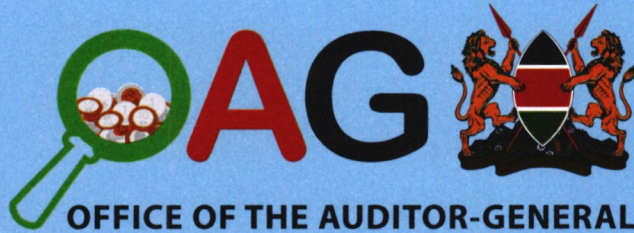


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REPORT

THE NATIONAL ASSEMBLY  
PAPERS LAYD

DATE: 30 NOV 2023 DAY: *Friday*

TO: *OF*

BY: *Hon Kimani Ichungwala*

CLERK AT THE TABLE: *Inzofu mwale*

**THE AUDITOR-GENERAL**

**ON**

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

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

**KENYA ELECTRICITY TRANSMISSION  
COMPANY LIMITED**



**THE KENYA TANZANIA POWER INTERCONNECTION PROJECT - (KENYAN COMPONENT)**

**KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED**

**PROJECT GRANT/CREDIT NUMBER: ADF LOAN NO: 2100150032846**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

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**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**1. ACRONYMS AND GLOSSARY OF TERMS**

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

**Kenya Tanzania Power Interconnection Project (Kenyan Component)  
Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**2. PROJECT INFORMATION AND OVERALL PERFORMANCE**

**2.1 Name and registered office**

**Name**

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

**Objective**

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

**Address**

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

The address of its registered office is:

Kenya Tanzania Power Interconnection Project (Kenyan Component)  
Block B, Kawi House  
Off Red Cross Road, South C  
P. O. Box 34942 – 00100 Nairobi

**Contacts:** The following are the project contacts

Telephone: (+254) 20 – 4956000

E-mail: [info@ketraco.co.ke](mailto:info@ketraco.co.ke)

Website: [www.ketraco.co.ke](http://www.ketraco.co.ke)

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**2.2 Project Information**

|                            |   |
|----------------------------|---|
| <b>Project Start Date:</b> | The project start date is 14 February 2017                                      |
| <b>Project End Date:</b>   | The project end date is 31 December 2023  |
| <b>Project Manager:</b>    | The project manager is Engineer Ruth Mburu                                      |
| <b>Project Sponsor:</b>    | The project sponsors are Government of Kenya and African Development Fund (ADF) |

**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  | P-Z1-FA0-086ADF, LOAN NO: 2100150032846   |
| Strategic goals of the project                        | The strategic goals of the project are as follows:<br>(i) To contribute to the delivery of adequate and reliable power supply.<br>(ii) To improve the affordability of electricity in the East Africa region through cross-border exchanges of cheap and cleaner surplus power from neighbouring countries.<br>(iii) To Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region.   |
| Achievement of strategic goals                        | The project management aims to achieve the goals through the following means: Planning, designing, building and maintaining a new electricity transmission line.  |
| Other important background information of the project | <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"> <li>i) Improve quality and reliability of electricity supply throughout the country;</li> <li>ii) Transmit electricity to areas that are currently not supplied from the national grid;</li> <li>iii) Evacuate power from planned generation plants; and</li> <li>iv) Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region.</li> </ul> <p>The project is being financed by African Development Fund (ADF) and the Government of Kenya through the Ministry of Energy 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> |

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**2.3 Project Overview (continued)**

|   |   |
|---|---|
| <p>Current situation that the project was formed to intervene</p> | <p>The project was formed to intervene in the following areas:</p> <p>(i) Inadequate and unreliable power supply.</p> <p><b>Key Data: Kenya Tanzania Power Interconnection Project Lot K1 (Isinya-Namanga).</b></p> <p>Scope: Design, manufacture, supply, civil work, erection, testing and commissioning of 400kV double circuit overhead HVAC transmission line<br/> Contractor: North China Power Engineering Company (NCPE)<br/> Contract No: KETRACO/PT017/2014<br/> Contract Award Date: 18 October 2016<br/> Contract Effective Date: 14 February 2017<br/> Original Contract Price: US\$ 22,428,704 plus KShs 439,444,244<br/> Contract Completion Date: Twenty-two (22) months from Contract effective date.</p> <p>The scope comprises:</p> <p><b>a. Transmission lines:</b> Construction of a 400kV 510km Transmission line (TL) 510kms double circuit between Tanzania (414km) and Kenya(96km)</p> <p><b>b. Substations:</b> It includes the construction of a 400kV substation in Arusha and extension of Singida substation in Tanzania and the construction of 400kV substation at Isinya in Kenya (Component A4 - System Reinforcement financed by World Bank).</p> <p><b>c. Rural Electrification:</b> 80km of 33kv lines and LV system and customer connections along the 400kV TL in Tanzania and Rural Electrification, consisting of 147km of 33kV line, 34 transformers and connection to customers in Kenya</p> <p><b>d. Consultancy services for studies:</b> Interconnection Tariff Study and The Feasibility study for the 2nd Interconnection between Kenya and Tanzania (Menengai – Mwanza)</p> <p><b>Engineering Services for Kenya Tanzania Power Interconnection Project Lot K1 (Isinya-Namanga).</b></p> <p><b>Key contractual data</b></p> <p>Scope: Project Supervision and Management<br/> Consultant: M/s Intec GOPA International Energy Consultants of Germany.<br/> Contract No: KETRACO/PT/016/2014-PA/001/2015/HQ/C/024<br/> Contract Signed On: 09 May 2016<br/> Contract Price: EUR 2,024,137.50 and KShs 16,262,400<br/> Contract Completion: 24 months from contract effective date</p> |
| <p>Project duration</p>   | <p>The project started on 14 February 2017 and is expected to run until 31 December 2023.</p> <p>Pre-construction costs amounting to KShs 22,904,446 was incurred in the financial year 2015/2016.</p>  |

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**2.4 Bankers**

Below is the bank account for the current year.

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

**2.5 Independent Auditors**

The project is audited by;

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

**2.6 Roles and Responsibilities**

| <b>Names</b>             | <b>Title designation</b> | <b>Key qualification</b>   | <b>Responsibilities</b>   |
|--------------------------|--------------------------|--|---|
| Dr. Eng. John Mativo, CE | Managing Director        | Doctorate (PhD) degree in Civil Engineering from Tokyo Metropolitan University (Japan), a Master's degree in Structural Engineering from Tongji University (China), and a Bachelor's degree in Civil Engineering from the University of Nairobi. | Managing Director   |
| Tom Imbo                 | General Manager Finance  | Masters Business Administration, Bachelor of Education, Certified Public Accountant  | Project reporting   |
| Johnson Muthoka          | Senior Manager Wayleaves | BA Land Econ (Hons), Master of Arts (urban and regional planning (University of Nairobi), Full member of Institute of Survey of Kenya, registered and Licensed land economist  | Wayleaves Acquisition (Land Economists, Land surveyors, Social Economists, Environmental Experts) |
| Eng. Ruth Mburu          | Project Manager          | Bachelor's Degree in Civil Engineering   | Project coordinator   |



**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**2.7 Funding summary**

The Project financing is for duration of 8 years from 2015 to 2023 with an approved budget of ADF funding amounting to U.A. 27,500,000 equivalent to KShs. 5,055,655,000 (translated at 30 June 2023 at the rate of **1UA=KShs 183,842**) and cumulative counterpart funding of KShs. 1,851,994,558 as highlighted in the table below:

**2.7.A Source of Funds**

| Source of funds               | Donor Commitment-                |                      | Amount received to date –<br>(30 June 2023) |                      | Undrawn balance to date              |                      |
|-------------------------------|----------------------------------|----------------------|---|----------------------|--------------------------------------|----------------------|
|                               | Donor<br>currency<br>(UA)<br>(A) | KShs<br>(A')         | Donor<br>currency<br>(UA)<br>(B)            | KShs<br>(B')         | Donor<br>currency<br>(UA)<br>(A)-(B) | KShs<br>(A')-(B')    |
| <b>(i) Loan</b>               |                                  |                      |   |                      |                                      |                      |
| ADB Loan<br>No.2100150032846  | 27,500,000                       | 5,055,655,000        | 21,230,675                                  | 3,165,572,048        | 6,269,325                            | 1,890,082,952        |
| <b>(ii) Counterpart funds</b> |                                  |                      |   |                      |                                      |                      |
| Government of Kenya           | -                                | 1,308,854,692        | -   | 1,308,854,692        | -                                    | -                    |
| KETRACO Funding               |                                  | 409,486,413          |   | 409,486,413          |                                      |                      |
| Transfer From KETRACO         |                                  | 133,653,454          |   | 133,653,454          |                                      |                      |
| <b>Total</b>                  | <b>27,500,000</b>                | <b>6,907,649,558</b> | <b>21,230,675</b>                           | <b>5,017,566,605</b> | <b>6,269,325</b>                     | <b>1,890,082,952</b> |

**2.7.B Application of Funds**

| Application of funds          | Amount received to date – (30 June<br>2023) |                      | Cumulative Amount paid to<br>date – (30 June 2023) |                      | Unutilised balance to date<br>(30 June 2023) |                   |
|-------------------------------|---|----------------------|--|----------------------|--|-------------------|
|                               | Donor<br>currency<br>(UA)<br>(A)            | KShs<br>(A')         | Donor<br>currency<br>(UA)<br>(B)                   | KShs<br>(B')         | Donor<br>currency<br>(UA)<br>(A)-(B)         | KShs<br>(A')-(B') |
| <b>(i) Loan</b>               |   |                      |  |                      |  |                   |
| ADB Loan No.2100150032846     | 21,230,675                                  | 3,165,572,048        |  | 3,165,572,048        | -  | -                 |
| <b>(ii) Counterpart funds</b> |   |                      |  |                      |  |                   |
| Government of Kenya           | -   | 1,308,854,692        |  | 1,308,854,692        | -  | -                 |
| KETRACO Funding               | -   | 409,486,413          |  | 409,486,413          |  |                   |
| Transfer from Ketraco         |   | 133,653,454          |  | 133,653,454          |  |                   |
| <b>Total</b>                  | <b>21,230,675</b>                           | <b>5,017,566,605</b> |  | <b>5,017,566,605</b> | <b>-</b>                                     | <b>-</b>          |

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**2.8 Summary of Overall Project Performance:**

- i) During the year under review, the project received KShs 658,178,483 against a final budget of KShs 841,500,000 representing 78% budget utilization. The project's cumulative receipts and payments to-date amount to KShs 5,017,566,605 and KShs 5,017,566,605 respectively.
- ii) Physical progress based on outputs, outcomes and impacts since project commencement.

**Kenya Tanzania Power Interconnection Project Lot K1**

Contract effective 14 February 2017:

- The overall implementation status of this project as at 30 June 2022 was at 95.4% .
  - Transmission line **Lot K1** is effective and show an overall progress of 95.4% as compared to a planned progress of 100%;
  - Rural Electrification **Lot K2** is effective and show an overall progress of 99% compared to a planned progress of 100%;
- Isinya 400Kv substation 99% complete.

| Subject                                       | Weight      | Planned | Ac-tual    | Comment                              |
|---|-------------|---------|------------|--------------------------------------|
| Design  | 5%          | 100%    | 100%       | Milestone achieved.                  |
| Supply of equipment and material              | 60%         | 100%    | 100%       | Milestone achieved.                  |
| Civil works foundations                       | 15%         | 100%    | 100%       | Milestone achieved.                  |
|   | 80%         |         |            |                                      |
| Tower erection works                          | 10%         | 100%    | 99.60%     | Milestone achieved.                  |
| Conductor, earthwire and OPGW stringing works | 8%          | 90%     | 58%        | Milestone not met due to ROW issues. |
| Line testing and commissioning works          | 2%          | -       | 0%         | Milestone not met due to ROW issues. |
| <b>Total progress</b>                         | <b>100%</b> |         | <b>95%</b> |                                      |

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

| FINANCIAL YEAR | % of variance |
|----------------|---------------|
| 2022/23        | 78%           |
| 2020/22        | 64%           |
| 2020/21        | 105%          |
| 2019/20        | 72%           |
| 2018/19        | 79%           |
| 2017/18        | 12%           |
| 2016/17        | 17%           |

- iv) Implementation Challenges

Implementation of the project has delayed due to insufficient GOK Counterpart budget allocation and delays in disbursement of funds.

**2.9 Summary of Project Compliance:**

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

**Kenya Tanzania Power Interconnection Project (Kenyan Component)  
Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**3. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES**

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

The key development objective of the project is to:

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

**Progress on attainment of Strategic development objectives**

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bund (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:

| <b>Project</b>             | <b>Objective</b>  | <b>Outcome</b>   | <b>Indicator</b>                                       | <b>Performance</b>               |
|----------------------------|---|------------------|--|----------------------------------|
| The Kenya Tanzania Project | The ultimate development objective of the project is to improve the supply, reliability and affordability of electricity in the Eastern Africa region through cross-border exchange of cheap and cleaner sur-plus power from neighbouring countries. the project will help to improve the supply of electricity in Tanzania in the short to medium term with imports from Ethiopia. | Project Ongoing. | Number of substations and transmission lines complete. | Overall Project status is at 95% |

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

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

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

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

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

**1. Sustainability strategy and profile**

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

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

**2. Environmental performance**

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

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

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**ENVIROMENTAL AND SUSTAINABILITY REPORTING**

3. Employee welfare

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

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

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

4. Market place practices

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

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

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

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

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

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

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Chief Executive Officer of KETRACO and the Project Coordinator for The Kenya Tanzania Power Interconnection Project (Kenyan Component) are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2023.

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

The Chief Executive Officer of KETRACO and the Project Coordinator for The Kenya Tanzania Power Interconnection Project (Kenyan Component) accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Chief Executive Officer of KETRACO and the Project Coordinator for The Kenya Tanzania Power Interconnection Project (Kenyan Component) are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2021, and of the Project's financial position as at that date. The Chief Executive Officer of KETRACO and the Project Coordinator for The Kenya Tanzania Power Interconnection Project (Kenyan Component) further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Chief Executive Officer of KETRACO and the Project Coordinator for The Kenya Tanzania Power Interconnection Project (Kenyan Component) that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Chief Executive Officer of KETRACO and the Project Coordinator for The Kenya Tanzania Power Interconnection Project (Kenyan Component) on 30.06 2023 and signed by them.



**Chief Executive Officer**  
**DR. (Eng.) John Mativo, CE**



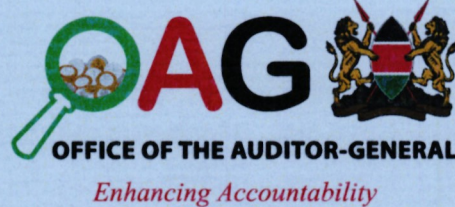
**Project Coordinator**  
**ENG. (CPA) Antony Wamukota,**  
**OGW**



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

# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON MULTINATIONAL KENYA-TANZANIA POWER INTERCONNECTION PROJECT (KENYAN COMPONENT) (ADF LOAN NO. 2100150032846) FOR THE YEAR ENDED 30 JUNE, 2023 - KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED**

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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.

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 Multi-National Kenya-Tanzania Power Interconnection Project (Kenyan Component) ADF Loan No. 2100150032846 set

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*Report of the Auditor-General on Multinational Kenya-Tanzania Power Interconnection Project (Kenyan Component) (ADF LOAN No. 2100150032846) for the year ended 30 June, 2023 - Kenya Electricity Transmission Company Limited*

out on pages 1 to 15, which comprise of the statement of financial assets as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information 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 Multi-National Kenya-Tanzania Power Interconnection Project (Kenyan Component) 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 Loan Agreement No. 2100150032846 dated 30 July, 2015 between the Republic of Kenya and the African Development Fund and the Public Finance Management Act, 2012.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

### **Other Matter**

#### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects a total income budget of Kshs.841,500,000 against actual receipts of Kshs.658,178,483 resulting to underfunding of Kshs.183,321,517 or 12% of the budget. Similarly, the statement also reflects a total expenditure budget balance of Kshs.841,500,000 against actual expenditure of Kshs.658,178,483 resulting to under absorption of Kshs.183,321,517 or 12% of the budget.

In addition, the Project received unbudgeted transfers from KETRACO of Kshs.95,934,149 during the period under review.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public. In addition, it was not possible to confirm whether the unbudgeted receipt of Kshs.95,934,149 was approved..



## **2. Pending Bills - Goods and Services**

As reported in the previous year, the total value of the works and services contracted under the Project amounted to Kshs.3,871,646,477 as disclosed on Annex 3 of the financial statements out of which payments totalling Kshs.3,171,488,743 were made over the years leaving an unpaid balance of Kshs.700,157,734.

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters 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.

### **Basis for Conclusion**

#### **1. Failure to Operate a Separate Bank Account for the Project**

The statement of financial assets and liabilities reflects a Nil balance for cash and cash equivalent as disclosed in Note 6 to the financial statements. However, review of records revealed that the project funds were commingled with other projects funds in a single bank account and cashbook that were maintained for processing and recording financial transactions for the project. 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.

#### **2. Erroneous Compensation for Wayleaves**

The statement of receipts and payments reflects acquisition of non-financial assets of Kshs.656,121,008 which includes payments for wayleaves of Kshs.81,234,957 as disclosed Note 5 to the financial statements.

Review of the wayleaves payment records revealed an erroneous payment of Kshs.1,750,457 to three (3) parcel owners. The error occurred during the initial survey based on geo-referenced Registry Index Maps (RIMs) which had identified parcel numbers Kajiado/Mailua/xxx/, Kajiado/Mailua/xxx/, and Kajiado/Mailua/xxx/ as affected by wayleave. However, re-survey, based on picked existing boundary marks/beacons identifies parcel Kajiado/Mailua xxx and Kajiado/Mailua/xxx as the ones affected and not the three (3).

Management issued refund notice of the erroneous payment to the landowners as required by Section 116 of the Land Act, 2019 which states that "If a person has received any money by way of compensation awarded for an interest in the land being acquired, either in error or before it has been established that some other person is rightfully entitled to the interest, the Commission may, by notice in writing served on that person, require that person to refund to the Commission the amount received, and the amount shall be a debt due from that person to the Commission". No evidence of the refund of the erroneous payments to the parcel owners was provided for audit examination.

In the circumstances, Management did not achieve value for money from the expenditure of Kshs.1,750,457 on wayleaves compensation.

### 3. Acceleration and Variation of the Project Cost

The statement of receipts and payments reflects acquisition of non-financial assets of Kshs.656,121,008, which as disclosed in Note 5 to the financial statements includes consultancy fees/external procurement GOK of Kshs.54,141,717. Review of records revealed that the payment was in respect of acceleration of the project completion date by a period of five (5) months from 19 September, 2021 and 30 April, 2021.

The main factors for the delay are attributed to the delay in acquiring wayleaves, long negotiation for land compensation and protracted legal cases. Management did not provide justification of accelerating of the works without first addressing these root causes of the delay.

In addition, review of Addendum No.3 entered on 20 January, 2021 revealed that the acceleration of the contract period resulted in the payment of additional costs of USD 9,986,787(Kshs.1,248,348,375) towards the mobilization and deployment of additional human, equipment and technical resources as tabulated below:

| No. | Description  | Cost (USD)       |
|-----|--|------------------|
| 1   | Mobilization and maintenance of additional resources to accelerate foundation work     | 3,265,966        |
| 2   | Mobilization and maintenance of additional resources to accelerate Tower Erection work | 2,629,163        |
| 3   | Mobilization and maintenance of additional resources to accelerate Stringing work      | 2,455,891        |
| 4   | WHT (3%)   | 258,278.98       |
| 5   | VAT (16%)  | 1,377,488        |
|     | <b>Total</b>   | <b>9,986,787</b> |

Though the variations were in line with the Financing Agreement, it did not achieve its intended objective of completing the projects by 30 April, 2021.

In the circumstances, value for money was not achieved in the additional expenditure of USD 9,986,787(Kshs.1,248,348,375) on the project.

#### **4. Unconfirmed Repayment of the Project Loan**

During the audit review, Management did not provide documentation to confirm loan repayment as per the executed loan. This is contrary to Section 3.01 subject to Clause 3.05 of the Financing Agreement which provides that the borrower shall repay the principle of the loan over a period of 35 years, after a 5 year grace period commencing from the date of this agreement at the rate of 2.8572% per annum, a service charge at the rate of three quarters of one percent (0.75%) on the principal amount and commitment charge at the rate of one per cent of (0.50%) per annum on the undisbursed portion of the loan which shall begin to accrue 120 days after the date of the signature of this agreement.

In the circumstances, Management may be in breach of the Financing Agreement and delay in repayment may result to extra penalties.

#### **5. Long Outstanding Wayleave Compensation**

As disclosed in Annex 4 to the financial statements, the expected/budgeted compensation to person affected by the project amounted to Kshs.1,571,806,258 for wayleave acquired since inception of the Project. The amount certified and paid as at 30 June, 2023 amounted to Kshs.942,671,013 leaving a balance of Kshs.237,064,569. However, the origin and build-up of the balance has not been explained and the aging analysis was not provided for audit review.

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

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

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

#### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

#### **Basis for Conclusion**

##### **Automation of the Financial Reporting Process**

As previously reported, review of the financial reporting process revealed significant manual interventions. Although the subledgers and ledgers are extracted from the

Intelligence Business Reporting Module of the SAP System, the processing of the trial balance and financial statements is done manually on excel worksheets.

In the circumstances, the effective of the controls around the manual intervention processes could not be confirmed.

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal 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 Project's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Project's policies and procedures may deteriorate.

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

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*Report of the Auditor-General on Multinational Kenya-Tanzania Power Interconnection Project (Kenyan Component) (ADF LOAN No. 2100150032846) for the year ended 30 June, 2023 - Kenya Electricity Transmission Company Limited*

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

  
 CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**08 November, 2023**


**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

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

|   | Note | 2022/2023                                      |                                |                    | 2021/2022                                     |                                |                      | Cumulative to-date (From inception) |
|---|------|--|--------------------------------|--------------------|---|--------------------------------|----------------------|-------------------------------------|
|   |      | Receipts and payments controlled by the entity | Payments made by third parties | Total              | Receipts and payment controlled by the entity | Payments made by third parties | Total                |                                     |
|   |      | KShs   | KShs                           | KShs               | KShs  | KShs                           | KShs                 | KShs                                |
| <b>RECEIPTS</b>                         |      |  |                                |                    |   |                                |                      |                                     |
| Transfer from Government entities       | 1    | 41,500,000                                     | -                              | 41,500,000         | 346,000,000                                   | -                              | 346,000,000          | 1,308,854,692                       |
| KETRACO Funding                         |      | -  | -                              | -                  | 409,486,413                                   | -                              | 409,486,413          | 409,486,413                         |
| Transfer From KETRACO                   | 2    | 95,934,149                                     | -                              | 95,934,149         | 37,719,305                                    | -                              | 37,719,305           | 133,653,454                         |
| Loan from external development partners | 3    | -  | 520,744,334                    | 520,744,334        | -   | 221,367,691                    | 221,367,691          | 3,165,572,048                       |
| <b>TOTAL RECEIPTS</b>                   |      | <b>137,434,149</b>                             | <b>520,744,334</b>             | <b>658,178,483</b> | <b>793,205,718</b>                            | <b>221,367,691</b>             | <b>1,014,573,409</b> | <b>5,017,566,605</b>                |
| <b>PAYMENTS</b>                         |      |  |                                |                    |   |                                |                      |                                     |
| Purchase of goods and services          | 4    | 2,057,475                                      | -                              | 2,057,475          | 112,684,220                                   | -                              | 112,684,220          | 292,815,891                         |
| Acquisition of non-financial assets     | 5    | 135,376,674                                    | 520,744,334                    | 656,121,008        | 919,719,247                                   | 221,367,691                    | 1,141,086,938        | 4,724,750,714                       |
| <b>TOTAL PAYMENTS</b>                   |      | <b>137,434,149</b>                             | <b>520,744,334</b>             | <b>658,178,483</b> | <b>1,032,403,467</b>                          | <b>221,367,691</b>             | <b>1,253,771,158</b> | <b>5,017,566,605</b>                |
| <b>SURPLUS/ (DEFICIT)</b>               |      |  |                                |                    | <b>(239,197,749)</b>                          |                                | <b>(239,197,749)</b> |                                     |

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The 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 Member Number: 7039

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**8. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2023**

|  | Note | 2021/2022 | 2020/2021     |
|--|------|-----------|---------------|
|  |      | KShs      | KShs          |
| <b>FINANCIAL ASSETS</b>                |      |           |               |
| <b>Cash and Cash Equivalents</b>       |      |           |               |
| Bank Balances                          | 6    | -         | -             |
| <b>Total Cash and Cash Equivalents</b> |      | -         | -             |
| <b>TOTAL FINANCIAL ASSETS</b>          |      | -         | -             |
| <b>REPRESENTED BY</b>                  |      |           |               |
| Fund balance b/fwd                     | 7    | -         | 239,197,749   |
| Deficit/(surplus) for the year         |      | -         | (239,197,749) |
| <b>NET FINANCIAL POSITION</b>          |      | -         | -             |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30.6.23 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 Member Number: 7039



**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**


**9. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2023**

|  | Note | 2022-2023<br>KShs    | 2021-2021<br>KShs      |
|--|------|----------------------|------------------------|
| <b>Cash flows from operating activities</b>              |      |                      |                        |
| <b>Receipts</b>  |      |                      |                        |
| Transfer from Government entities                        | 1    | 41,500,000           | 346,000,000            |
| KETRACO Funding  |      | -                    | 409,486,413            |
| Transfer From KETRACO                                    | 2    | 95,934,149           | 37,719,305             |
| <b>Total receipts</b>                                    |      | <b>137,434,149</b>   | <b>793,205,716</b>     |
| <b>Payments</b>  |      |                      |                        |
| Purchase of goods and services                           | 4    | (2,057,475)          | (112,684,220)          |
| Total Payments   |      | (2,057,475)          |                        |
| <b>Net Cashflow from operating activities</b>            |      | <b>135,376,674</b>   | <b>680,521,498</b>     |
| <b>Cash flows from investing activities</b>              |      |                      |                        |
| Acquisition of non-financial assets                      | 5    | (656,121,008)        | (1,141,086,938)        |
| <b>Net cash flow from Investing Activities</b>           |      | <b>(656,121,008)</b> | <b>(1,141,086,938)</b> |
| <b>Cash flows from financing activities</b>              |      |                      |                        |
| Proceeds from foreign borrowings                         | 3    | 520,744,334          | 221,367,691            |
| <b>Net cash flow from Financing Activities</b>           |      | <b>520,744,334</b>   | <b>221,367,691</b>     |
| <b>Net increase in cash and cash equivalents</b>         |      | <b>-</b>             | <b>(239,197,749)</b>   |
| <b>Cash and cash equivalent at beginning of the year</b> | 7    | <b>-</b>             | <b>239,197,749</b>     |
| <b>Cash and cash equivalent at end of the year</b>       |      | <b>-</b>             | <b>-</b>               |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/06/2023 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 Number: 7039

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**10. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

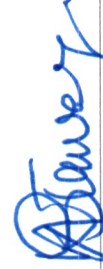
| Receipts/Payments Item              | Original Budget      | Adjustments          | Final Budget       | Actual on Comparable Basis | Budget Utilization Difference | % of Utilization |
|-------------------------------------|----------------------|----------------------|--------------------|----------------------------|-------------------------------|------------------|
|                                     | a<br>KShs            | b<br>KShs            | c=a+b<br>KShs      | d<br>KShs                  | e=c-d<br>KShs                 | f=d/c %          |
| <b>Receipts</b>                     |                      |                      |                    |                            |                               |                  |
| Transfer from Government entities   | 166,000,000          | (124,500,000)        | 41,500,000         | 41,500,000                 | -                             | 100%             |
| Transfer From Ketraco               |                      |                      | -                  | 95,934,149                 | (95,934,149)                  |                  |
| Proceeds from borrowings            | 1,100,000,000        | (300,000,000)        | 800,000,000        | 520,744,334                | 279,255,666                   | 65%              |
| <b>Total Receipts</b>               | <b>1,266,000,000</b> | <b>(424,500,000)</b> | <b>841,500,000</b> | <b>658,178,483</b>         | <b>183,321,517</b>            | <b>78%</b>       |
| <b>Payments</b>                     |                      |                      |                    |                            |                               |                  |
| Purchase of goods and services      | 2,057,475            |                      | 2,057,475          | 2,057,475                  | -                             |                  |
| Acquisition of non-financial assets | 1,263,942,525        | (424,500,000)        | 839,442,525        | 656,121,008                | 183,321,517                   | 78%              |
| <b>Total Payments</b>               | <b>1,266,000,000</b> | <b>(424,500,000)</b> | <b>841,500,000</b> | <b>658,178,483</b>         | <b>183,321,517</b>            | <b>78%</b>       |

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 2 to these financial statements.

The Project had been allocated Kshs. 1,266 million but was reviewed downwards to Kshs 841 million This was done during supplementary Budget by the National Treasury.



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



**Project Coordinator**  
**ENG. (CPA) Antony Wamukota, OGW**



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

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**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 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 JICA Funded Projects under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM 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 Kenya Tanzania Power Interconnection Project recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Government.

**i) Transfers from the Exchequer**

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

**ii) External Assistance**

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

**iii) Other receipts**

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

**iv) Donations and grants**

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

**v) Proceeds from borrowing**

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

**vi) Undrawn external assistance**

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

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**SIGNIFICANT ACCOUNTING POLICIES**

**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.

**i) Compensation of employees**

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

**ii) Use of goods and services**

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

**iii) Interest on borrowing**

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

**iv) Repayment of borrowing (principal amount)**

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

**v) Acquisition of fixed assets**

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

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

**h) 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.

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Imprests and advances**

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

**j) Contingent Liabilities**

A contingent liability is:

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

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

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

**k) Contingent Assets**

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

**l) 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.

**m) Budget**

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable – deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognized as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**n) Third party payments**

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third party's column in the statement of receipts and payments.

**o) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of receipts and payments.

**p) Comparative figures**

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

**q) Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended 30 June 2023.

**r) Prior period adjustments**

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented in note xx of these financial statements

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**12. NOTES TO THE FINANCIAL STATEMENTS**

**1. Receipts from Government of Kenya**

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

|   | 2022/2023         | 2021/2022          |                                     |
|---|-------------------|--------------------|-------------------------------------|
|   | KShs              | KShs               | Cumulative to-date (from inception) |
| <i>Counterpart funding through Ministry Of Energy</i> |                   |                    |                                     |
| Counterpart funds Quarter 4                           | -                 | 50,000,000         | 50,000,000                          |
| Counterpart funds Quarter 1                           | 41,500,000        | 110,250,000        | 264,250,000                         |
| Counterpart funds Quarter 2                           | -                 | 110,250,000        | 559,512,398                         |
| Counterpart funds Quarter 3                           | -                 | (44,750,000)       | 285,697,812                         |
| Counterpart funds Quarter 4                           | -                 | 120,250,000        | 149,394,482                         |
| <b>Total</b>  | <b>41,500,000</b> | <b>346,000,000</b> | <b>1,308,854,692</b>                |

**2. KETRACO FUNDING & TRANSFER FROM KETRACO**

|                       | 2022/2023         | 2021/2022          |                                     |
|-----------------------|-------------------|--------------------|-------------------------------------|
|                       | KShs              | KShs               | Cumulative to-date (from inception) |
| KETRACO Funding       | -                 | 409,486,413        | 409,486,413                         |
| Transfer From KETRACO | 95,934,149        | 37,719,305         | 133,653,454                         |
| <b>Total</b>          | <b>95,934,149</b> | <b>447,205,718</b> | <b>543,139,867</b>                  |

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3. Loan from External Development Partners**

During the 12 months to 30 June 2023 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

| Name of Donor   | Date received         | Amount in loan currency | Loans received as direct payment* | Total amount in KShs |                    |
|---|-----------------------|-------------------------|-----------------------------------|----------------------|--------------------|
|   |                       |                         |                                   | 2022/23              | 2021/22            |
|   |                       |                         | KShs                              |                      |                    |
| <b>Loans Received from Bilateral Donors (Foreign Governments)</b> |                       |                         |                                   |                      |                    |
| ADB Loan No.2100150032846   | 01/07/2022-30/06/2023 | 2,971,643               | 520,744,334                       | 520,744,334          | 221,367,691        |
| <b>Total</b>  |                       | <b>2,971,643</b>        | <b>520,744,334</b>                | <b>520,744,334</b>   | <b>221,367,691</b> |

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

**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     | Total Payments     |                     |
|                                 | KShs                                | KShs                           | KShs               | KShs               |                     |
| Consultancy/legal Fees          | 1,358,400                           | -                              | 1,358,400          | 9,584,513          | 64,545,795          |
| Domestic travel and subsistence | -                                   | -                              | -                  | 18,019,185         | 72,122,477          |
| Foreign travel and subsistence  | 699,075                             | -                              | 699,075            | 1,703,051          | 2,402,126           |
| Other operating payments        | -                                   | -                              | -                  | 195,934            | 470,456             |
| Administrative Costs            | -                                   | -                              | -                  | 83,181,537         | 153,275,038         |
| <b>Total</b>                    | <b>2,057,475</b>                    | <b>-</b>                       | <b>112,684,220</b> | <b>112,684,220</b> | <b>292,815,912</b>  |



**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**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     | Total Payments       |                      |
|   | KShs                                | KShs                           | KShs               | KShs                 |                      |
| Consultancy fees/External Procurement GOK | 54,141,717                          | -                              | 54,141,717         | 558,791,187          | 616,507,654          |
| Powerline (transmission equipment)        |                                     | 520,744,334                    | 520,744,334        | 221,367,691          | 3,165,572,048        |
| Wayleaves                                 | 81,234,957                          | -                              | 81,234,957         | 360,928,060          | 942,671,013          |
| <b>Total</b>                              | <b>135,376,674</b>                  | <b>520,744,334</b>             | <b>656,121,008</b> | <b>1,141,086,938</b> | <b>4,724,750,715</b> |

**6. Cash and Cash Equivalents**

|               | 2022/2023 | 2021/2022 |
|---------------|-----------|-----------|
|               | KShs      | KShs      |
| Bank accounts | -         | -         |
| <b>Total</b>  | <b>-</b>  | <b>-</b>  |

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

**7. Fund Balance Brought Forward**

|               | 2022/23  | 2022/23            |
|---------------|----------|--------------------|
|               | KShs     | KShs               |
| Bank accounts | -        | 239,197,749        |
| <b>Total</b>  | <b>-</b> | <b>239,197,749</b> |

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**OTHER IMPORTANT DISCLOSURES**

**1. Pending Accounts Payable (See Annex 3)**

|                    | Balance b/f<br>2022/2023 | Additions for<br>the period | Paid during the<br>year | Balance c/f<br>2022/2023 |
|--------------------|--------------------------|-----------------------------|-------------------------|--------------------------|
| Description        | KShs                     | KShs                        | KShs                    | KShs                     |
| Supply of goods    | 44,585,190               | 330,763,566                 | (231,785,325)           | 143,563,431              |
| Supply of services | -                        | 344,321,179                 | (288,959,009)           | 55,362,170               |
| <b>Total</b>       | <b>44,585,190</b>        | <b>675,084,744</b>          | <b>(520,744,334)</b>    | <b>198,925,601</b>       |

**2. Other Pending Payables (See Annex 4)**

|                          | Balance b/f<br>2022/2023 | Additions for<br>the year | Paid during the year   | Balance c/f<br>2022/2023 |
|--------------------------|--------------------------|---------------------------|------------------------|--------------------------|
| Description              | KShs                     | KShs                      | KShs                   | KShs                     |
| Project Affected Persons | -                        | 81,234,956.82             | (81,234,956.82)        | -                        |
| <b>Total</b>             | <b>-</b>                 | <b>81,234,956.82</b>      | <b>(81,234,956.82)</b> | <b>-</b>                 |

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**8. ANNEXES**

**Annex 1. PROGRESSES ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS**

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

| Reference No. on the external audit Report | Issue / Observations from Auditor  | Management comments   | Focal Point person to resolve the issue | Status:   | Timeframe:    |
|--|--|---|---|---|---------------|
| 1. Budgetary control and performance       | The statement of comparison of budget and actual amounts reflects a total income budget of Kshs 803,000,000 against actual receipts of Kshs 1,014,573,409 resulting to excess vote of Kshs 211,573,409. The statement also reflects a total expenditure budget balance of Kshs 803,000,000 against actual expenditure of Kshs 1,253,771,158 resulting to unauthorized over expenditure of Kshs 450,771,158.<br>In the circumstances, it was not possible to confirm whether the excess vote of Kshs 211,573,409 and over expenditure of Kshs 450,771,158 was lawful. | This was due to budget cuts.<br>The reduction in the printed estimates was done after commitments being incurred in the project. In addition, Kes. 50M was disbursed in July 2021 and recognised in 2022 being the difference between accrual and cash basis accounting,<br><br>The Kshs. 450,771,158 was financed by the accruals which was approved in the previous periods budget. | G.M Finance                             | Closed  | N/A           |
| 2. Delay in project Deliverables.          | The Project started on 14 February ,2017 with an expected completion time of April 2020 which was later extended to 31 December ,2022. As at 30th June ,2022, the Project was at 93% completion with over 100%-time lapse. Though Management has explained that delays were caused by delay in acquiring   | The project delay was as a result of inadequate budget allocation from the National Treasury to cater for wayleave compensation for the   | G.M Design and Construction.            | The project is currently at 95% complete and it is expected to be | December 2023 |

**Kenya Tanzania Power Interconnection Project (Kenyan Component)  
Annual Report and Financial Statements For the financial year ended 30 June, 2023**


| Reference No. on the external audit Report | Issue / Observations from Auditor   | Management comments  | Focal Point person to resolve the issue | Status:  | Timeframe: |
|--|---|--|---|--|------------|
|  | <p>wayleaves, long negotiation for land compensation and protracted legal cases, it is clear that delay in project implementation could lead to cost overruns and the project may not be able to utilize the available loan funding.</p>  | <p>project affected persons. This contributed to challenges in acquiring the right of way for the contractor to work. Management has requested additional funding in the new FY 2023/2024 budget to finance way/leave and contractual works.</p> <p>Additional loan utilization took place in the FY under review and is currently at 77% compared to 66% in the previous FY. The allocation in 2023/2024 of Ksh. 676M and 260M is expected to progress the project to completion.</p> |   | <p>completed in 2023/2024 FY.</p> <p>The loan utilization is currently at 77%.</p> <p>It is likely that the project will be completed during the loan drawdown period.</p> |            |
| 3. Pending Bills.                          | <p>Pending Bills.</p> <p>As reported in the previous year, the total value of the works and services contracted under the project amounted to Kshs 3,455,587,779 as disclosed on Annex 2A of the Financials statements. The amount certified as payable totalled Kshs 2,687,604,960 out of which payments totaling Kshs 2,643,019,770 were made over the years leaving an unpaid balance of Kshs 44,585,190.</p> <p>Delay in settling pending bills may result to wasteful expenditure on interest, penalties, and litigation costs</p> | <p>The balance of KShs 44,585,190 is as a result of invoices received at the end of the FY and had already been processed and forwarded to the Ministry of Energy in June 2022 for submission to Treasury and ADB. These payments have since been settled.</p>   |   | <p>The pending bills were settled in September 2022.</p>   | N/A        |

Kenya Tanzania Power Interconnection Project (Kenyan Component)  
Annual Report and Financial Statements For the financial year ended 30 June, 2023



Chief Executive Officer  
DR. (ENG.) Antony Wamukota, CE

Date



Project Coordinator  
ENG. (CPA) Antony Wamukota, OGW

Date



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

Date

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**Annex 2 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

|                                     | Final Budget       |                    | Actual on Comparable Basis |  | Budget Utilization Difference | % of Utilization | Comments on Variance (below 90% and over 100%) |
|-------------------------------------|--------------------|--------------------|----------------------------|--|-------------------------------|------------------|--|
|                                     | a                  | b                  | Kshs                       |  | c=a-b                         | d=b/a %          |  |
|                                     |                    |                    | Kshs                       |  | Kshs                          | Kshs             |  |
| <b>Receipts</b>                     |                    |                    |                            |  |                               |                  |  |
| Transfer from Government entities   | 41,500,000         | 41,500,000         |                            |  | -                             | 100%             | (i)  |
| Transfer From Ketraco               | -                  | 95,934,149         |                            |  | (95,934,149)                  |                  |  |
| Proceeds from borrowings            | 800,000,000        | 520,744,334        |                            |  | 279,255,666                   | 65%              | (ii)   |
| <b>Total Receipts</b>               | <b>841,500,000</b> | <b>658,178,483</b> |                            |  | <b>183,321,517</b>            | <b>78%</b>       |  |
| <b>Payments</b>                     |                    |                    |                            |  |                               |                  |  |
| Purchase of goods and services      | 2,057,475          | 2,057,475          |                            |  | -                             |                  |  |
| Acquisition of non-financial assets | 839,442,525        | 656,121,008        |                            |  | 183,321,517                   | 78%              | (iii)  |
| <b>Total payments</b>               | <b>841,500,000</b> | <b>658,178,483</b> |                            |  | <b>183,321,517</b>            | <b>78%</b>       |  |

(ii) Low absorption was due to slowed activities due to Insufficient Counterpart funding to allow way/leave compensation hence right of way for works.

(iii) Low absorption was due to slowed activities due to Insufficient Counterpart funding to allow way/leave compensation hence right of way for works.

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**ANNEXES (Continued)**

**Annex 3 - ANALYSIS OF PENDING BILLS**

| Supplier of Goods or Services                             | Original Amount      | Date Contracted | Amount Paid To-Date  | Outstanding Amounts 2023 | Outstanding Balance 2022 |
|---|----------------------|-----------------|----------------------|--------------------------|--------------------------|
|   | a                    | b               | c                    | d=a-c                    | 2022                     |
| <b>Supply of goods</b>                                    |                      |                 |                      |                          |                          |
| KTPIP - NCPE  | 2,310,156,512        | 18.10.2016      | 1,951,196,007        | 358,960,505              | 30,352,236               |
|   | 439,444,244          | 18.10.2016      | 313,345,107          | 126,099,137              | 14,232,954               |
| M/s JV of Unique System FZE & Philafe Engineering Limited | 292,979,060          | 07.05.2018      | 218,446,164          | 74,532,895               |                          |
|   | 129,615,945          | 07.05.2018      | 122,556,983          | 7,058,962                |                          |
| <b>Sub-Total</b>  | <b>3,172,195,761</b> |                 | <b>2,605,544,262</b> | <b>566,651,499</b>       | <b>44,585,190</b>        |
| <b>Supply of services</b>                                 |                      |                 |                      |                          |                          |
| Intec GOPA  | 478,258,508.14       | 09.05.2016      | 422,296,175          | 55,962,333               | -                        |
|   | 32,371,056           | 09.05.2016      | 32,371,056           | -                        | -                        |
| STUDIO  | 98,447,047           | 30.12.2019      | 59,779,248           | 38,667,799               | -                        |
| MERCADOS  | 90,374,106           | 15.11.2019      | 51,498,003           | 38,876,103               | -                        |
| <b>Sub-Total</b>  | <b>699,450,717</b>   |                 | <b>565,944,481</b>   | <b>133,506,235</b>       | -                        |
| <b>Grand Total</b>  | <b>3,871,646,477</b> |                 | <b>3,171,488,743</b> | <b>700,157,734</b>       | <b>44,585,190</b>        |

**Kenya Tanzania Power Interconnection Project (Kenyan Component)**  
**Annual Report and Financial Statements For the financial year ended 30 June, 2023**

**ANNEXES (Continued)**

**Annex 4 - ANALYSIS OF OTHER PENDING PAYABLES**

| Name                                | Brief transaction description | Date Contracted/Invoiced | Original Amount      | Amount paid to-date | Outstanding balance | Outstanding balance |
|-------------------------------------|-------------------------------|--------------------------|----------------------|---------------------|---------------------|---------------------|
|                                     |                               |                          |                      |                     | 2023                | 2022                |
| <b>Amounts due to Third Parties</b> |                               |                          | <b>a</b>             | <b>b</b>            | <b>c=a-b</b>        |                     |
| Project Affected Persons            | Wayleaves compensation        | 2016-2023                | 1,179,735,582        | 942,671,013         | 237,064,569         | -                   |
|                                     |                               |                          | <b>1,179,735,582</b> | <b>942,671,013</b>  | <b>237,064,569</b>  | <b>-</b>            |

\* Kshs. 1,571,806,258 is the of the original amount relating to the Kenya-Tanzania and Isinya-Namanga wayleave corridor. The proportion of Kshs. 392,070,675 is reported under Isinya-Namanga line.

**Annex 5 – SUMMARY OF FIXED ASSETS REGISTER**

| Asset class                        | Opening Cost         | Donations         | *Purchases/        | Disposals | Transfers | Closing Cost         |
|------------------------------------|----------------------|-------------------|--------------------|-----------|-----------|----------------------|
|                                    | 2022/2023            | in form of assets | Additions in the   |           | in/out    |                      |
|                                    | (a)                  | 2022/2023         | Year               |           |           | KShs 202/2023        |
|                                    |                      | KShs              | KShs               | (d)       | (d)       | (e)= (a)+            |
|                                    |                      | 2022/2023         | 2022/2023          |           |           | (b)+c)-              |
|                                    |                      |                   |                    |           |           | (d)+(-)d             |
| Powerline (Transmission Equipment) | 4,068,629,708        | -                 | 656,121,008        |           |           | 4,724,750,716        |
| <b>Total</b>                       | <b>4,068,629,708</b> | <b>-</b>          | <b>656,121,008</b> |           |           | <b>4,724,750,716</b> |

Notes

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



