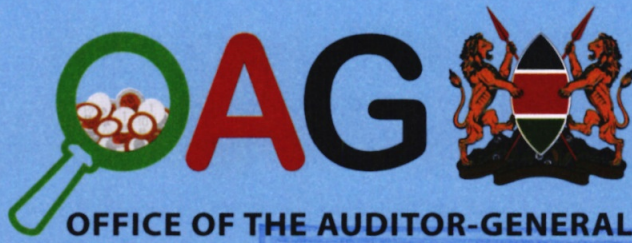


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MAJORITY PARTY WHIP
CLERK AT
THE TABLE: HAILE HUSSEIN

THE AUDITOR-GENERAL

ON

**THE EASTERN ELECTRICITY HIGHWAY
PROJECT (IDA CREDIT NO.5148-KE; AFD LOAN
NO:CKE 1030 01B; ADF LOAN NO:2100150027845)**

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

**KENYA ELECTRICITY TRANSMISSION
COMPANY LIMITED**



THE EASTERN ELECTRICITY HIGHWAY PROJECT

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

**CREDIT NUMBER: IDA CREDIT NO. 5148-KE; AFD LOAN NO: CKE 1030 01B; ADF LOAN
NO: 2100150027845**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2024

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

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

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1. Acronyms and Glossary of Terms

AFD	Agence Francaise de Developpement
AfDB	African Development Bank
GOK	Government of Kenya
HVDC	High Voltage Direct Current
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
IDA	International Development Association
KETRACO	Kenya Electricity Transmission Company
KV	Kilovolts
PFSs	Project Financial Statements
RAP	Resettlement Action Plan
UA	Units of Account
USD	United States Dollar
KShs	Kenya Shilling
CHF	Canadian Dollar
EUR	Euro
KE	Kenya
CKE	Credit Kenya
OGW	Order of the Golden Warrior
PFM	Public Financial Management Act 2012
PSAB	Public Sector Accounting Standards Board

**Eastern Electricity Highway Project
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2. PROJECT INFORMATION AND OVERALL PERFORMANCE

2.1 Name and Registered Office

Name: The project's official name is Eastern Electricity Highway Project.

Objective: The key objective of the project is

1. To help integrate the power system of East African power pool member countries including Ethiopia, Kenya, Tanzania, Rwanda and Uganda. The integration will accelerate the development of regional energy sources to meet increasing electricity demand and reduce cost of electricity.
2. To strengthen the infrastructure platform for a major future expansion of the East African Power Market by providing an opportunity to tap into diverse energy sources available for generation. This will enhance security of supply and will reduce costs.

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

The address of its registered office is:

Eastern Electricity Highway Project
Block B, Kawi House
Off Red Cross Road, South C
P. O. Box 34942 – 00100
Nairobi.

Contacts: The following are the project contacts

Telephone: (+254) 20 – 4956000
E-mail: info@ketraco.co.ke
Website: www.ketraco.co.ke

2.2 Project Information

Project Start Date:	The project start date is 5 December 2012
Project End Date:	Commissioned in December 2022
Project Manager:	The project manager is Engineer Justin Muna
Project Sponsors:	The project sponsor are the Government of Kenya through the National Treasury and Ministry of Energy, International Development Association, African Development Fund and Agence Francaise de Development

**Eastern Electricity Highway Project
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PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

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	5148-KE; CKE 1030 01B; 2100150027845
Strategic goals of the project	To increase the volume and reduce the cost of electricity supply in Kenya and to support a program aimed at integrating the East African power pool transformation towards full access to electricity by individual Eastern African Power pool countries through regional power interconnection.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Construction of 612 kilometres of 500KV from Ethiopia to Suswa in Kenya. (ii) Construction and commissioning of one converter substation. (iii) Carrying out the environmental and social management plan and the resettlement action plan. (iv) System reinforcement of the substations and Project Management. (v) Capacity Building
Other important background information of the project	<p>Kenya Electricity Transmission Company Limited (KETRACO) was incorporated on 2 December 2008 and registered under the Companies Act, Cap 486 pursuant to Sessional Paper No. 4 of 2004 on Energy.</p> <p>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 and the big four Agenda</p> <p>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).</p> <p>In carrying out this mandate, the Company is expected to develop a new and robust grid system in order to:</p> <ol 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. (v) Facilitate power trade. <p>The Eastern Electricity Highway Project is financed by the following partners:</p> <ul style="list-style-type: none"> • World Bank Credit no- 5148-KE • African Development Bank (AfDB) - Loan/Grant Number - 2100150027845 • Agence Francaise de Development (AFD) –Credit No.- CKE 1030 01B • Government of Kenya through the Ministry of Energy and the National Treasury.
Project Duration	10 Years

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

Project Overview (continued)

	<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>Key contractual data</p> <p><i>Scope:</i> Project Supervision and Management of Subcomponent A4-System Reinforcement</p> <p><i>Consultant:</i> Lahmeyer International GmbH <i>Loan No:</i> IDA Credit No. 5148-KE <i>Contract Signed On:</i> 21 January 2015 <i>Contract Price:</i> The quoted price is in two currencies Euro 1,768,815. and KShs 90,428,000 <i>Contract Completion:</i> 30 September 2020.</p> <p><i>Scope:</i> Subcomponent A4-System Reinforcement; Construction of 400/220kv Isinya, Athi river and Nairobi North Substations Extensions. <i>Consultant:</i> National Contracting Company <i>Loan No:</i> IDA Credit No. 5148-KE <i>Contract Signed On:</i> 30 April 2015 <i>Contract Price:</i> The quoted price is in four currencies Euro 4,258,823, USD 26,898,688, CHF 80,497 and KShs 508,430,442 <i>Contract Completion:</i> 30 September 2020.</p> <p><i>Scope:</i> Construction of Eastern Electricity Highway Project. Lot 4: LOG LOGO - ETHIOPIA BORDER <i>Contract No.</i> KETRACO/PT/0112016-LOT 4 <i>Contractor:</i> KEC International Limited <i>Loan No:</i> 2100150027845 <i>Contract Signed On:</i> 30 June 2016 <i>Contract Price:</i> The quoted price is in two currencies Euro 32,675,204 and KShs 1,212,729,004 <i>Contract Completion:</i> 31 December 2018.</p> <p><i>Scope:</i> Construction of Eastern Electricity Highway Project. Lot 5: KINAMBA – LOG LOGO <i>Contract No:</i> KETRACO/PT/0112016-LOT 5 <i>Contractor:</i> Larsen & Toubro Limited <i>Loan No:</i> CKE 1030 01B <i>Contract Signed On:</i> 30 June 2016 <i>Contract Price:</i> The quoted price is in two currencies Euro 37,968,115 and KShs 1,228,371,755</p>
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**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

Project Overview (continued)

	<p><i>Contract Completion: 30.6.2019</i></p> <p><i>Scope: Construction of Eastern Electricity Highway Project. Lot 6: SUSWA - KINAMBA Contract No. KETRACO/PT/0112016-LOT 6 Contractor: Kalpataru Power Transmission Limited Loan No: CKE 1030 01B and 2100150027845 Contract Signed On: 30 June 2016 Contract Price: The quoted price is in two currencies Euro 30,101,856. and KShs 1,342,264,921. Contract Completion: 30.9.2020</i></p> <p><i>Scope: Construction of Eastern Electricity Highway Project Lot1: Suswa Substation Contract No:KETRACO/PT/17/2015 Contractor:Siemens AG Loan No:IDA 5148 Contract Signed:28 October 2015 Contract price:The quoted price in four currencies USD 86,341,305.,EUR 123,560,813.,CHF 3,015,753 and KShs 125,125,459 Contract completion:30 December 2022</i></p>
Current situation that the project was formed to intervene	Low rate of access to electrical power for the people in the member countries and low level of regional power trade.
Project duration	The project started on 5 December 2012 and completed on 31 December 2022(mono polar). Delays in completion occasioned by vandalism of the transmission line which necessitated repairs and rectification and demands by the line and substations contractors for payment of contractual claims hence demobilization of works. The disputes were resolved, and all the contractors remobilized for works.

2.4 Bankers

The following are the bankers for the project:

- (i) KCB Bank Limited
Moi Avenue
P. O. Box 30081 – 00100
Nairobi.
- (ii) National Commercial Bank of Africa Plc
P. O. Box 44599 – 00100
Nairobi.
- (iii) Standard Chartered Bank Ltd
P. O. Box 30001-00100
Nairobi.

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

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

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

Names	Title designation	Key qualification	Responsibilities
Dr. Eng. John Mativo, MBS	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
Eng. CPA. Antony Wamukota	General Manager, Design and Construction	Bachelor's degree in civil engineering; He is Registered by the Engineers Board of Kenya (EBK) as a professional engineer. Member of the Institution of Engineers of Kenya (IEK)	General Manager, Design and Construction
Tom Imbo	General manager Finance	Masters Business Administration, Bachelor of Education, Certified Public Accountant	Project reporting
Eng. Justin Muna	Project Manager	MSc GIS, BSc Civil Engineering	Project coordinator
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 (ISK), registered and Licensed land economist	Wayleaves Acquisition (Land Economists, Land surveyors, Social Economists, Environmental Experts)

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.7 Funding summary

The Project financing is for duration of 11 years from 2012 to 2024 with an approved budget of USD.441,000,000(USD 97,044,099 cancelled and recommitted to Green phase 2 project), UA.75,000,000 (Uncommitted balance of UA 2,925,873 cancelled) and EUR.91,000,000 (EUR 22,943,918 reallocated to Nairobi Ring) and counterpart funding of KShs 4,632,282,783 as highlighted in the table below.

A. Source of funds

		Donor Commitment		Amount received to date - 30 June 2024		Undrawn balance as at 30 June 2024	
		<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
		(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loans							
International Development Association	USD	280,131,776	30,947,857,813	278,718,597	30,764,812,977	1,413,179	183,044,836
African Development Bank	UA	72,074,126	9,437,956,901	72,074,126	9,437,956,901	(0)	-
Agence Francaise de Development	EUR	54,556,082	8,041,816,690	54,556,082	8,041,816,690		
(ii) Counterpart funds							-
Government of Kenya		-	4,632,282,783	-	4,332,964,567	-	299,318,216
Miscellaneous income				-	202,171,712		-
			53,059,914,186		52,779,722,846		482,363,052

B. Application of funds

Source of funds	Amount received as at: – 30.6.2024		Cumulative amount paid to date		Undrawn balance as at: 30.6. 2024		% of drawdown
	<i>Donor currency</i>	<i>KShs (Million)</i>	<i>Donor currency</i>	<i>KShs (Million)</i>	<i>Donor currency</i>	<i>KShs</i>	
	(B)	(B')	(B)	(B')	(A)-(B)	(A')-(B')	
(i) Grant/Loan							%
International Development Association	278,718,597	30,764,812,977	278,718,597	30,764,812,977	-	-	100
African Development Bank	72,074,126	9,437,956,901	72,074,126	9,437,956,901	-	-	100
Agence Francaise de Devt.	54,556,082	8,041,816,690	54,556,082	7,915,393,692	-	126,422,997	98
(ii) Government of Kenya		4,332,964,567		4,074,402,114		258,562,453	94
(iii) Miscellaneous income	-	202,171,712	-	201,936,185	-	235,527	-
Total		52,779,722,846		52,394,501,869	-	385,220,977	-

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.8 Summary of Overall Project Performance:

2.8.1 Budget Performance Against Actual Amounts

During the year under review, the project received KShs 1,760,371,434 against a final budget of KShs 1,922,000,000. Similarly, the project incurred total expenditure of KShs 1,646,054,049 during the year, against a final budget of KShs 1,922,000,000 representing 86% budget utilization. The project's cumulative receipts and payments to-date amounts to KShs 52,779,533,477 and KShs 52,394,312,501 respectively.

2.8.2 Physical Progress and Achievements of the Project

LOT 1 (KEN) – Converter Station

- The contract was signed on 28 October 2016
- The Kick off meeting held on 8 and 9 December 2016
- Advance payment to contractor paid on 18 March 2016
- Contract effective date set as 30 March 2016 and completion date as 31 December 2022
- Handover of Electrode Site done on 31 May 2016
- Completion reach on 11th January 2021
- Commissioned on 9th December 2022 to operate on Monopolar configuration awaiting commissioning of ground electrode

LOT 1 (KEN) – Procurement of Helicopter

- Specific procurement notice done on 23 October 2015
- Bid opening done on 5 April 2016
- Evaluation of the bid documents completed, and report forwarded to financiers for no objection
- Contract awarded to Finmeccanica Helicopter Division in September 2016
- Delivered in December 2018.

	Milestones	Percentage
LOT 1	Civil works	100%
	Installations	100%
	Pre commissioning	100%
	Commissioning	99.5%
	Overall progress	99.8%

LOT 4 (From Loglogo to Kenya - Ethiopia Border)

- Contractor is KEC International Ltd
- Lot completed in September 2018
- Commissioned on 18th November 2022

	Milestones	Percentage
LOT 4	Excavations	100%
	Foundations	100%
	Tower erection	100%
	OPGW stringing (Km)	100%
	Cond.stringing (Km)	100%

LOT 5 (From Oldonyiro to Loglogo)

- Contractor is Larsen & Toubro Limited

Eastern Electricity Highway Project
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PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

Summary of Overall Project Performance(continued)

Physical Progress and Achievements of the Project (Continued)

- Lot completed in 25 February 2020
- Contractor remobilised in July 2022 and completed repairs
- Commissioned on 18th November 2022

	Milestones	Percentage
LOT 5	Excavations	100 %
	Foundations	100 %
	Tower erection	100 %
	OPGW stringing (Km)	100 %
	Cond.stringing (Km)	100 %

LOT 6 (From Suswa Substation to Oldonyiro)

- Contractor is Kalpataru Power Transmission Ltd
- Lot completed in 22nd July 2022
- Commissioned on 18th November 2022

	Milestones	Percentage
LOT 6	Excavations	100 %
	Foundations	100 %
	Tower erection	100%
	OPGW stringing (Km)	100 %
	Cond.stringing (Km)	100 %

2.8.3 Absorption rate per year

Financial Year	Budget	Actual	Absorption rate (%)
	KShs	KShs	
2015/16	13,074,437,564	10,806,578,000	83
2016/17	11,131,383,143	4,237,002,490	38
2017/18	7,029,474,407	5,768,919,192	82
2018/19	6,481,000,000	6,055,230,643	93
2019/20	11,810,750,000	11,142,839,573	94
2020/21	6,696,000,000	6,616,824,364	99
2021/22	5,728,000,000	2,023,081,508	35
2022/23	2,632,500,000	2,749,553,429	104
2023/24	1,922,000,000	1,646,054,049	86

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

Summary of Overall Project Performance(continued)

2.8.3 Implementation Challenges and Way Forward

- Vandalism of Ground electrode delayed bipolar commissioning

2.9 Summary of Project Compliance:

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

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

3. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

This project aims to provide reliable and affordable energy from a regional resource base, allowing access to considerable clean regional energy resources, reducing pollution and vulnerability to climate change, thus strengthening environmental resilience. The principal objectives of this project are to:

- (i) Contribute to the integration of the electricity markets of the East African Power Pool through the interconnection of the two countries power systems.
- (ii) Increase the supply and reduce the cost of electricity in Kenya.
- (iii) Provide revenues to Ethiopia through the export of electricity from Ethiopia to Kenya and other neighbouring countries.

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	Objectives	Outcome	Indicator	Performance
The EEH Project	(i) To contribute to the integration of the electricity markets of the East African Power Pool through the interconnection of the two countries power systems and eventually linking to Tanzania	Negotiations ongoing. The link with the neighboring countries will facilitate power exchange and develop electricity trade in the region.	Complete Transmission line	The project was Commissioned in December 2022 to operate on Monopolar configuration awaiting commissioning of ground electrode
The EEH Project	(ii) Increase the supply and reduce the cost of electricity in Kenya. (iii) Provide revenues to Ethiopia through the export of electricity from Ethiopia to Kenya and other neighbouring countries.	The supply of electricity from Ethiopia is ongoing. The complete link from Ethiopia to Tanzania is expected to be achieved in the 2024/2025 financial year since the other linking project of the Kenya Tanzania has been completed in May 2024 and is undergoing testing in readiness for commissioning and energization. Revenue will be achieved then.	Complete Transmission line	The project was Commissioned in December 2022 to operate on Monopolar configuration awaiting commissioning of ground electrode

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

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

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

Our approach

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

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

1. Sustainability strategy and profile

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

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

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.

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

ENVIRONMENTAL AND SUSTAINABILITY REPORTING(Continued)

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;

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.

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.

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.

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

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

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

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.

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

ENVIRONMENTAL AND SUSTAINABILITY REPORTING(Continued)

Market place practices (continued)

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.

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer of KETRACO and the Project Coordinator for the Eastern Electricity Highway 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 on 30 June 2022. This responsibility includes (i) maintaining adequate financial management arrangements 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; 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 Eastern Electricity Highway 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 Eastern Electricity Highway 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 2024, and of the Project's financial position as at that date. The Principal Secretary for the Ministry of Energy and Petroleum and the Project Coordinator for the Eastern Electricity Highway 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 Eastern Electricity Highway 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 Eastern Electricity Highway Project on 30/9 2024 signed by them.



Chief Executive Officer
Dr. Eng. John Mativo, MBS



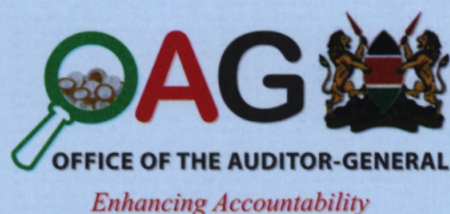
Project Coordinator
Eng. (CPA). Antony Wamukota, OGW



General Manager Finance
Tom Imbo
ICPAK Member Number: 7039

REPUBLIC OF KENYA

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HEADQUARTERS
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P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON THE EASTERN ELECTRICITY HIGHWAY PROJECT (IDA CREDIT NO.5148-KE; AFD LOAN NO:CKE 1030 01B; ADF LOAN NO:2100150027845) FOR THE YEAR ENDED 30 JUNE, 2024 – KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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, risk management environment and 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 control, 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 of the Auditor-General on The Eastern Electricity Highway Project (IDA CREDIT NO.5148-KE; AFD LOAN NO:CKE 1030 01B; ADF LOAN NO:2100150027845) for the year ended 30 June, 2024 – Kenya Electricity Transmission Company Limited

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of The Eastern Electricity Highway Project set out on pages 1 to 16 which comprise the statement of financial assets and Liabilities as at 30 June, 2024 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 The Eastern Electricity Highway Project as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement International Development Association (IDA) Credit No. 5148-KE dated 5 December, 2012, Agence Francaise De Development (AFD) No. CKE 1030 01B dated 26 February, 2020 and African Development Fund (AFD) No. 2100150027845 dated 6 December, 2012 and the Public Finance Management Act, 2012.

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

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of The Eastern Electricity Highway Project 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.

Emphasis of Matter

Long Outstanding Pending Accounts Payables

Note 8 and Note 9 to the financial statements reflect pending accounts payables amounting to Kshs.102,560,882 and Kshs.247,614,324 in respect of goods and services and project affected persons, respectively, as at 30 June, 2024. Review of the pending bills and the related documents revealed the following:

Report of the Auditor-General on The Eastern Electricity Highway Project (IDA CREDIT NO.5148-KE; AFD LOAN NO:CKE 1030 01B; ADF LOAN NO:2100150027845) for the year ended 30 June, 2024 – Kenya Electricity Transmission Company Limited

- a. The amount certified as payable totalled to Kshs.47,929,083,321 out of which a balance of Kshs.47,826,522,439 had cumulatively been paid leaving a balance of Kshs.102,560,882 as pending bills.
- b. Expected and certified compensation to landowners for wayleaves since inception of the Project amounted to Kshs.2,930,141,274 at the close of the year under review. Management has cumulatively paid a balance of Kshs.2,640,823,058 leaving an unpaid amount of Kshs.289,318,216. The unpaid amount of Kshs.289,318,216 comprises Kshs.247,614,324 which represents liabilities based on accepted offers and Kshs.41,703,892 which relates to offers not yet accepted.

Failure to settle bills during the year in which they relate to adversely affects the budgetary provisions in the subsequent year as they form a first charge.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Un-resolved Prior Year Matters

The financial statements submitted for audit in respect of the project do not include disclosure on progress made to resolve Prior Year Auditor-General's recommendations.

Other Information

Conclusion

Management is responsible for the other information set out on page i to xvii which comprise of Project Information and Overall Performance, Statement of Performance Against Project's Predetermined Objectives, Environmental and Sustainability Reporting, and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

Basis for Conclusion

In connection with my audit on The Eastern Electricity Highway Project financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information and I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and 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

Failure to Open and Maintain Separate Project Bank Account

The statement of financial assets and liabilities and as reflected in Note 6 to the financial statements reflects a bank balance of Kshs.385,220,976 which represents funds held in three (3) bank accounts operated by the implementing Agency as at 30 June, 2024. Management did not maintain a project bank account at the Central Bank of Kenya and funds received for the project were all credited to the Kenya Electricity Transmission Company bank accounts. This was contrary to Regulation 76(1) of the Public Finance Management Regulations, 2015 which 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.

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

The audit was conducted in accordance with ISSAIs 300 and 4000. The standards require 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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by International Development Association (IDA) – Credit No. 5148-KE, Agence Francaise De Development (AFD)-Loan No.CKE 1030 01B and African Development Fund (ADF)-Loan No.2100150027845 financing agreements, I report based on my audit that 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, I confirm that information given in the project information and overall performance report on pages iii to xvi is consistent with the financial statements.

Basis for Conclusion

The Financing Agreement requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to *the* Project's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis)] and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I also consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 November, 2024

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2024

	Note	Receipts and payments controlled by the entity	Payments made by third parties	Totals	Receipts and payments controlled by the entity	Payments made by third parties	Totals	Cumulative to-date (From inception)
		2024			2023			
		KShs	KShs	KShs	KShs	KShs	KShs	KShs
Receipts								
Transfer from Government entities	1	-		-	31,500,000		31,500,000	4,332,964,567
Proceeds from external development partners	2	232,212,701	1,495,270,940	1,727,483,641	277,271,770	1,853,202,763	2,130,474,533	48,244,397,198
Miscellaneous receipts	3	32,887,793		32,887,793	67,361,880		67,361,880	202,171,712
Total receipts		265,100,494	1,495,270,940	1,760,371,434	376,133,650	1,853,202,763	2,229,336,412	52,779,533,477
Payments								
Purchase of goods and services	4	99,229		99,229	49,048,531		49,048,531	1,474,161,744
Acquisition of non-financial assets	5	150,683,880	1,495,270,939	1,645,954,820	847,302,135	1,853,202,763	2,700,504,898	50,920,150,757
Total payments		150,783,109	1,495,270,939	1,646,054,049	896,350,666	1,853,202,763	2,749,553,429	52,394,312,501
Surplus(deficit) for the year		114,317,384	-	114,317,384	(520,217,017)	-	(520,217,017)	385,220,976

The accounting policies and explanatory notes to these project financial statements form an integral part of the project financial statements. The project financial statements were approved on 30/9 2024 and signed by:



Chief Executive Officer
 Dr. Eng. John Mativo, MBS



Project Coordinator
 Eng (CPA). Antony Wamukota, OGW




General Manager Finance
 Tom Imbo
 ICPAK Member Number:7039

**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

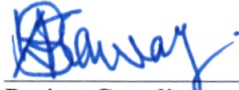
8. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30th JUNE 2024

Description	Note	2023-2024 Kshs	2022-2023 Kshs
Financial Assets			
Cash and cash equivalents	6	385,220,976	270,903,591
Imprests and Advances		-	-
Total Financial Assets (A)		385,220,976	270,903,591
Financial Liabilities			
Third party Deposits and Retention		-	
Total Financial Liabilities (B)		-	
Net Financial Assets (A-B)		385,220,976	
Represented by			
Fund Balance B/fwd		270,903,591	791,120,608
Prior Year Adjustments		-	-
Surplus for the year		114,317,384	(520,217,017)
Net Financial Assets	7	<u>385,220,976</u>	<u>270,903,591</u>

The accounting policies and explanatory notes to these project financial statements form an integral part of the project financial statements. The project financial statements were approved on 30/9 2024 and signed by:



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Dr. Eng. John Mativo, MBS



Project Coordinator
Eng (CPA). Antony Wamukota, OGW




General Manager Finance
Tom Imbo
ICPAK Member Number:7039

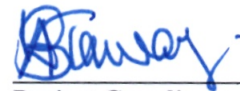
**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

9. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30th JUNE 2024

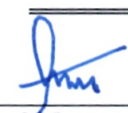
	Not e	2024 Kshs	2023 Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Transfers from Government entities	1	0	31,500,000
Miscellaneous receipts	3	32,887,793	67,361,880
Total Receipts		32,887,793	98,861,880
Payments			
Purchase of goods and services	4	(99,229)	(49,048,531)
Total Payments		(99,229)	(49,048,531)
Net cash flow from operating activities		32,788,564	49,813,348
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of non-financial assets	5	(1,645,954,820)	(2,700,504,898)
Net cash flow from investing activities		(1,645,954,820)	(2,700,504,898)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from foreign borrowings	2	1,727,483,641	2,130,474,533
Net cash flow from financing activities		1,727,483,641	2,130,474,533
 Net increase/decrease in cash and cash equivalents		 114,317,384	 (520,217,017)
 Cash and cash equivalent at beginning of the year	 7	 270,903,591	 791,120,608
 Cash and cash equivalent at end of the year	 6	 385,220,975	 270,903,591



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




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Tom Imbo
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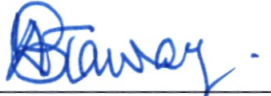
Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024


10. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30th JUNE 2024

Receipts/Payment Item	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Budget Utilization Difference	% of Utilization
	a	b	c	d	e=c-d	f=d/c%
Receipts						
Transfer from Government entities	-	-	-	-	-	
Proceed from domestic and foreign grants	175,000,000	1,747,000,000	1,922,000,000	1,727,483,641	194,516,359	90%
Miscellaneous receipts			-	32,887,793	(32,887,793)	
Total receipts	175,000,000	1,747,000,000	1,922,000,000	1,760,371,434	161,628,566	92%
Payments						
Purchase of goods and services	99,229	-	99,229	99,229	-	100%
Acquisition of non-financial assets	174,900,771	1,747,000,000	1,921,900,771	1,645,954,820	275,945,951	86%
Surplus or Deficit	175,000,000	1,747,000,000	1,922,000,000	1,646,054,049	275,945,951	86%

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


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


 General Manager Finance
 Tom Imbo
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**Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

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 Eastern Electricity Highway Project 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 Eastern Electricity Highway Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

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 and will be treated on cash basis and recognized as a receipt during the year they were received.

vi) Undrawn external assistance

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

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

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 to 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 incur 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 an annexure to the consolidated 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.

Eastern Electricity Highway Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

10. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Cash and cash equivalents

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

h) Restriction 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.

i) Imprests and Advances

For the purposes of these financial statements, imprests and advances to authorised 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. Annex 6 of this financial statement is a register of the contingent liabilities in the year.

k) Contingent Assets

The Kenya Electricity Transmission Company 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 Kenya Electricity Transmission Company 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 recorded as 'memorandum' or 'off-balance' 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.

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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 recognised 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.

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 parties' 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 recognised 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 June 30, 2024.

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s).

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12. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from Government Entities

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

	2023/2024	2022/2023	Cumulative to-date (from inception)
	KShs	KShs	KShs
Counterpart funding through the Ministry of Energy and Petroleum			
Counterpart funds Quarter 1	-	31,500,000	1,362,642,983
Counterpart funds Quarter 2	-	-	1,331,421,900
Counterpart funds Quarter 3	-	-	1,105,339,797
Counterpart funds Quarter 4	-	-	533,559,887
Total (See Annex 3)	-	31,500,000	4,332,964,567

2. Loan From External Development Partners

During the financial period to 30 June 2024, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Description	FY 2023/24					FY 2022/23	Cumulative to Date
	Date received	Amount received in donor currency	Loans received in actual Amount	Loans received as Direct Payment*	Total amount in KShs	Total amount in KShs	
		USD&UA	KShs	KShs	KShs	KShs	
Loans Received from Multilateral Donors (International Organizations)							
International Development Association (IDA)	2023-2024	USD 4,698,079	78,045,238	1,244,276,820	1,322,322,058	1,629,610,014	30,764,812,977
African Development Fund (ADF)	2023-2024	UA 6,898,908		250,994,120	250,994,120	329,064,519	9,437,956,901
Agence Francaise de Development (AFD) - Nairobi Ring			154,167,464		154,167,464	171,800,000	325,967,464
Total			232,212,701	1,495,270,940	1,727,483,641	2,130,474,533	40,528,737,341

* Loans received as Direct Payments represent payments for goods and services done directly by the donor on behalf of the project

3. Miscellaneous Receipts

	2023/2024			2022/2023	Cumulative to-date (From inception)
	Receipts controlled by the entity in cash	Receipts controlled by third parties	Total receipts	Total receipts	
	KShs	KShs	KShs	KShs	KShs
Interest income	32,887,793	-	32,887,793	67,361,880	202,171,772
Total	32,887,793	-	32,887,793	67,361,880	202,171,772

**Eastern Electricity Highway Project
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Purchase Of Goods and Services

Description	2023/2024			2022/2023	Cumulative to- date
	Payments made in cash	Payments made by third parties	Total payments	Total payments	
	KShs	KShs	KShs	KShs	
Legal / consultancy	-	-	-	-	313,779,953
Audit fees	-	-	-	-	2,037,975
Other project costs	99,229	-	99,229	19,957,900	588,102,156
Site travel expense and accommodation	-	-	-	29,090,631	400,169,776
Training	-	-	-	-	170,071,885
Total	99,229	-	99,229	49,048,531	1,474,161,745

5. Acquisition of Non-Financial Assets

	FY 2023/24			FY2022/23	Cumulative to- date
	Payments made in cash	Payments made by third parties	Total payments	Total payments	
	KShs	KShs	KShs	KShs	
Consultancy fees	-	-	-	-	633,373,692
Motor vehicles	-	-	-	-	308,644
Powerline (transmission equipment)	142,440,574	1,495,270,940	1,637,711,514	2,675,692,588	47,662,998,180
Wayleaves	8,243,306	-	8,243,306	24,812,310	2,623,470,243
Total	150,683,880	1,495,270,940	1,645,954,820	2,700,504,898	50,920,150,758

6. Cash and Cash Equivalents

Description	2023/2024	2022/2023
	KShs	KShs
Bank accounts balances (Note 6 A)	385,220,975	270,903,592
Total	385,220,975	270,903,592

The project has 3 project accounts spread within the project implementation area managed by KETRACO as listed below:

6 A Project Bank Accounts

Details	2023/2024	2022/2023
	KShs	KShs
Local Currency Accounts		
NCBA Bank [A/c No 1001309443]	235,527	4,090,057
Standard Chartered Bank [A/c No.0104026386600]	126,422,997	7,776
Kenya Commercial Bank [KCB a/c 1111251622]	258,562,453	266,805,758
Total local currency balances	385,220,976	270,903,592
Total bank account balances	385,220,976	270,903,592

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Account

The balances in the Project's Special Deposit Account as at 30 June 2024 are not included in the statement of the Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the statement of Receipts and Payments.

	2023/2024	2022/2023
	KShs	KShs
Foreign currency bank Account No.1000214279		
Opening balance	78,044,638	-
Total amount deposited in the account	-	78,044,638
Total amount withdrawn (as per Statement of Receipts and Payments)	(78,044,638)	-
Less: (forex loss)/gain	-	-
Closing balance (as per SDA bank account reconciliation attached)	-	78,044,638

The Special Deposit Account(s) reconciliation statements(s) has been attached as Appendix 6 to support these closing balances.

7. Fund Balance Brought Forward

Description	2023/2024	2022/2023
	KShs	KShs
Bank balances	270,903,592	791,120,608
Total	270,903,592	791,120,608

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OTHER IMPORTANT DISCLOSURES

8. Pending Accounts Payable (See Annex 3)

Description	Balance b/f from 2022/2023	Additions for the year	Paid during the year	Balance c/f for 2023/2024
	KShs	KShs	KShs	KShs
Supply of Goods	577,206,460	1,002,344,378	1,483,596,843	95,953,995
Supply of services	5,526,453	155,195,105	154,114,672	6,606,887
Total	582,732,913	1,157,539,483	1,637,711,515	102,560,882

9. Other Pending Payables (See Annex 4)

Balance b/f from 2022/2023	Adjustments	Adjusted Balance b/f	Addition for the year	Paid during the year	Balance c/f for 2023/2024
2023/2024		2023/2024	2023/2024	2023/2024	2023/2024
KShs	KShs	KShs	KShs	KShs	KShs
15,040,812	240,816,817	255,857,630	-	8,243,306	247,614,324
15,040,812	240,816,817	255,857,630	-	8,243,306	247,614,324

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13. ANNEXES

Annex 1: Prior Year Auditor-General'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	Status:	Timeframe:
1. Budgetary control and performance	The statement of comparison of budget and actual amounts reflect actual receipts of Kshs.2,229,336,412 against final budget of Kshs.2,632,500,000 resulting in a shortfall of Kshs.403,163,588 or 15% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.2,632,500,000 and Kshs.2,749,553,429 respectively resulting to an unapproved over-expenditure of Kshs.117,053,429 or 5% of the budget. The underfunding affected the planned activities and may have impacted negatively on service delivery to the public while the over expenditure was incurred irregularly	The project was completed in December 2022 An amount of AIA budget Kshs. 470M was not drawn due to late receipt of contractual invoices whereas Kshs. 67,361,880 relates to miscellaneous receipts (interest income) thus giving a net effect of Kshs. 403,163,588 Included in the final expenditure of Kshs.2,749,553,429 is Kshs. 292,198,228 is part of the Kshs. 297,524,681 bills from prior year 2021/2022 which were settled in 2022/2023 hence reported in the financial statements due to IPSAS cash accounting basis. These amounts had been budgeted for in 2021/2022. The difference of Kshs. 2,457,355,200.94 is within the 2022/2023 budget.	Resolved	
2. Pending Bills	Note 8 and Note 9 to the financial statements, the Project had pending accounts payables amounting to Kshs.582,732,913 and Kshs.15,040,813 in respect of goods and services and project affected persons respectively, as at 30 June, 2023. Review of	Invoices amounting to Kshs. 582,732,913 were still undergoing processing at the cutoff date of 30.6.2023. An amount of Kshs. 577,206,460.23 has since been settled out of the reported pending bills of Kshs.582,732,913 leaving a balance of Kshs. 5,526,453 which has been included in the updated Company's pending bills register/schedule	Ongoing	2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>the pending bills listing and related documents revealed the following anomalies.</p> <p>i. The amount certified as payable amounted to Kshs.46,463,704,994 out of which Kshs.45,880,972,081 had cumulatively been paid leaving a balance of Kshs.582,732,913 as pending bills. Failure to settle bills during the year in which they relate to adversely affects the budgetary provisions in the subsequent years as they form a first charge.</p> <p>ii. Expected and certified compensation to landowners for wayleaves since inception of the Project amounted to Kshs.2,647,620,564 at the close of the year under review. Management has cumulatively paid Kshs.2,632,579,752 leaving an unpaid amount of Kshs.15,040,813. Failure to settle the amount was attributed to lack of budgetary allocation from The National Treasury and lengthy land valuation negotiations which result to absentee landowners coupled with various court injunctions on disputed cases. It was not clear what measures Management has put in place to obtain funding, identify absentee land owners and finalize court cases to</p>	<p>Management has requested for additional financing to settle pending wayleave compensation in the FY 2024/2025</p> <p>Ketraco has continuously engaged local administration to try and identify absentee land owners.</p> <p>For issues relating to court cases, KETRACO has employed out of court settlements where consents are recorded for those litigants who are amenable to settlement, court annexed mediation where mediators.</p> <p>The wayleave compensation pending bills relates to a PAP who is serving custodial sentence and not paid due to incomplete documentation. Compensation will be settled when advised by the PAP and all supporting documents provided.</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>successfully implement the Project and deliver services to Kenyan citizens.</p> <p>Failure to settle bills during the year adversely affects the budget provision for the subsequent year as they form the first charge.</p>			
3. Undrawn Fund Balance	<p>As reported previously, the project had an approved budget of US\$ 441,000,000, UA 75,000,000, EUR 54,556,082 and counterpart funding by the Government of Kenya of Kshs.8,585,000,000, all equivalent to Kshs.74,208,027,626. However, as at 30 June, 2023, undrawn balance was Kshs.23,529,760,133 or approximately 32% of the Project funding with total pending bills of Kshs.597,773,725. With the deadline for utilization of funds being 31 January, 2024, having extended by nineteen (19) month extension from the initial date of 30 June, 2022. It was likely that the project funding of Kshs.23,529,760,133 which had not been drawn may not be absorbed at the time project closure.</p> <p>In the circumstances, the Project may not realize and utilize the remaining funding commitment of Kshs. 23,529,760,133 which may</p>	<p>Additional loan utilization of Kshs.1,637,711,514.69 took place in FY 2023/24.</p> <p>In addition, the financing structure has been revised and USD 97,044,099 was cancelled and redirected to finance the Green Phase II project while ADB balance was cancelled.</p>	Ongoing	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	have negatively impacted on service delivery to Kenyans.			



Chief Executive Officer
 Dr. Eng. John Mativo, MSB



Project Coordinator
 Eng (CPA). Antony Wamukota, OGW



General Manager Finance
 Tom Imbo
 ICPAK Member No:7039

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ANNEX 2 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR FINANCIAL YEAR 2023/2024

Receipts/Payment Item	Final Budget	Actual on Comparable basis	Budget Utilization Difference	% of Utilization	Comments on Variance(below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	-	-	-		
Proceed from domestic and foreign grants	1,922,000,000	1,727,483,641	194,516,359	90%	
Miscellaneous receipts	-	32,887,793	(32,887,793)		
Total receipts	1,922,000,000	1,760,371,434	161,628,566	92%	
Payments					
Purchase of goods and services	99,229	99,229	-		
Acquisition of non-financial assets	1,921,900,771	1,645,954,820	275,945,951	86%	(i)
Total Payments	1,922,000,000	1,646,054,049	275,945,951		

Explanations for all variance below 90% and above 100%

- i.* Project is complete hence currently paying final invoices and retentions. Unutilized ADB savings were cancelled.

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ANNEX 3 - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Date Contracted	Original Amount	Amount Certified To-Date	Amount Paid To-Date	Outstanding Balance	Outstanding Balance
					2024	2023
		a	b	c	d=b-c	
Supply of goods						
Kalpataru Power Transmission	2,015	6,291,526,246	5,696,430,008	5,696,430,008	-	868,119,580
National Contracting Company	2,015	5,360,443,637	4,437,451,811	4,437,451,811	-	1,256,940,068
KEC International	2,015	6,200,034,149	4,973,830,030	4,972,730,030	1,100,000	1,227,304,119
Siemens Isolux	2,015	32,285,688,703	24,917,274,856	24,912,076,730	5,198,126	8,168,307,881
Larsen & Toubro	2,015	6,852,584,340	5,591,561,100	5,501,905,231	89,655,869	1,355,602,282
Helicopter	2,016	810,268,719	805,611,613	805,611,613	-	4,657,106
Sub-Total		57,800,545,792	46,422,159,418	46,326,205,423	95,953,995	12,880,931,035
Supply of services						
Lahmeyer International	2,012	543,039,456	1,506,923,903	1,500,317,016	6,606,887	427,923,277
Lahmeyer CESI ELC	2,013	1,345,113,924				
Sub-Total		1,888,153,380	1,506,923,903	1,500,317,016	6,606,887	427,923,277
Grand Total	-	59,688,699,172	47,929,083,321	47,826,522,439	102,560,882	12,889,779,672

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ANNEX 4 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Date Payable Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance 2023/2024	Outstanding Balance 2022/2023
			KShs	KShs	KShs	KShs
Amounts due to Third Parties						
Project affected persons	Wayleaves	30.6.2014	2,930,141,274	2,640,823,058	289,318,216	15,040,812
Grand Total			2,930,141,274	2,640,823,058	289,318,216	15,040,812

**Adjusted to restate amounts not booked in the system in prior years due to budget constraints. Kshs. 289,318,216 disclosed in this Annex 4 is the total outstanding wayleave compensation out of which the certified amount which represents liabilities based on offers accepted is Kshs. 247,614,324 disclosed in Note 9 while Kshs, 41,703,892 relates to amounts not yet certified/offers not yet accepted*

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ANNEX 5 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (Kshs) 2023/24	Donations in form of assets (Kshs) 2023/24	*Purchases/Additions in the Year(Kshs) 2023/24	**Disposals in the Year	Transfers in/(out) Kshs. 2023/2024	Closing Cost Kshs. 2023/2024
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)- (d)+(-)d
Powerline (Transmission Equipment)	49,274,195,939		1,645,954,820	-		50,920,150,759
Total	49,274,195,939		1,645,954,820	-		50,920,150,759

Notes

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

** The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold.

ANNEX 6 – SPECIAL DEPOSIT ACCOUNT NO. 1000214279 RECONCILIATION STATEMENT

		FY 2023/24	FY 2022/23
		KShs	KShs
Central Bank of Kenya			
Balance at 1 July		78,044,638	-
Add	Disbursement received during the year	-	78,044,638
Less	Disbursement to the Project Account	78,044,638	-
	Forex gain/(loss)		
Balance at 30 June		-	78,044,638