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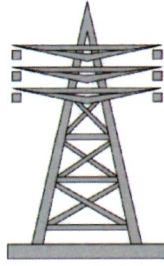
THE AUDITOR-GENERAL

ON

**POWER TRANSMISSION SYSTEM
IMPROVEMENT PROJECT
(ADF LOAN NO.2100150023752)**

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

**KENYA ELECTRICITY TRANSMISSION
COMPANY LIMITED**



KETRACO



POWER TRANSMISSION SYSTEM IMPROVEMENT PROJECT

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED (KETRACO)

PROJECT CREDIT NUMBER: ADF LOAN NO. 2100150023752

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

ABBREVIATIONS

ADF	African Development Fund
GAAP	Generally Accepted Accounting Principles GOK Government of Kenya
HVDC	High Voltage Direct Current
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
KETRACO	Kenya Electricity Transmission Company Limited
KV	Kilovolts
PFSs	Project Financial Statements
RAP	Resettlement Action Plan
SORE	Statement of Receipts and Expenditure
UA	Units of Account
US\$	United States Dollar
PFM	Public Financial Management Act 2012
UON	University of Nairobi
MSc	Master of Science
GIS	Geographic Information System
BSC	Bachelor of Science
FCPA	Fellow Certified Public Accountant
OGW	Order of the Golden Warrior
KM	Kilo Metres
ISK	Institute of Surveyor of Kenya
BA Econ	Bachelor of Arts Economics
UAC	Unit of Account
Hons	Honours
MA	Masters in Arts
EACC	Ethics and Anti-Corruption Commission

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and Registered Office

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

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

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

The address of its registered office is:

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

Contacts: The following are the project contacts

Telephone: (+254) 20 – 4956000

E-mail: info@ketraco.co.ke

Website: www.ketraco.co.ke

1.2 Project Information

Project start date:	The project start date is 16 April 2013
Project end date:	The project end date is 31 December 2022*
Project manager:	The project manager is Engineer. Justin Muna
Project sponsor:	The project sponsor are Government of Kenya and African Development Fund

* The project was extended to enable the contractor finish the remaining sections of Lessos Kabarnet and the Mwingi Wote Section of Kitui Mwingi Wote Sultan Hamud TL

1.3 Project Overview

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

1 PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

1.3 Project Overview (continued)

<p>Achievement of strategic goals</p>	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> • Construction of 431KM of 132 KV lines, the extension of six substations and the construction of eight new substations that will contribute to the capacity of Kenya to increase the number of new connections by 200,000 annually as well as the rural electricity connectivity rate from the current 23% to 40% by 2022.
<p>Other important background information of the project</p>	<p>The project is implemented by Kenya Electricity Transmission Company Limited (KETRACO), which was incorporated on 2 December 2008 and registered under the Companies Act, Cap 486 pursuant to Sessional Paper No. 4 of 2004 on Energy. The Company was established to develop new high voltage electricity transmission infrastructure that will form the backbone of the National Transmission Grid, in line with Kenya Vision 2030. Its core business is to plan, design, build and maintain new electricity transmission lines and associated substations. These new lines will include 132KV, 220KV, 400KV and 500KV High Voltage Direct Current (HVDC). In carrying out this mandate, the Company is expected to develop a new and robust grid system in order to:</p> <ul style="list-style-type: none"> (i) Improve quality and reliability of electricity supply throughout the country; (ii) Transmit electricity to areas that are currently not supplied from the national grid; (iii) Evacuate power from planned generation plants; and (iv) Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region. <p>The project is being financed by African Development Fund (ADF) and the Government of Kenya through the Ministry of Energy and Petroleum and The National Treasury.</p> <p>As the owner of the project, KETRACO provides the organizational set up for the activities, qualified staff and basic office infrastructure for efficient execution of the project.</p> <p>The Power Transmission System Improvement project was designed for the construction of 431KM of 132 KV lines, the extension of six substations and the construction of eight new substations that will contribute to the capacity of Kenya to increase the number of new connections by 200,000 annually as well as the rural electricity connectivity rate from the current 23% to 40% by 2022. The Project, by contributing to the delivery of adequate and reliable power supply will catalyse the growth and competitiveness of the rural economy and the development of social institutions such as schools and hospitals.</p>

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

1.3 Project Overview (continued)

	<p>Key Data: Power Transmission System Improvement Project Contracts.</p> <p>Consultants Scope: Project Supervision and Management Consultant: SMEC International Loan No: P-KE-FAO-004 Contract Signed On: 3 February 2012 Contract Price: The quoted price is in two currencies USD 3,196,614 and KShs 174,929,956 Contract Completion: 31 December 2017</p> <p>Transmission Line Contractors (Contact terminated for non-performance)</p> <p>Scope: Design, Manufacture, Test, Deliver, Install, Complete & Commission 132KV double circuit Transmission Lines for;</p> <ul style="list-style-type: none"> • Lot 1: Bomet - Sotik, Nanyuki – Nyahururu, Olkaria – Narok, Lessos - Kabarnet. • Lot 2: Ishiara -Kieni, Mwingi- Kitui – Wote - Sultan Hamud. <p>Contractor: Jyoti Structures Limited Project No: P-KE-FAO-004 Contract Signed On: 16 April 2013 Contract Price: The Contract price for both Lot 1 & Lot 2 is in two currencies</p> <ul style="list-style-type: none"> • Lot 1: USD 15,191,617.89 and KShs 547,699,841 • Lot 2: USD 10,028,916.10 and KShs 403,309,135 <p>Expected Completion Date: 31 December 2022 (Their contract was terminated for non-performance and the contract was given to China CAMCE Company Limited).</p> <p><u>Substation Contractors</u> Scope: Design, Manufacture, Test, Deliver, Install, Complete and Commission 132/33KV Substations and 132KV Line bay extensions as follows;</p> <ul style="list-style-type: none"> • Lot 3A: 132/33 KV Substation (Bomet, Nyahururu, Narok, Kabarnet.) 132 KV Line Bay Extensions (Olkaria, Sotik, Lessos, and Nanyuki) • Lot 3B: 132/33 KV Substation (Kieni, Mwingi, Wote Sultan Hamud) 132 KV Line Bay Extensions (Ishiara and Mwingi) <p>Contractor: China CAMC Engineering Company Limited (CAMCE) Project No: P-KE-FAO-004 Contract Signed On: 16 April 2013</p> <ul style="list-style-type: none"> • Contract Price: The Contract price for both Lot 3A and Lot3B is in two currencies • Lot 3A: USD 14,273,214.76 and KShs 18,480,440 • Lot 3B: USD 15,506,935.64 and KShs 18,480,440
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1. PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

1.3 Project Overview (continued)

	<p>Expected Completion Date: 31 December 2022</p> <p>The contractor Jyoti Structures Limited was terminated due to insolvency and being declared bankrupt.</p> <p>There has been appointed a new contractor China CAMCE Company Limited to complete the Transmission Lines from where Jyoti Structures Limited had reached before the termination, below are the transmission lines that remained uncompleted. Olkaria Narok Lessos Kabarnet Mwingi Kitui Wote Sultan Hamud Nanyuki Nyahururu</p> <p>The contract is expected to be completed on 31 December 2022, the contract Amounts are USD 8,652,694 and KShs 172,369,008.</p>
Current situation that the project was formed to intervene	Inadequate and unreliable power supply.
Project duration	The project started on 16 April 2013 and was expected to run until 31 December 2022.

1.4 Bankers

The following are the bankers for the current year:

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

1.5 Auditors

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

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

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.6 Roles and Responsibilities

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

Names	Title designation	Key qualification	Responsibilities
Engineer Anthony Wamukota	Ag. Managing Director	Bachelors Degree in Civil Engineering, CPA Final. He is registered by the Engineers Board of Kenya as a Professional Engineer. Member of the Institution of Engineers of Kenya (IEK)	Managing Director
CPA Tom Imbo	General Manager, Finance.	Master of Business Administration (Finance) and Bachelor of Education (Economics, Business Administration) Degrees. Certified Public Accountant of Kenya, Member of the Member Services Committee of ICPAK	Project Reporting
Eng. Justin Muna	Ag. General Manager, Design and Construction/ Project Manager.	MSc GIS, BSC Civil Engineering	Project Cordinator
Johnson Muthoka	Senior Manager Wayleaves	BA Land Econ (Hons), MA (urban and regional planning (UON), Full member of ISK, registered and Licensed land economist	Wayleaves Acquisition (Land Economists, Land surveyors, Social Economists, Environmental Experts)

1.7 Funding summary

The Project financing from Africa Development Fund is for a duration of 6 years from 2011 to 2017 with an approved budget of UA 46,700,000, equivalent to KShs 7,258,767,800, (1 UA: KShs 155.434 – 30 June 2022) and Government counterpart funding of KShs 3,373,564,100 as per the table below. The funding period from Africa Development Fund lapsed in July 2017. The project is currently funded by the Government of Kenya. The amount paid out by the time the loan was terminated was KShs 5,881,919,739. The amount paid to-date to the contractors and the consultant is Ksh 9,433,379,894.

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.7 Funding summary (continued)

Below is the funding summary:

Source of funds	Donor Commitment		Amount received as at: – (30 June 2022)		Undrawn balance as at: (30 June 2022)	
	Donor currency (UAC) (A)	KShs (A')	Donor currency(UAC) (B)	KShs (B')	Donor currency (UAC) (A)-(B)	KShs (A')-(B')
(i) Loan						
African Development Fund	46,700,000	6,293,145,536	43,648,387	5,881,919,739		
(ii) Counterpart funds						
Government of Kenya	-	3,373,564,100	-	3,373,564,100		
Miscellaneous receipts	-	177,896,056	-	177,896,056		
Total	46,700,000	9,844,605,692	43,648,387	9,433,379,895		

A. Application of Funds

Source of funds	Amount received to date – (30 June 2022)		Cumulative Amount paid to date– (30 June 2022)		Unutilized balance to date– (30 June 2022)	
	Donor Currency UAC (A)	KShs (A')	Donor Currency UAC (B)	KShs (B')	Donor Currency UAC (A)-(B)	KShs (A')-(B')
(i) Grant/Loan						
African Development Fund	43,648,387	5,881,919,739	43,648,387	5,881,919,739		
(ii) Counterpart funds						
Government of Kenya	-	3,389,110,048	-	3,373,564,100		15,545,948
Miscellaneous receipts	-	177,896,056	-	177,896,056		
Total	43,648,387	9,448,925,843	43,648,387	9,433,379,895		15,545,948

The Conversion Rate 1UA = Ksh 156.456 as at 30 June 2022

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.8 Summary of Overall Project Performance:

1.8.1 Budget Performance Against Actual Amounts

During the year under review, the project received KShs 115,625,000, the amounts earned an interest of KShs 1,557,203 totalling to KShs 117,182,203 against a final budget of KShs 90,000,000. Similarly, the project incurred total expenditure of KShs 447,805,244 during the year, against a final budget of KShs 90,000,000 representing 497.56% budget utilization. The project's cumulative receipts and payments to-date amounts to KShs 9,452,990,393 and KShs 9,417,833,946 respectively.

1.8.2 Physical Progress and Achievements of the Project

The project construction progress for Power Transmission System Improvement Project which include; Transmission line was being undertaken by Jyoti Structures Limited, but the contract was terminated and awarded to China CAMCE Company Limited and Consultant was SMEC International Pty Limited. The Substation works were completed in June 2016. The consultant also concluded his contractual works in December 2017. However, the new Contractor for the Transmission Line was due for completion in 31 December 2022.

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

The status of the remaining works as at 30 June 2022 is as follows;

1. Olkaria-Narok	2. Lessos-Kabarnet
Foundations: 100%	Foundations: 100%
Erections: 100%	Erections: 97%
Stringing: 100%	Stringing: 95.72%
3. Nanyuki-Rumuruti (overhead)	4. Mwingi Kitui-Wote Sultan Hamud (Remaining Section)
Foundations: 100%	Foundations: 86.76%
Erections: 100%	Erections: 60.85%
Stringing: 66%	Stringing: 11.03%

Jyoti Structures Limited was slow in completing the project due to financial constraints, this affected the expected completion timelines and caused time extensions of up to 30 June 2019, However, Jyoti's contract was terminated and competitively awarded to China CAMCE Company Limited who are slated to complete the remaining works on the four transmission Lines (Lessos Kabarnet, Nanyuki Nyahururu, Olkaria Narok and Mwingi Kitui Wote Sultan Hamud).

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

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

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.8 Summary of Overall Project Performance (continued)

1.8.3 Value for Money Achievements

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

1.8.4 Absorption Rate Per Year for the Project

Year	Absorption rate per year
2021/2022	498%
2020/2021	81%
2020/2021	28%
2018/2019	45%
2017/2018	223%
2016/2017	49%
2015/2016	30%
2014/2015	47%
2013/2014	50%

1.9 Summary of Project Compliance:

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

Challenges

- Low budget allocation from The National Treasury to the project
- Due to low budget allocation, we have challenges of pending compensation of wayleave hence the contractor facing challenges in accessing the remaining sections of the transmission line

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVE

Introduction

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

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

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

Progress on attainment of Strategic development objectives

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

Project	Objective	Outcome	Indicator	Performance
Power Transmission Systems Project	To Strengthen the electricity grid system and Enhance power transfer capacity	Increased stability of power supply - enabling additional distribution systems improvement of power across the country	Number of substations and transmission lines complete.	In financial year 2020/21 we increased system stability and power transfer capacity by completing and Energizing Mwingi Kitui and Wote Sultan Hamud Transmission line Olkaria Narok. Works on Lessos Kabarnet, Nanyuki Nyahururu, and the remaining parts of Kitui Wote are at advanced stage, expected to be completed in December 2022

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

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

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

Our approach

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

1. Sustainability strategy and profile

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

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

2. Environmental performance

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

The Environmental Management and Coordination Act, Cap 387; The Environmental Impact (Assessment and Auditing) Regulations, 2003; Environmental Management and Coordination (Environmental Impact Assessment and Audit) Regulations, 2003; Environmental Management and Coordination (Water Quality) Regulations of 2006; Environmental Management and Coordination (Waste Management) Regulations of 2006 ; Environmental Management and Co-ordination (Controlled Substances) Regulations, 2007; The Environmental Management and Co-ordination (Conservation of biological diversity and resources, and access to genetic resources and benefits sharing) Regulations, 2006; The Environmental Management and Coordination (Wetlands, Riverbanks, Lakeshores and seashores management) Regulations,

2009; Environmental Management and Coordination (Noise and Excessive Vibration Pollution Control) Regulations, 2009; Environmental Management and Coordination (Air Quality) Regulations, 2008; Occupational Safety and Health Act (OSHA 2007); Wildlife Management and Conservation Act, 2013; Forest Act 2015; Public Health Act (Cap. 242) 36; The Environment and Land Court Act, 2011; Water Act, 2002.

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING (Continued)

3. Employee welfare

During the year, 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;

1. 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.
2. 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.
3. 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.
4. 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
5. 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.

3 ENVIRONMENTL AND SUSTAINABILITY REPORTING (Continued)

4. Market place practices (continued)

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

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

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

5. Community Engagements

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

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

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer of KETRACO and the Project Coordinator for the Power Transmission System Improvement Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended 30 June 2022. This responsibility includes (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud (iv) safeguarding the assets of the Project (v) selecting and applying appropriate accounting policies and (vi) making accounting estimates that are reasonable in the circumstances.

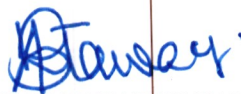
The Chief Executive Officer of KETRACO and the Project Coordinator for the Power Transmission System Improvement Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance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

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

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

Approval of the Project financial statements

The Project financial statements were approved by the Chief Executive Officer of KETRACO and the Project Coordinator for the Power Transmission System Improvement Project on 30 June 2022 and signed by them.



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



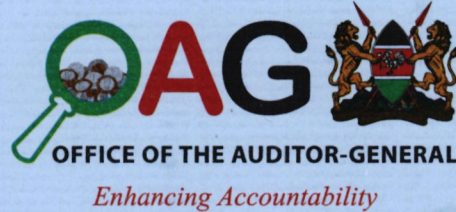
.....
Project Coordinator
Eng. Justin Muna



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

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HEADQUARTERS
Anniversary Towers
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REPORT OF THE AUDITOR-GENERAL ON POWER TRANSMISSION SYSTEM IMPROVEMENT PROJECT (ADF LOAN NO.2100150023752) FOR THE YEAR ENDED 30 JUNE, 2022 - KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Kenya Power Transmission System Improvement Project (ADF Loan No.2100150023752) set out on pages 17 to 30, which comprise the statement of financial assets and liabilities as at 30 June, 2022, and the

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statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Deloitte and Touche LLP, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Power Transmission System Improvement Project as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Loan Agreement No.2100150023752 dated 23 March, 2011 between the African Development Fund and the Republic of Kenya and the Public Finance Management Act, 2012.

In addition, the special account statement presents fairly transactions for the year, and the closing balance has been reconciled with the books of account.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional 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. Delay in Project Implementation

As reported in the previous year, a review of the project status revealed delay in implementation of the Project as detailed below:

Line	Foundations	Erections	Stringing
Olkaria – Narok	100%	78.63%	96%
Lessos – Kabarnet	100%	100%	66%
Nanyuki – Rumuruti	100%	100%	66%
Kitui-Wote	87%	61%	11%