,000 annually as well as the rural electricity connectivity rate from the current 23% to 40% by 2023. The Project, by contributing to the delivery of adequate and reliable power supply will catalyse the growth and competitiveness of the rural economy and the development of social institutions such as schools and hospitals.</p>

2. PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

2.3 Project Overview (continued)

	<p>Expected Completion Date: 31 December 2023</p> <p>The contractor Jyoti Structures Limited was terminated due to insolvency and being declared bankrupt.</p> <p>There has been appointed a new contractor China CAMCE Company Limited to complete the Transmission Lines from where Jyoti Structures Limited had reached Olkaria Narok Lessos Kabarnet Mwingi Kitui Wote Sultan Hamud Nanyuki Nyahururu</p> <p>The contract is expected to be completed on 31 December 2023, the contract Amounts are USD 8,652,694 and KShs 172,369,008.</p>
Current situation that the project was formed to intervene	Inadequate and unreliable power supply.
Project duration	The project started on 16 April 2013 and was expected to run until 31 December 2023.

2.4 Bankers

The following are the bankers for the current year:

- (i) Co-operative Bank of Kenya Limited
 Upper Hill
 P. O. Box 48281 - 00100
 Nairobi
- (ii) Kenya Commercial Bank Limited
 Moi Avenue
 P. O. Box 30081 – 00100
 Nairobi

2.5 Auditors

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

2. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.6 Roles and Responsibilities

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

Names	Title designation	Key qualification	Responsibilities
Dr. (ENG.) John Mativo	Managing Director	Dr. (Eng.) John Mativo, CE holds a Doctorate (PhD) degree in Civil Engineering, a Master's degree in Structural Engineering, and a Bachelor's degree in Civil Engineering from the University of Nairobi.	Managing Director
CPA Tom Imbo	General Manager, Finance.	Master of Business Administration (Finance) and Bachelor of Education (Economics, Business Administration) Degrees. Certified Public Accountant of Kenya, Member of the Member Services Committee of ICPAK	Project Reporting
Eng. Anthony Wamukota	GM, Design and Construction	Bachelor's degree in civil engineering; CPA final. He is registered by the Engineers Board of Kenya (EBK) as a professional engineer. Member of the Institution of Engineers of Kenya (IEK).	Project Coordinator
Johnson Muthoka	Senior Manager Wayleaves	BA Land Econ (Hons), MA (urban and regional planning (UON), Full member of ISK, registered and Licensed land economist	Wayleaves Acquisition (Land Economists, Land surveyors, Social Economists, Environmental Experts)

2.7 Funding summary

The Project financing from Africa Development Fund was for a duration of 7 years from 2011 to 2017 with an approved budget of UA 46,700,000, equivalent to KShs 8,585,421,400.00 (1 UA: KShs 183.842 – 30 June 2023) and Government counterpart funding of KShs 3,413,564,100 as per the table below. The funding period from Africa Development Fund lapsed in July 2017. The project is currently funded by the Government of Kenya. The amount paid out by the time the loan was terminated was Ksh 5,881,919,739. The total amount paid to-date to the contractors and the consultant is Ksh 9,499,149,510.

2. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.7 Funding summary (continued)

Below is the funding summary:

A. Sources of Funds

Source of funds	Donor Commitment		Amount received as at: – (30 June 2023)		Undrawn balance as at: (30 June 2023)	
	Donor currency (UAC) (A)	KShs (A')	Donor currency (UAC) (B)	KShs (B')	Donor currency (UAC) (A)-(B)	KShs (A')-(B')
(i) Loan						
African Development Fund	46,700,000	6,293,145,536	43,648,387	5,881,919,739	3,051,613	477,443,164
(ii) Counterpart funds						
Government of Kenya	-	3,373,564,100	-	3,373,564,100	-	-
Miscellaneous receipts	-	178,477,527	-	178,477,527	-	-
Total	46,700,000	9,845,187,163	43,648,387	9,433,961,366	3,051,613	477,443,164

The financing by Africa Development Bank expired in 31th July 2017 and no further draw down is expected on this loan. Hear
A. Application of Funds

Source of funds	Amount received to date – (30 June 2023)		Cumulative Amount paid to date– (30 June 2023)		Unutilized balance to date– (30 June 2023)	
	Donor Currency UAC (A)	KShs (A')	Donor Currency UAC (B)	KShs (B')	Donor Currency UAC (A)-(B)	KShs (A')-(B')
(i) Grant/Loan						
African Development Fund	43,648,387	5,881,919,739	43,648,387	5,881,919,739	-	-
(ii) Counterpart funds						
Government of Kenya	-	3,381,449,392	-	3,373,564,100		7,885,292
Miscellaneous receipts	-	178,477,527	-	178,477,527	-	-
Total	43,648,387	9,481,846,657	43,648,387	9,433,961,366	-	7,885,292

2. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.8 Summary of Overall Project Performance:

2.8 Budget Performance Against Actual Amounts

During the period under review, the project received the project earned an interest of KShs 581,471.00 against a final nil budget. Similarly, the project incurred total expenditure of KShs 81,315,563.00 during the year, against a final nil budget. The project’s cumulative receipts and payments to-date amounts to KShs 9,507,034,803 and KShs 9,499,049,510 respectively.

2.9 Physical Progress and Achievements of the Project

The project construction progress for Power Transmission System Improvement Project which include; Transmission line was being undertaken by Jyoti Structures Limited, but the contract was terminated and awarded to China CAMCE Company Limited and Consultant was SMEC International Pty Limited. The Substation works were completed in June 2016. The consultant also concluded his contractual works in December 2017. However, the new Contractor for the Transmission Line is due for completion in 31st December 2023.

All the substations are completed and awaiting commissioning on completion of the respective Transmission Lines except for Ishiara Kieni and Bomet Sotik Transmission Lines which have already been commissioned.

The status of the remaining works as at 30 June 2023 is as follows;

<p>1. Nanyuki-Rumuruti (overhead) Foundations: 100% Erections: 100% Stringing; 98% Overall: 98%</p>	<p>2. Lessos-Kabarnet Foundations: 100% Erections:100% Stringing: 95.72% Overall: 98%</p>
<p>4. Kitui-Wote (Remaining Section) Foundations: 100% Erections: 100% Stringing: 34% Overall: 69%</p>	

Jyoti Structures Limited was slow in completing the project due to financial constraints, this affected the expected completion timelines and caused time extensions of up to 30th June 2019, However, Jyoti’s contract was terminated and competitively awarded to China CAMCE Company Limited who are to complete the four transmission Lines, they have since completed Olkaria Narok, and are at advanced stages to finish the remaining works on (Lessos Kabarnet, Nanyuki Nyahururu, and Kitui Wote section).

A portion of the Nanyuki Nyahururu Transmission Line which is passing through Nanyuki Air Base has to be done as underground cable, additional funding have been secured with ADB and the project is under implementation.

The financing for the project was cancelled and therefore the government has to finance the balance of the project, it is important to note that the counterpart funding has been minimal hence compensation payment to persons affected by project has been slow.

2. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.9 Summary of Overall Project Performance (continued)

2.9.1 Value for Money Achievements

Since the Project began, which includes eight substations which have all been completed and Transmission Lines Bomet Sotik and Ishiara Kieni, Olkaria Narok, Sections of Mwingi Kitui and Wote Sultan Hamud, which are complete and energised have significantly enhance power connections in those towns and their environment spurring grow of Industries and ensuring reliability and stability of Electricity. Once the remaining sections of Lessos Kabarnet and Nanyuki Nyahururu, are complete, their environments will also experience improved reliability and achieve increased connections especially to the locals.

2.9.2 Absorption Rate Per Year for the Project

YEAR	Absorption Rate Per Year
2022/2023	*
2021/2022	498%
2020/2021	81%
2019/2020	28%
2018/2019	45%
2017/2018	223%
2016/2017	49%
2015/2016	30%
2014/2015	47%
2013/2014	50%

Note *

The budget allocation for the project for financial year 2022/2023 was Ksh 160,000,000.00, a disbursement of Ksh 40 M was received in the first quarter but was reduced to Ksh Nil in the supplementary budget 1.

2.10 Summary of Project Compliance:

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

Challenges

Right of way acquisition

Lack of enough budget allocation to process pending payments

3. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVE

Introduction

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

The key development objectives of the project's 2018-2023 are to:

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

Progress on attainment of Strategic development objectives

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

Project	Objective	Outcome	Indicator	Performance
Power Transmission Systems Project	To Strengthen the electricity grid system and Enhance power transfer capacity	Increased stability of power supply - enabling additional distribution systems improvement of power across the country	Number of substations and transmission lines complete.	In financial year 2022/23 we increased system stability and power transfer capacity by completing and Energizing Mwingi Kitui and Wote Sultan Hamud Transmission line Olkaria Narok. Works on Lessos Kabarnet, Nanyuki Nyahururu, and the remaining parts of Kitui Wote are at advanced stage, expected to be completed in December 2023

4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

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

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

Our approach

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

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

1. 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, and engaged them in research activities to improve their preparedness for work environment.

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:

4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

2 Environmental performance (continued)

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

3. Employee welfare

Competence Management

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

Safety and Security Measures

During the year ended 30 June 2023, the Company achieved the following;

1. Championed the roll out of ISO 45001: 2018 – Occupational health and safety management system certification journey in the company through staff awareness trainings, development of safety procedures and carrying out internal audits. The Section also developed a Safety and Health policy being a management tool for OSH in the organization.
2. Participated in the development of the Energy (Incident and Accident Reporting) Regulations as well being incorporated in the Ministerial OSH Committee.
3. Promotional of safe work through effective incident and accident investigations, OSH inspections /audits, robust risk assessment and monitoring implementations of corrective actions for both operational sites and sites under construction.
4. Sensitized/trained staff and contracted personnel on workplace safety and health measures in the offices and substations. As well as dissemination of vital Osh information to employees.
5. Participated in the management of COVID-19 pandemic through development of guidelines, protocols, and purchase of protective equipment.

4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

3. Employee welfare (continued)

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

4. Market place practices

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

In addition, contractors/suppliers were sensitized on SAP Ariba Sourcing Strategy and Access to e-government procurement opportunities. Through the SAP Ariba Developer portal procurement processes have been eased.

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

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

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

4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

4. Market place practices (continued)

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.

5. Community engagements

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

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

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

5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer of KETRACO and the Project Coordinator for the Power Transmission System Improvement Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended 30 June 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 statements, 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 Chief Executive Officer of KETRACO and the Project Coordinator for the Power Transmission System Improvement Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.


The Chief Executive Officer of KETRACO and the Project Coordinator for the Power Transmission System Improvement Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended 30 June 2022, and of the Project's financial position as at that date. The Chief Executive Officer of KETRACO and the Project Coordinator for the Power Transmission System Improvement Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


The Chief Executive Officer of KETRACO and the Project Coordinator for the Power Transmission System Improvement Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Chief Executive Officer of KETRACO and the Project Coordinator for the Power Transmission System Improvement Project on 30.6.2023 and signed by them.

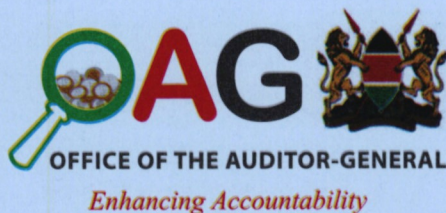

.....
Chief Executive Officer
DR. (ENG) John Mativo, CE


.....
Project Coordinator
Eng. (CPA) Antony Wamukota, OGW


.....
General Manager, Finance.
CPA Tom Imbo
ICPAK Number: 7039

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON POWER TRANSMISSION SYSTEM IMPROVEMENT PROJECT CREDIT NUMBER 2100150023752 FOR THE YEAR ENDED 30 JUNE, 2023 - 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 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.

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

I have audited the accompanying financial statements of Power Transmission System Improvement Project set out on pages 1 to 15, which comprise of the statement of financial assets as at 30 June, 2023, and statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year

Report of the Auditor-General on Power Transmission System Improvement Project Credit Number 2100150023752 for the year ended 30 June, 2023-Kenya Electricity Transmission Company Limited

then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Power Transmission System Improvement Project as at 30 June, 2023, 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 Loan Number 2100150023752 dated 23 March, 2011, between the African Development Fund and the Government of the Republic of Kenya 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 Power Transmission System Improvement Project 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 judgement are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted receipts of nil and actual receipts of Kshs.53,462,938 resulting to over receipt of revenue of Kshs.53,462,938. Similarly, the statement reflects budgeted expenditure of nil and actual expenditure of Kshs.81,315,653 resulting to over-expenditure of Kshs.81,315,653.

The over receipts and over expenditure could not be confirmed as no authority or approval was provided for audit review.

2. Pending Accounts Payable

As previously reported, Note 13.1 (Annex 2 A) to the financial statements reflects pending accounts payables totalling to Kshs.306,174,078 which was the same balance in the 2021/2022 financial year. Management has not explained why the bills were not paid during the year in which they occurred. The project is therefore at risk of incurring significant interest on unpaid bills together with penalties thereon.

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

3. Other Pending Payables

As previously reported, other important Disclosures under Note 13.2 (Annex 2 B) to the financial statements reflects other pending accounts payables totalling to Kshs.72,826,790. The amount relates to compensation of landowners for wayleaves. Management attributed failure to pay the amount due to absentee owners and lengthy land negotiations between Management and landowners.

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

Failure to Maintain Separate Project Bank Account

The statements of financial assets reflects a balance of Kshs.7,885,292 in respect to bank balances. The project operates two (2) bank accounts in two (2) commercial banks to pay for way leaves and taxes, and for all the projects under its control. This made it difficult to separate the cash balances for each of the projects since all donor project are controlled from the main bank account. This is contrary to Regulation 76(1) of the Public Finance Management (National Government) Regulations, 2015, provides that, "For the purpose of disbursement of project funds, there shall be opened and maintained a project account for every project at the Central Bank of Kenya unless it is exempted by the Cabinet Secretary, in writing, into which all funds shall be kept and such an account shall be known by the name of the project for which it is opened and each project shall maintain only one bank account."

In the circumstances, Management was in breach of the law.

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 on whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities which 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 2330. The standards require that I plan and perform the audit to obtain assurance on whether effective processes and systems of internal controls, risk management and overall governance, were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the 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 controls as Management determines is necessary to enable the preparation of financial statements which are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of the internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain its 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 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 overall 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 which 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 which 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls would not necessarily disclose all matters in the internal controls which 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 controls components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts which 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 controls 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 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 which 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 controls.
- 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 which 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 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 which 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 controls which are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters which may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

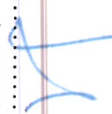

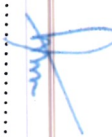
16 November, 2023

Kenya Electricity Transmission Company Limited
 Power Transmission System Improvement Project
 Report and Financial Statements
 For the Year Ended 30 June 2023

7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2023

	Notes	2022/2023		2021/2022		Cumulative to-date
		Receipts and payments controlled by the entity KShs	Payments made by third parties KShs	Receipts and payments controlled by the entity KShs	Payments made by third parties KShs	
Receipts						
Transfer from Government entities	12.1			115,625,000		3,373,564,100
Transfer from Kenya Electricity Transmission Company Limited	12.7	53,462,939		19,610,498		72,503,911
Loans from External Development Partners	12.2					5,881,919,739
Miscellaneous receipts	12.3	581,471		1,557,203		178,477,527
Total Receipts		54,044,410		136,792,701		9,506,908,712
Payments						
Purchase of goods and services	12.4	1,425,080		55,654,303		570,304,049
Acquisition of non-financial assets	12.5	79,890,483		392,150,942		8,928,845,462
Total Payments		81,315,563		447,805,245		9,409,149,510
(Deficit)/surplus		(27,271,154)		(311,012,544)		7,885,292

The accounting policies and explanatory notes to these project financial statements form an integral part of the project financial statements. The project financial statements were approved on 2023 and signed by:

 Chief Executive Officer Project Coordinator General Manager, Finance.


 DR. (ENG) John Mativo, CE Eng. (CPA) Antony Wamukota, OGW CPA Tom Imbo

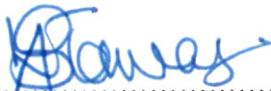
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8. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2023

	Notes	FY 2022/2023 KShs	FY 2021/2022 KShs
Financial Assets			
Cash and cash equivalents			
Bank balances	12.6	7,885,292	35,156,446
Total Financial Assets		7,885,292	35,156,446
Represented by:			
Fund balance b/fwd		35,156,446	346,168,990
Deficit for the year		(27,271,154)	(311,012,544)
Net Financial Position		7,885,292	35,156,446

The accounting policies and explanatory notes to these project financial statements form an integral part of the project financial statements. The project financial statements were approved on.....30/6/2023 and signed by:


 Chief Executive Officer
 DR. (ENG) John Mativo, CE


 Project Coordinator
 Eng.(CPA) Antony Wamukota,OGW


 General Manager, Finance.
 CPA Tom Imbo
 ICPAK No.: 7039

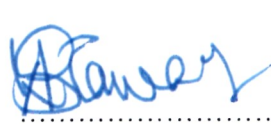
9. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

CASHFLOW FROM OPERATING ACTIVITIES	NOTES	2022-2023 KES	2021-2022 KES
Receipts for operating income			
Transfers from Government entities	12.1		115,625,000
Transfer from Kenya Electricity Transmission Company Limited	12.7	53,462,939	19,610,498
Miscellaneous receipts	12.3	581,471	1,557,203
Payments for operating expenses			
Purchase of goods and services	12.4	(1,425,080)	(55,654,303)
Net cash flows generated from operating activities		52,619,329	81,138,398
Cash Flows from Investing Activities			
Acquisition of non Financial assets	12.5	(79,890,483)	(392,150,942)
Net Flows from Borrowing Activities		(79,890,483)	(392,150,942)
Net Decrease/Increase in Cash & Cash Equivalent		(27,271,153)	(311,012,545)
Cash and Cash Equivalents at the Beginning of the year		35,156,445	346,168,990
Cash & Cash Equivalent at the end of the year	12.6	7,885,292	35,156,446


The accounting policies and explanatory notes to these project financial statements form an integral part of the project financial statements. The project financial statements were approved on.....30.1.23 2023 and signed by:



 Chief Executive Officer
 DR. (ENG) John Mativo, CE



 Project Coordinator
 Eng.(CPA) Antony Wamukota,OGW



 General Manager, Finance
 CPA Tom Imbo
 ICPAK Number:7039

10. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payment item	Original budget	Adjustments	Final budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c%
	KShs	KShs	KShs	KShs	KShs	
Receipts						
Transfer from Government entities	160,000,000	-160,000,000				
Transfer From KETRACO				53,462,939	-53,462,939	
Miscellaneous Receipts	-	-		581,471	-581,471	(>100%)
Total receipts	160,000,000	-160,000,000		54,044,410	-54,044,410	
Payments						
Purchase of goods and services				1,425,080	-1,425,080	
Acquisition of non-financial assets	160,000,000	-160,000,000		79,890,483	-79,890,483	
Total Payments	160,000,000	-160,000,000		81,315,653	-81,315,653	

Note:

Significant strides in execution of works is going forward. The budget utilisation/performance differences in the last column are explained in **Annex 1** to these financial statements.

The project financial statements were approved on.....2023 and signed by:

.....
 Chief Executive Officer
 DR. (ENG) John Mativo, CE

.....
 Project Coordinator
 Eng.(CPA) Antony Wamukota,OGW

.....
 General Manager Finance
 CPA- Tom Imbo
 ICPAK Member No:7039

11. SIGNIFICANT ACCOUNTING POLICIES

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

a. Statement of compliance and basis of preparation

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

b. Reporting Entity

The financial statements are for the Kenya Power Transmission System Improvement Project. The financial statements encompass the reporting entity as specified in the relevant legislation Public Financial Management Act 2012.

c. 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.

d. 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.

1. 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.

2. External Assistance

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

Donations and grants

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

11. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Recognition of receipts (continued)

ii) External Assistance

Proceeds from borrowing

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

Undrawn external assistance

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

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.

e) Recognition of payments

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

• **Purchase of goods and services**

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

• **Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

11. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) 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.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

h) Accounts receivable

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

i) 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.

j) 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.

11. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j.) Budget (Continued)

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 under review has been included in an annex to these financial statements.

k) Third party payments

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

l) 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 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.

m) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in financial statement presentation.

n) 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 2023

o) Errors

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.

12 NOTES TO THE FINANCIAL STATEMENTS

12.1 RECEIPTS FROM GOVERNMENT OF KENYA

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

	FY 2022/2023	FY 2021/2022	Cumulative to-date
	KShs	KShs	KShs
Counterpart funding through State Department of Energy			
Counterpart funds Quarter 1		65,625,000	1,308,711,037
Counterpart funds Quarter 2		40,000,000	781,356,294
Counterpart funds Quarter 3		10,000,000	701,163,233
Counterpart funds Quarter 4*		-	622,333,536
Total		115,625,000	3,413,564,100

12.2 LOANS FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2023, the project did not receive funds from external development partners, the table below show the position as at 30 June 2023

Name of Partner	Date received	Amount received in partner currency	Loan received in cash	Loan received as direct payment*	Total amount	
					2022/2023	2021/2022
		UA	KShs	KShs	KShs	KShs
Loans Received from Multilateral Donors						
African Development Fund					-	-
Total					-	-

* The Loan The Loan received from multilateral donors as direct payment represent payments for goods and services done directly by the partner on behalf of the project. Projects should ensure that there are adequate documents requested from the donors to support this loan. It should be noted the ADB Loan was terminated in July 2017. Therefore, going forward the project is financed by GOK.

12.3 MISCELLANEOUS RECEIPTS

Receipts controlled by the entity in cash	2022/2023			2021/2022	Cumulative to-date
	Receipts controlled by entity	Receipts controlled by third parties	Total receipts	Total receipts	
	KShs	KShs	KShs	KShs	KShs
Interest income*	581,471	-	581,471	1,557,203	178,477,527
Total	581,471	-	581,471	1,557,203	178,477,527

*The miscellaneous receipts is income received from Interest from Escrow account domiciled in Co-operative bank, opened for the purpose of settlement of project costs as per the Financing agreement.

12. NOTES TO THE FINANCIAL STATEMENTS

12.4 PURCHASE OF GOODS AND SERVICES

	2022/2023			2021/2022	Cumulative to- date
	Payments made by the entity in cash	Payments made by third parties	Total payments		
	KShs	KShs	KShs	KShs	KShs
Other project costs	126,090	-	126,090	33,530,098	425,973,664
Audit Fees					1,437,975
Site travel and accommodation	1,298,990		1,298,990	22,124,205	142,892,410
Total	1,425,080		1,425,080	55,654,303	570,304,049

12.5 ACQUISITION OF NON-FINANCIAL ASSETS

	2022/2023			2021/2022	Cumulative to- date
	Payments made by the entity in cash	Payments made by third parties	Total payments		
	KShs	KShs	KShs	KShs	
Consultancy fees				10,318,048	673,019,073
Powerline (transmission equipment)	52,163,949		52,163,949	226,538,479	6,284,602,774
Wayleaves	27,726,534		27,726,534	155,294,414	1,971,223,615
Total	79,890,483	-	79,890,483	392,150,941	8,928,845,462

12.6 CASH AND CASH EQUIVALENTS

	2022/2023	2021/2022
	KShs	KShs
Cash and cash equivalents		
Bank Balances	7,885,292	35,156,446
TOTAL FINANCIAL ASSETS	7,885,292	35,156,446

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

Project bank accounts

Local Currency Accounts	FY 2022/2023	FY 2021/2022
	KShs	KShs
Co-operative Bank of Kenya Limited – Upper Hill[A/C No 01136160914101]	7,885,292	35,156,446
Total bank account balances	7,885,292	35,156,446


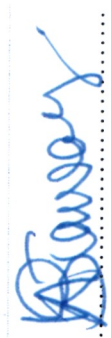

12.7 Transfers From KETRACO

	2022/2023	2021/2022
	KShs	KShs
Transfer From KETRACO	53,462,939	19,610,498
Total	53,462,939	19,610,498

Kenya Electricity Transmission Company Limited
 Power Transmission System Improvement Project
 Report and Financial Statements
 For the Financial Year Ended 30th June 2019

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person	Status	Timeframe
	Consequently, this Project may not be completed within schedule, resulting in delayed provision of expected services to the stakeholders				
2	The statement of comparative of budget and actual amounts reflects actual receipts totalling to Ksh 136,792,701 against the budgeted receipts of Ksh 90,000,000 resulting in a excess funding of Kshs.46,792,701. Further, actual expenditure for the year amounted to Kshs.447,805,244 against the budgeted amount of Kshs.90,000,000 resulting to excess expenditure amounting to Kshs.357,805,244. Management attributed the over expenditure to utilization of brought forward funds from the previous year and slow implementation of the work plan in the previous year. However, no authority for utilization of brought forward amounts or approval for implementation of activities from previous year was provided for audit review.	Ksh 25,625,0000 reflects amounts for Financial year 2020/2021, received in the first quarter of FY 2021/2022. The expenditure of Ksh 447,805,244 reflects payments to the contractor based on accrual basis, this accrued expenditure had been budgeted for in the previous financial years. The difference is as a result of cash and accrual basis of report of project financial statements as per the requirement of IPSAS.	General manager - Project Development Services and General Manager, Finance	The project financials are reported on cash basis, final disbursement of Ksh 25,625,000 for FY 2021/2021 was received in quarter 1 of FY 2021/2022.	Dec-23

Kenya Electricity Transmission Company Limited
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 Report and Financial Statements
 For the Financial Year Ended 30th June 2019

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person	Status	Timeframe
3	<p>Pending Bills - Goods and Services</p> <p>Note 12.1 to the financial statements reflect pending bills amounting to Kshs.306,174,079. Management has not explained why the pending bills were not settled during the year they occurred. The project is therefore at the risk of incurring significant interest on unpaid bills together with penalties thereon.</p> <p>Failure to settle bills during the year they relate to distorts the financial statements and adversely affects the budgetary provision for the subsequent year as they form the first charge.</p>	<p>The bills concerning the contractor are owed to Jyoti Structures Limited which was declared insolvent in 2017. Jyoti Structures was declared insolvent, they are part of the bill that are under review by the receiver manager.</p>	<p>Project Manager to accelerate wayleave compensation process</p>	<p>Closed</p>	<p>June 2023</p>
4	<p>Other pending payable.</p> <p>Note 12.2 o the financial statements reflect other pending payables to Ksh 67,256,878 relating to expected compensation of landowners for wayleave. Management attributed failure to pay the amount due to lengthy negotiation due to absentee owners and court injunctions.</p>	<p>Most of the wayleave has been paid within this year payments to wayleave totaling up to Ksh 155,294,413.95.</p>	<p>General Manager - Finance</p>	<p>Due to budget constraints, wayleave totaling to Ksh 72,826,789.73 still pending, though within the financial year 2022/2023, Ksh 27,726,534 was paid as wayleave compensation.</p>	<p>December 2023</p>
	<p></p> <p>..... Chief Executive Officer DR. (ENG) John Mativo, CE</p>	<p></p> <p>..... Project Coordinator Eng.(CPA) Antony Wamukota,OGW</p>		<p></p> <p>..... General Manager Finance CPA- Tom Imbo ICPAK Member No:7039</p>	

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Previous Budget C/F	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation Variance to Final Budget d=c/a %	Comments on Variance
	a	KShs	b	c=a-b		
RECEIPTS DURING THE YEAR						
Government of Kenya			53,462,939			(i)
Miscellaneous Receipts		-	581,471			(ii)
Total receipts			54,044,410			
PAYMENTS DURING THE YEAR						
Purchase of goods and services			1,425,080			
Acquisition of non-financial assets			79,890,483			(iii)
Total payments			81,315,563			

Explain all variances (% of utilization) below 90% and above 100%

Explanations: -

- (i) The receipts from the Government within the year was Ksh 40 M, but was withdrawn in the supplementary budget.
- (ii) Miscellaneous receipts include interest from Escrow Account in Co-operative Bank of Kenya
- (iii) Acquisition of non-financial assets include payment to accrued wayleave and External procurement for the Contractor executing the project, the amounts were accrued in the previous year but payment done in the year under Audit, since we are reporting on cash basis, therefore when the payment were made in the current financial year, it resulted in higher absorption.

ANNEX 4A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original amount and variation	Date contracted	Amount paid to date	Outstanding balance 2023	Outstanding balance 2022	Comments
	a	b	c	d=a-c	d=a-c	
	KShs	KShs	KShs	KShs	KShs	
Supply of goods						
Lot1: 132kVTLKPTSIP	1,535,112,988	16 April 2013	1,261,402,441	90,357,310	90,357,310	Retention and Invoices
Lot1: 132kVTLKPTSIP	547,699,841	16 April 2013	488,538,396	33,583,689	33,583,689	Retention and Invoices
Lot2:132kV TL KPTSIP	1,013,421,972	16 April 2013	962,905,184	115,403,400	115,403,400	Retention and Invoices
Lot2:132kV TL KPTSIP	403,309,135	16 April 2013	318,432,134	55,578,801	55,578,801	Retention and Invoices
Lot 1&2 KPTSIP	953,043,198	15 April 2019	562,497,637	11,250,878	11,250,878	
Lot 1&2 KPTSIP	172,369,008	15 April 2019	80,834,232	-	-	
Sub-Total	4,624,956,142		3,726,773,973	306,174,078	306,174,078	
Supply of services						
SMEC International PTY Ltd	326,054,608	03 February 2012	326,054,608	-	-	
	174,929,965	03 February 2012	174,929,965	-	-	
Sub-Total	500,984,573		500,984,573	-	-	
Grand Total	5,125,940,715		4,123,430,648	306,174,078	306,174,078	

Note:

The Contract to Jyoti Structures Limited was terminated, and a new contract awarded to China CAMCE Company Limited. The new contractor will finish up the remaining works of the transmission lines. The balances due to Jyoti Structures Limited are not payable except for the retention amounts and invoices which were pending as at the time of Contract termination amounting to KShs 294,923,200.

ANNEX 4B - ANALYSIS OF OTHER PENDING PAYABLES

c	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount of Certified Work To-Date	Amount Paid To-Date	Outstanding Balance 2022/2023	Outstanding Balance 2021/2022
		a	b	c	d	e=c-d	
	Amounts due to Third Parties	KShs		KShs	KShs	KShs	KShs
	Project Affected Persons	2,357,453,118	2012-2023	2,357,453,118	2,284,626,328	72,826,790	67,256,878
	Total	2,357,453,118	2012-2023	2,357,453,118	2,284,626,328	72,826,790	67,256,878

ANNEX 4C – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost		*Purchases/Additions in the Year		Disposals in the Year		Closing Cost	
	KShs	2022/2023	KShs	2022/2023	KShs	2022/2023	KShs	2022/2023
		(a)		(b)		(c)		(d)= (a)+ (b)-(c)
Powerline (transmission equipment)	8,682,346,580		52,163,949		-		8,734,510,529	
Total	8,682,346,580		52,163,949		-		8,734,510,529	

Notes

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