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REPORT

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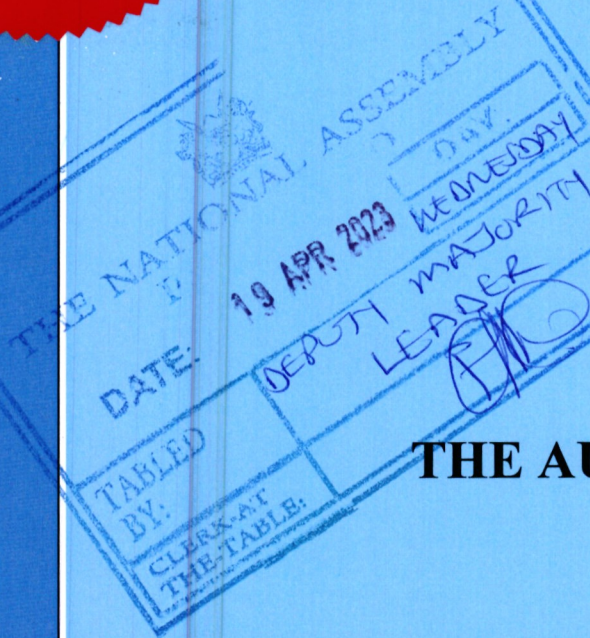
THE AUDITOR-GENERAL

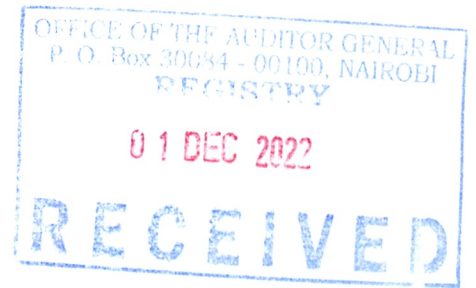
ON

**KENYA ELECTRICITY MODERNIZATION
PROJECT (IDA CR. NO. 5587 KE)**

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

MINISTRY OF ENERGY





KENYA ELECTRICITY MODERNISATION PROJECT

MINISTRY OF ENERGY

PROJECT CREDIT NUMBER: 5587KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

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1. Project Information and Overall Performance

1.1 Name and registered office

Name

The project's official name is Kenya Electricity Modernization Project (KEMP),

Objective

The key objective of the project is to increase access to electricity, improve reliability of electricity services and to strengthen KPLC's financial situation.

Address

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

The address of its registered office is:

Ministry of Energy
KAWI Complex – South C
P. O. Box 30582-0100

NAIROBI

Contacts:

The following are the project contacts

Telephone: (254) 33101112

E-mail: ps@energy.go.ke

Website: www.energy.go.ke

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Project information and overall performance (continued)

1.2 Project Information

Project Start Date:	The project start date is 17 th September 2015
Project End Date:	The project end date is 31 st December 2022
Project Manager:	The project manager is Mr. Rodney Sultani
Project Sponsor:	The project sponsor is International Development Association, which will contribute 100% of project costs.

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Energy
Project number	IDA CR. 5587KE
Strategic goals of the project	The strategic goals of the project are as follows: (i) To increase access to electricity. (ii) To improve reliability of electricity service (iii) To strengthen KPLC's financial situation.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: The implementing agencies (IAs) are the Ministry of Energy (MoE), KPLC, and REA.
Other important background information of the project	The project is being implemented in conjunction with other Energy Sector Agencies and Parastatals.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) Access to Electricity. (ii) Reliability of Electricity Service (iii) KPLC financial situation.

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Project duration	The project started on 17 th September 2015 and it was expected to run until 30 th June 2020. The Project has been extended up to and 31 st December 2022.
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Project Information and Overall Performance (Continued)

1.4 Bankers

The following are the bankers for the current year:

(i) Special Account

Central Bank of Kenya Ltd

Account No. 1000250698

(ii) Project Account

Central Bank of Kenya

Account No. 1000309875

1.5 Auditors

The project is audited by the Office of the Auditor General (OAG), P.O. Box 30084-00100, Nairobi, Kenya

1.6 Roles and Responsibilities

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

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Names	Title Designation	Key Qualifications	Responsibilities
Maj. Gen. (Rtd.) Dr. Gordon O. Kihalangwa, CBS	Principal Secretary	MBA,BSc,.C,Eng,MIEE R Connsul' Eng FIEX	Accounting Officer
Rodney Sultani	Project Coordinator	MSc. Project Management, BSc Civil Engineering.	Manager
CPA Moses Gitari	Assistant Accountant General	MBA, (Strategic Management)	Accounting & ERD
Mr. Stephen Alexius Njue	Senior Deputy Director Budget	MBA(Finance)	Finance
Mr. Lawrence Nduva	Monitoring and Evaluation Specialist	MA Project Management	Monitoring and Evaluation
CPA Geoffrey Tsalwa Imbayi	Financial Management Specialist	MSc. Finance, B. COM. Finance CPA (K)	Financial Management
Simeon Korir	Procurement Specialist	MBA Strategy	Procurement

1.7 Funding summary

The project started on 17th September 2015 and it was expected to run until 30th June 2020. The Project has been extended up to 31st December 2022 with an approved budget of US\$ 4,520,000 equivalent to Kshs. 456,000,000 as highlighted in the following table:

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Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30 June 2022)		Undrawn balance to date	
	Donor currency	Kshs	Donor currency Kshs	Kshs	Donor currency Kshs	Kshs
(i) Loan	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
International Development Association (IDA)	4,520,000	456,000,000	3,114,957	347,223,361	1,405,043	108,776,639
Total	4,520,000	456,000,000	3,114,957	347,223,361	1,405,043	108,776,639

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2022)		Cumulative Amount paid to date – (30 th June 2022)		Unutilised balance to date (30 th June 2022)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
(i) Loan	<i>(A)</i>	<i>(A')</i>	<i>(B')</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
International Development Association	3,114,957	347,223,361	2,912,180	317,261,403	202,777	29,961,958
Total	3,114,957	347,223,361	2,912,180	317,261,403	202,777	29,961,958

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Senior Procurement Specialist		
Contract closure	Scope of work satisfactory completed.	Completed
Management and supervision Consultant- Electrification works.		
Project Supervision and management to continue	Supervision works ongoing	On going
Training	To date 163 participants drawn from (MoE, KPLC, KEGEN, KETRACO, REA, GDC, ERC, KNEB and NT have been trained in various courses supported by the World Bank through the project. Scope of works satisfactory completed.	Completed. There is no more funding available for this activity. No training was planned for during the quarter.
Submission of the Final Report of the Power Market Design Study.	The Power Market Study was completed in November 2021 when the consultant submitted the final report and training report. This study will assist the Ministry in undertaking further reforms of the electricity supply industry, including development of a competitive wholesale and retail markets as spelled in the sector policy. The output of the study also fulfils the requirement of section 131 of the Energy Act, 2019 on the	Implementation complete, final payment made.

Project information and overall performance (continued)

1.8 Summary of Overall Project Performance:

1.8.1 Budget performance against actual amounts for current year and cumulative to date.

During the year under review, the project received Kshs. 54,595,551 against a final budget of Kshs. 90,000,000 and incurred a total expenditure of Kshs. 45,750,188 against a budget of Kshs 90,000,000 resulting to underutilization of Kshs 44,249,812 or 51%. The projects' cumulative receipts and payments are Kshs 347,223,361 and Kshs 317,261,403 respectively.

1.8.2 Physical progress based on outputs, outcomes and impacts since project commencement,

Activities planned for the reporting period	Activity Status	Implementation	Narration (Please give a short description/explanation)
National Electrification Strategy			
Develop and launch the National Electrification Strategy	National Electrification Strategy developed and launched.		Completed.
Regulations for enforcing quality of electricity			
Develop regulation for enforcing quality electricity	Standards developed for enforcing quality electricity		Completed
Mini- Grid development- Preparation of preliminary designs			
Complete final payments to design-to-design contractors and close the contracts.	Final payments made and two (2) contracts closed. Processing of final payments for the third contractor.		Completed
Preparation of preliminary designs	<ul style="list-style-type: none"> ▪ None ▪ All designs completed and final payments made. 		Completed
Cost of Service	<ul style="list-style-type: none"> ▪ Scope of work satisfactory completed. 		Completed
Consultant for Revenue protection			
Payment to the consultant for revenue protection	Scope of work satisfactory completed.		Completed

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		regular review of the power market by EPRA, in consultation with the Cabinet Secretary.	
Submission of Systems Operation and Dispatch Guidelines Draft Final report.		The study on System's Operation and Dispatch Guidelines is complete. The Consultant has submitted all reports, which has been reviewed by the Sector and comments sent to the Consultant. The consultant also conducted training delivered a Training Report.	Contract concluded and all reports submitted to MoE.
SCADA /EMS Link between KPLC and ERC		The Consultant has delivered all the equipment and has partially configured some of the SCADA equipment. The EPRA team designated to operate the SCADA system were trained at the ABB premises in Sweden. The configuration of the telecommunication equipment is pending due to travel clearance, which is required for the firms Consultant to enter Kenya.	Activity completed, awaiting final sign off of completion and approval of No Cost extension.

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Development of Technical specifications and standardization guidelines.	Contract has been signed by the Consultant and is awaiting signature by MoE's PS. inception report submitted and approved.	This activity is still ongoing
Procurement of Consultancy Services for Customer satisfaction survey	The final inception report with comments addressed was submitted during the quarter. There was a delay in acquisition of data from Kenya Power but this has been sorted out. The consultant is working in close contact with KPLC to refine the questionnaires that will be tested before the survey campaign. This will help us to produce accurate surveying material for higher quality results for this assignment.	This activity is still ongoing

1.8.3 Comments on value for money and Achievements.

The project was extended and the new closure date is 31st December 2021. The consultancies under this component are overseeing activities of the Implementing Agencies to ensure implementation of the planned activities is achieved. The following are the achievements: -

The following key areas have been completed under this Component;

- a) Completed both contracts for the Revenue Protection and Senior Procurement Specialist;
- b) Developed and launched the National Electrification Strategy;
- c) Developed Standards for enforcing quality electricity;
- d) Completed the tariff stabilization fund report;
- e) Received Consent letters for Land allocation for Kerio, Kaeris, Dabel, Takawiri, Mageta, Mkwiro and Wasini and completion of survey works for the solar mini grid sites;
- f) To date 163 participants drawn from (MoE, KPLC, KEGEN, KETRACO, REA, GDC, ERC, KNEB and NT have been trained in various courses supported by the World Bank through the project;
- g) SCADA/ EMS link between KPLC and EPRA-The Consultant has delivered all the equipment and has partially configured some of the SCADA equipment. The EPRA team

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1.8.6 Recommendations for Programme Improvement

Re-alignment of activities to ensure the time lost due to challenges mentioned above can be recovered.

1.9 Summary of Project Compliance:

There were no significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants.

designated to operate the SCADA system were trained at the ABB premises in Sweden. The configuration of the telecommunication equipment is complete, the configuration is complete awaiting commissioning.

- h) Development of Technical Specifications and standardization guidelines- inception report received and cleared. The Consultant has undertaken a gap analysis and is in the process of preparing an Interim report.
- i) Power Market Study- The power market study was completed in November 2021 when the consultant submitted the final report and training report. This study will assist the Ministry in undertaking further reforms of the electricity supply industry, including development of a competitive wholesale and retail markets as spelled in the sector policy. The output of the study also fulfills the requirement of section 131 of the Energy Act, 2019 on the regular review of the power market by EPRA, in consultation with the Cabinet Secretary.
- j) Systems Operation and Dispatch guidelines- The study on System's Operation and Dispatch Guidelines is complete and all reports submitted.
- k) Customer Satisfaction Survey- The final inception report with comments addressed was submitted during the quarter. There was a delay in acquisition of data from Kenya Power but this has been sorted out. The consultant is working in close contact with KPLC to refine the questionnaires that will be tested before the survey campaign. This will help us to produce accurate surveying material for higher quality results for this assignment.

1.8.2 Absorption

The absorption rate is 68.9% compared to the disbursement plan in the Project Appraisal Document (PAD) this was due to low budget allocation granted by the National Treasury. As at to date the Bank has disbursed USD 3,114,957 against a commitment of USD 4,520,000.

1.8.5 Implementation challenges and recommended way forward

- a) The world is experiencing a pandemic called COVID-19. An effort to contain the spread is social distancing which has drastically affected the progress in floor finishing (terrazzo) and painting works for the lab under the lifeline testing equipment because the contractor is unable to compile to KPLC requirements and have had to limit the number of working hours per labourer.
- b) Training: Equipment and system training already late due to lockdown in China and travel restriction. Need to move training from the contractor's premises to Kenya

2. Statement of Performance against Project's Predetermined Objectives

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. This component will finance consultancy services, feasibility studies for new investments, training actions and other activities to support, among others:

The key development objectives of the project's 2018-2021 plan are to:

(i) Preparation of the National Electrification Strategy (NES). The objective of the NES is to achieve universal access to electricity services meeting applicable standards on quality in a sustainable manner in the shortest possible time. The strategy should also optimize allocation of resources from a country perspective. MoE will implement this activity.

(ii) Detailed national technical specifications and.

This assistance will support the technical and economic optimization of the design and construction of electricity networks needed to supply new users located in areas that are currently not electrified, meeting applicable standards on service quality. This will result in the addition of new standardized construction units to those currently applied by KPLC and REA. MoE will implement this activity.

(ii) Regulations for enforcing quality on electricity service.

Assistance to ERC to implement a regime on service quality, based on systematic monitoring of key parameters through direct access of the records of the information systems used by KPLC. This will also be combined with assessment of KPLC's customers' complaints and commercial systems. MoE through ERC will implement this activity.

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(iii) **Training and capacity building.**

This will finance training and capacity building and communications for the sector entities, including MoEP, KPLC, REA, KETRACO, KenGen and ERC.

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
Kenya Electricity Modernization Project	Preparation of the National Electrification Strategy (NES)	Increased efficient	Report	This has been achieved
	Detailed national technical specifications and standardization	Support the technical and economic optimization of the design and construction of electricity networks needed to supply new	1 Report	Procurement in progress

		users located in areas that are currently not electrified, meeting applicable standards on service quality		
	Regulations for enforcing quality on electricity service delivery	Service quality, based on systematic monitoring of key parameters through direct access of the records of the information systems used by KPLC	1 report	Procurement in progress
	Training and capacity building	Improve on service delivery in the Energy Sector	No staff trained	163 personnel were trained

3. Environmental and Sustainability reporting

The Project exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

1. Sustainability strategy and profile

The Ministry is committed to promoting sustainable environmental management and utilization of natural resources to generate socio- economic benefits. Measures were put in place in 2019/20 to ensure sustainable energy resource management. Among them include: Implementation of the Energy Act 2019 through development and review of various regulations (in draft form) that guides on sustainable utilization of the energy resources; Formulation of the Kenya Energy Efficiency and Conservation Strategy and Bio-energy strategy (which aims at promote the development and utilization of bio-energy resources in Kenya in a sustainable manner) both of which are at draft stage; among others. Other strategies put in place included protection of riparian land and reforestation of hydro dam catchment areas through direct involvement and also supply of seedlings to the communities living in project areas.

2. Environmental performance

- a. The proposed project was screened by World Bank and assigned an Environmental Category B Partial Assessment, on the assumption that no major civil works will be funded and no major physical or economic displacement will take place. Four safeguard policies have been triggered for the project. They include (a) OP/BP 4.01 (Environmental Assessment); (b) OP/BP 4.04 (Natural Habitats); (c) OP/BP 4.10, (Indigenous Peoples); and (d) OP/BP 4.12 (Involuntary Resettlement).
- b. The World Bank operational policy on Environmental Assessment (OP/BP 4.01) has been triggered, due to the implementation of the activities outlined under Components 1–3. The main potential environmental impacts anticipated for the project are (a) civil works that would be limited to construction of the mini-grids in remote areas (Component 1), installation of stand-alone systems for households (Component 2), installation of solar PV for water pumping (Component 3), and construction of distribution lines to connect new customers and (b) environmental, health, and safety concerns are likely to be associated with recycling and disposal of spent batteries at the end of their useful lives, which is usually 3–5 years after

deployment. Rechargeable batteries for storing solar energy may run on nickel-cadmium (Ni-Cad), nickel metal hydride (NiMH), lithium-ion (Li-ion), lead-acid (Pb-A), or lead-gel (Pb-gel). These batteries should not be disposed in standard landfills because they can create long-lasting environmental and human health impacts (for example, headaches, abdominal discomfort, seizures and comas, cancers, irritation of skin and respiratory system, burns and damage to skin and eyes, and corrosion) due largely to the heavy metals such as mercury, lead, cadmium, and nickel and acids. The entire management processes including de-manufacturing, collection, storage, recycling, transport, and disposal may present a challenge to this project and, given the scope of this World Bank operation, could result in environmental and social risks and impacts, although these impacts are reversible and localized and can be easily and cost-effectively mitigated.

- c. The operational policy on Natural Habitats (OP/BP 4.04) has been triggered, on the assumptions that the project activities under Components 1 and 3 are likely to affect the natural habitats through erection of poles, construction of the mini-grids, and the installation of the solar water pumping equipment.

3. Employee welfare

The policies that guides the Ministry on recruitment includes: PSC Recruitment and Selection Policy; Delegation of PSC HRM Functions to the Cabinet Secretary, July,2018; Framework for Short Term Employment in the Public Service, May,2019; and Human Resources Policies and Procedure Manual for the Public Service, May,2016. This enabled the Ministry to promote common cadre under the delegated powers as guided by the policy taking into consideration gender and regional balance.

For skill improvements and career progression the Ministry is guided by Human Resource Development Policy for the Public Service, June, 2015 and Guidelines on Managing Training in the Public Service. This enabled the Ministry to conducts individual trainings programmes required for career progression/promotion and those required in the Schemes of Service for various cadres and also group trainings for various cadres.

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The Ministry ensured that all staffs were put on Performance Appraisal System (PAS) as guided by guidelines for Implementation of Performance Rewards and Sanctions in the Public Service and also Performance Rewards and Sanctions framework.

The Ministry has developed its own Occupational Safety and Health Policy with reference to made Occupational Safety and Health, ACT of 2007. A Ministerial Committee on Occupational Safety and Health is in place which ensures adherence to OSHA and safety and security of the staff and Ministry properties.

4. Market place practices-

a) Responsible Supply chain and supplier relations-

Procurement undertaken in compliance with WB Procurement Regulations as per Section 3.7 of the regulations are as follows;

- a. Provide timely and sufficient information to Bidders/Proposers/Consultants, including through the Notification of Intention to Award and debriefing, so that Bidders/Proposers/Consultants can both understand the basis for the Borrower's decision and make an informed decision on whether to lodge a Complaint challenging that decision.
- b. Promptly acknowledge Complaints received;
- c. Resolve Complaints promptly and fairly;
- d. Preserve the confidentiality and proprietary information of other Applicants/ Bidders/Proposers/Consultants, including commercial and financial information and trade secrets as requested by the Bidders/Proposers/Consultants in their Bids/Proposals;
- d. Maintain complete records of all debriefings and Complaints and their resolution;
- e. For contracts subject to prior review, inform the Bank promptly of any Complaint submitted and provide the Bank a copy of all relevant documents and information; and
- f. For contracts subject to prior review, The Client consult with the Bank promptly and forthrightly throughout the Complaint review and resolution process.

b) Responsible ethical practices

Strict adherence to Annex IV of World Bank Regulations on Banks Anti-corruption guidelines

c) Regulatory impact assessment

Safeguard citizen and stakeholder's rights.

5. Community Engagements

The Ministry has been carried out the following measures to enhance acceptance of the projects by the communities around the project area; The Ministry and its Agencies put in place mechanism for engagement of the people during project implementation. Among them includes operationalization of Stakeholders Coordination Committees and rolling out of community engagement strategy and policy.

In addition, the Ministry continued to ensure that local communities were considered for jobs during the implementation of the energy projects. Local communities were also involved during land acquisition.

Kenya Electricity Modernisation Project, Credit Number: 5587KE
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4. Statement of Project Management responsibilities

The Principal Secretary for the Ministry of Energy and the Project Coordinator for Kenya Electricity Modernization 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 June 30, 2022.

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

The Principal Secretary for the Ministry of Energy and the Project Coordinator for Kenya Electricity Modernization 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.

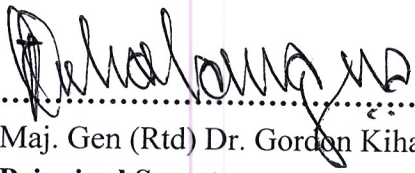
The Principal Secretary for the Ministry of Energy and the Project Coordinator for Kenya Electricity Modernization Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2022, and of the Project's financial position as at that date. The Principal Secretary for the Ministry of Energy and the Project Coordinator for Kenya Electricity Modernisation 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.

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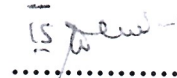
The Principal Secretary for the Ministry of Energy and the Project Coordinator for Kenya Electricity Modernization Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial 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 Principal Secretary for the Ministry of Energy and the Project Coordinator for Kenya Electricity Modernization Project on 12-9-22 2022 and signed by them.



.....
Maj. Gen (Rtd) Dr. Gordon Kihalangwa, CBS
Principal Secretary



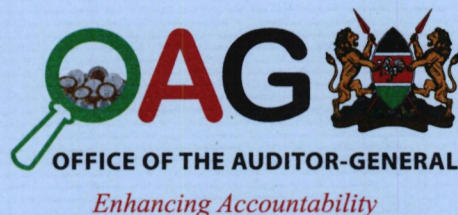
.....
Rodney Sultani
Project Coordinator



.....
Moses Gitari
Project Accountant
ICPAK Member No: 4204

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY MODERNIZATION PROJECT (IDA CR. NO. 5587 KE) FOR THE YEAR ENDED 30 JUNE, 2022 - MINISTRY OF ENERGY

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

I have audited the accompanying financial statements of Kenya Electricity Modernization Project (IDA Cr. No. 5587 KE) set out on pages 1 to 18, which comprise of the statement of financial assets as at 30 June, 2022, statement of receipts and payments, statement of cash flows and the 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

Report of the Auditor-General on Kenya Electricity Modernization Project (IDA CR. No. 5587 KE) for the year ended 30 June, 2022 - Ministry of Energy

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 Kenya Electricity Modernization 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 Financing Agreement No.5587KE dated 29 June, 2015, between the International Development Association (IDA) and the Republic of Kenya 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 International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Electricity Modernization Project (IDA Cr. No. 5587 KE) Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted receipts of Kshs.90,000,000 and actual receipts of Kshs.378,595,551 resulting to overfunding of Kshs.288,595,551 or 320%. According to Management, the overfunding was as result of the project erroneously receiving funds meant for another entity, which was subsequently refunded to The National Treasury. Similarly, the Project budgeted for Kshs.90,000,000 under purchase of goods and services but incurred an expenditure of Kshs.45,750,188, equivalent of 51% utilization. The Management attributed the under-utilization to the complexity of the procurement procedures for consultancy services set out in the financial agreement, which led to the low absorption.

In the circumstances, the under absorption of the budget may have resulted in non-implementation of the Project's planned activities, thus slowing down achievement of the intended goals and objectives.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain its services, disclosing as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or to cease operations.

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

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

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that

effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

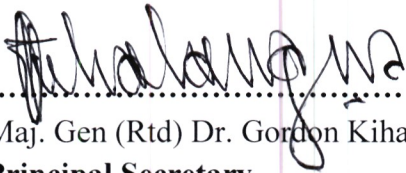
Nairobi

09 December, 2022

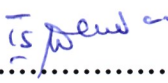
6. Statement of Receipts and Payments for the year ended 30th June 2022.

		2021/2022	2020/2021	
	Note	Receipts and payments controlled by the entity	Receipts and payment controlled by the entity	Cumulative to-date (From inception)
		KShs	KShs	KShs
RECEIPTS				
Receipts from Government of Kenya	11.1	324,000,000	-	324,000,000
Loan from external development partners	11.2	54,595,551	14,068,258	347,223,361
TOTAL RECEIPTS		378,595,551	14,068,258	671,223,361
PAYMENTS				
Purchase of goods and services	11.3	45,750,188	20,848,467	300,623,604
Acquisition of non-financial assets	11.4	-	6,047,694	16,637,799
Transfers to other government entities	11.5	324,000,000	-	324,000,000
TOTAL PAYMENTS		369,750,188	26,896,161	641,261,403
SURPLUS/(DEFICIT)		8,845,363	(12,827,904)	29,961,958

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



 Maj. Gen (Rtd) Dr. Gordon Kihalangwa, CBS
Principal Secretary



 Rodney Sultani
Project Coordinator



 Moses Gitari
Project Accountant
ICPAK Member No: 4204

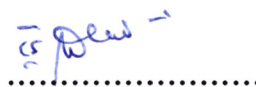
7. Statement of Financial Assets as at 30th June 2022

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents			
Bank Balances	11.6 A	29,961,958	21,116,595
Total Cash and Cash equivalents		29,961,958	21,116,595
Total Financial Assets		29,961,958	21,116,595
Represented By			
Fund Balance B/fwd.	11.7	21,116,595	33,627,959
Prior Year adjustments	11.8	-	316,540
Surplus/(Deficit) for the Year		8,845,363	(12,827,904)
Net Financial Position		29,961,958	21,116,595

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 12-9- 2022 and signed by:



.....
Maj. Gen (Rtd) Dr. Gordon Kihalangwa, CBS
Principal Secretary



.....
Rodney Sultani
Project Coordinator



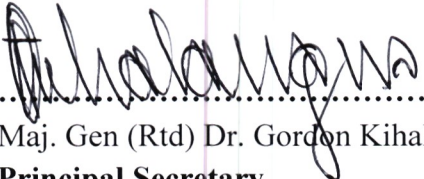
.....
Moses Gitari
Project Accountant
ICPAK Member No: 4204

Kenya Electricity Modernisation Project, Credit Number: 5587KE
Reports and Financial Statements
For the financial year ended June 30, 2022

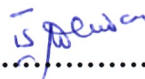
8. Statement of Cash flow for the year ended 30th June 2022

Description		2021-2022	2020-2021
	Note	KShs	KShs
CASHFLOW FROM OPERATING ACTIVITIES			
Receipts			
Transfer from government entities	11.1	324,000,000	-
Total Receipts		324,000,000	-
Payments from operating activities			
Purchase of goods and services	11.3	-45,750,188	-20,848,467
Acquisition of Financial assets	11.4	-	-6,047,694
Transfer to other Government entities	11.5	-324,000,000	
Adjustments during the year			
Prior Year Adjustments	11.8	-	316,540
Net cash flow from operating activities		-45,750,188	-26,572,621
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	11.2	54,595,551	14,068,258
Net cash flow from financing activities		54,595,551	14,068,258
NET INCREASE IN CASH AND CASH EQUIVALENTS		8,845,363	-12,511,364
Cash and cash equivalent at BEGINNING of the year	11.6	21,116,595	33,627,958
Cash and cash equivalent at END of the year	11.6	29,961,958	21,116,595

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 12-9-2022 and signed by:



 Maj. Gen (Rtd) Dr. Gordon Kihalangwa, CBS
 Principal Secretary



 Rodney Sultani
 Project Coordinator

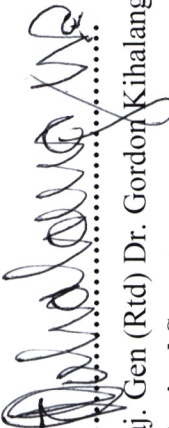



 Moses Gitari
 Project Accountant
 ICPAK Member No: 4204

Kenya Electricity Modernisation Project, Credit Number: 5587KE
 Reports and Financial Statements
 For the financial year ended June 30, 2022

9. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2022

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Receipts						
Transfers from Government entities	-	-	-	324,000,000	(324,000,000)	0%
Proceeds from borrowings	90,000,000	-	90,000,000	54,595,551	35,404,449	61%
Total Receipts	90,000,000	-	90,000,000	378,595,551	(288,595,551)	421%
Payments						
Purchase of goods and services	90,000,000	-	90,000,000	45,750,188	44,249,812	51%
Transfers to other entities	-	-	-	324,000,000	(324,000,000)	0%
Total Payments	90,000,000	-	90,000,000	369,750,188	(279,750,188)	411%

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 Maj. Gen (Rtd) Dr. Gordon Kihalangwa, CBS
 Principal Secretary

.....

 Rodney Sultani
 Project Coordinator

.....

 Moses Gitari
 Project Accountant
 ICPAK Member No: 4204

10. Significant Accounting Policies

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

10.1 Statement of compliance and basis of preparation

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

The accounting policies adopted have been consistently applied to all the years presented.

10.2 Reporting entity

The financial statements are for the Kenya Electricity Modernization Project under the State Department of Energy as required by Section 81 of the PFM Act, 2012 .

10.3 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.

10.4 Recognition of receipts

The 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 monies received through grants and loans from multilateral and bilateral development partners.

Kenya Electricity Modernisation Project, Credit Number: 5587KE
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for the financial year ended June 30, 2022

Significant Accounting Policies (Continued)

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 at 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 item 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

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.

10.5 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.

Significant Accounting Policies (Continued)

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.

10.6 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.

Significant Accounting Policies (Continued)

10.7 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.

10.8 Restriction on cash

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

10.9 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.

10.10 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:

Significant Accounting Policies (Continued)

- 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 5** of this financial statement is a register of the contingent liabilities in the year.

10.11 Contingent Assets

The Ministry of Energy 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 Ministry of Energy 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.

10.12 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.

Significant Accounting Policies (Continued)

10.13 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 1** to these financial statements.

10.14 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. No direct payments were done during the year.

10.15 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.

Significant Accounting Policies (Continued)

10.16 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.

10.17 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, 2022.

10.18 Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented in note 8 of these financial statements

Kenya Electricity Modernisation Project, Credit Number: 5587KE
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for the financial year ended June 30, 2022

11. Notes to the Financial Statements

11.1 Transfers from Government entities

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

Description	KShs		Cumulative to-date (from inception)
	2021-2022	2020-2021	
Ministry of Energy	324,000,000	-	324,000,000
Total	<u>324,000,000</u>	=	<u>324,000,000</u>

11.2 Loan from External Development Partners

During the financial period to 30 June 2022, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in	Total amount in KShs	
			cash	2021/22	2020/2021
Loans Received from Multilateral Donors (International Organisations)			KShs		
International Development Association	07/01/2022	127,206	54,595,551	54,595,551	14,068,258
Total			54,595,551	54,595,551	14,068,258

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for the financial year ended June 30, 2022

Notes to the Financial Statements (Continued)

11.3 Purchase of Goods and Services

	2021/2022			2020/2021	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Training payments	-	-	-		95,254,600
Other operating payments	45,750,188	-	45,750,188	20,848,467	205,369,004
Total	45,750,188	-	45,750,188	<u>20,848,467</u>	<u>300,623,604</u>

11.4 Acquisition of Non-Financial Assets

	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Cumulative to-date
	2021-2022			2020-2021	
	Kshs.	Kshs.	Kshs	Kshs	Kshs
Purchase of office furniture & general equipment	-	-	-	-	147,000
Research, studies, project preparation, design & supervision	-	-	-	6,047,694	16,490,799
Total	≡	≡	≡	<u>6,047,694</u>	<u>16,637,799</u>

**Kenya Electricity Modernisation Project, Credit Number: 5587KE
Annual Report and Financial Statements
for the financial year ended June 30, 2022**

Notes to the Financial Statements (Continued)

11.5 Transfers to other Government Entities

During the financial period to 30 June 2022, we transferred funds to reporting government entities as shown below:

	Payments made in Cash	Payments made by third parties	Total payments		Cumulative to-date
			2021-2022	2020-2021	
	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers to National Government entities					
Ministry of Energy	324,000,000	-	324,000,000	-	324,000,000
Total	<u>324,000,000</u>	<u>=</u>	<u>324,000,000</u>	<u>=</u>	<u>324,000,000</u>

We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. We have attached these duly signed confirmations as an Appendix to the financial statements.

Kenya Electricity Modernisation Project, Credit Number: 5587KE
Annual Report and Financial Statements
for the financial year ended June 30, 2022

Notes to the Financial Statements (Continued)

11.6 Cash And Cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts (Note 8.13A)	29,961,958	21,116,595
Total	<u>29,961,958</u>	<u>21,116,595</u>

The project has one (1) number of project accounts spread within the project implementation area and one (1) number of foreign currency designated accounts managed by the National Treasury as listed below:

11.6. A Bank Accounts

Project Bank Accounts

Details	2021-2022	2020-2021
	Kshs	Kshs
<u>Local Currency Accounts</u>		
Central Bank of Kenya (A/c No. 1000390875)	29,961,958	21,116,595
Total bank account balances	<u>29,961,958</u>	<u>21,116,595</u>

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2022 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a 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.

Kenya Electricity Modernisation Project, Credit Number: 5587KE
Annual Report and Financial Statements
for the financial year ended June 30, 2022

Special Deposit Accounts Movement Schedule

Description	2021-2022	2020-2021
	Kshs	Kshs
(i) A/C Name [A/c No 1000250698		
Opening balance	27,195,983	17,652,521
Total amount deposited in the account	43,547,090	23,591,720
Total amount withdrawn (as per Statement of Receipts & Payments)	<u>(54,595,551)</u>	<u>(14,048,258)</u>
Closing balance	<u>16,147,522</u>	<u>27,195,983</u>

Kenya Electricity Modernisation Project, Credit Number: 5587KE
Annual Report and Financial Statements
for the financial year ended June 30, 2022

Notes to the Financial Statements (Continued)

11.7 Fund Balance Brought Forward

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts	21,116,595	33,627,958
Miscellaneous receipts	-	316,540
Total	21,116,595	33,944,498

11.8 Prior Year Adjustment

	Balance b/f FY (2021/2022 audited financial statements)	Adjustments	Adjusted balance b/f FY 2020/2021
Description of the error	Kshs	Kshs	Kshs
Miscellaneous Receipts	-	-	316,540
Total	-	-	316,540

**Kenya Electricity Modernisation Project, Credit Number: 5587KE
Annual Report and Financial Statements
for the financial year ended June 30, 2022**

1. Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Budgetary Control and Performance	The Management indicated that the project was behind schedule due to long procurement processes and numerous consultations with the World Bank	Resolved	
1.0	Acquisition of Non-Financial Assets	The bank indicated that Bank guarantee Security had expired and the management has since been extended	Resolved	
2.0	Project Performance information	The Management indicated that the project was behind schedule due to Long Procurement Process and numerous consultations with the World Bank	Resolved	

.....
Maj. Gen (Rtd) Dr. Gordon Kihalangwa, CBS
Principal Secretary

.....
Rodney Sultani
Project Coordinator

Kenya Electricity Modernisation Project, Credit Number: 5587KE
Reports and Financial Statements
For the financial year ended June 30, 2022

2. Annexes

Annex 1 - Variance explanations - Comparative Budget and Actual amounts for FY 2021-2022

	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	-	324,000,000	(324,000,000)	0%	This amount was received in the account which was meant for KPLC-KEMP
Proceeds from borrowings	90,000,000	54,595,551	35,404,449	61%	The under absorption was due to low expenditure hence requisition of funds could not be done since the project requests based on the statement of expenditure within a period
Total Receipts	90,000,000	378,595,551	(288,595,551)	421%	
Payments					
Purchase of goods and services	90,000,000	45,750,188	44,249,812	51%	This was low due to delay in the procurement process and slow in the implementation of the consultancies
Transfers to other government entities	-	324,000,000	(324,000,000)	0%	This amount was received in the account which was meant for KPLC-KEMP and was transferred to KPLC

**Kenya Electricity Modernisation Project, Credit Number: 5587KE
Annual Report and Financial Statements
for the financial year ended June 30, 2022**

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100% within the Financial Year
Total payments	90,000,000	369,750,188	279,750,188	411%	


**Kenya Electricity Modernisation Project, Credit Number: 5587KE
Annual Report and Financial Statements
for the financial year ended June 30, 2022**

Annex 2: Reconciliation of inter-entity transfers

Project Name:		Break down of transfers from the State Department of Energy	
a. Government Counterpart funding			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		324,000,000	FY2021/22
	Total	324,000,000	

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

Project Coordinator
Ministry of Energy

Sign -----


Head of Accounting Unit
Ministry of Energy

Sign-----




Kenya Electricity Modernisation Project, Credit Number: 5587KE
Reports and Financial Statements
For the financial year ended June 30, 2022

Annex 3: Other Support Documents

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2022
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)
- v. GOK IFMIS comparison Trial Balance

REPUBLIC OF KENYA
BANK RECONCILIATION

F.O. 30

From Date : 28-JUL-21 To : 19-JUL-22

KENYA ELECTRICITY MODERNIZATION PROJ

Bank : Central Bank of Kenya , Branch : Haile Selassie , Account Number : 1000390875

Balance as per bank certificate	29,961,958.40
Less --	
1. Payment in Cash Book not yet recorded in Bank Statement (Unpresented Cheques)	
2. Receipts in Bank Statement not yet recorded in Cash Book	
Add --	
3. Payment in Bank Statement not yet recorded in Cash Book	
4. Receipts in Cash Book not yet Recorded in Bank Statement	
Bank Balance as per Cash Book	29,961,958.40

Reconciled by: Paul Ogonda Signature: [Signature] Date: 30/06/2022
 Reviewed by: Catherine Njoro Signature: [Signature] Date: 30/06/2022
 Approved by: John Muriuki Ngunjiri Signature: [Signature] Date: 30/06/2022

Date: 05/08/2022

Report of the Board of Survey on the Cash and Bank Balances of State Department for Energy at the close of Business on 30th June, 2022

The Board, consisting of – (Names and official titles)

JONES KIPLIMO CHERUIYOT	-	CHAIRMAN
JUDITH OKUMU	-	MEMBER
JOHN M. NGUNDO	-	SECRETARY

Assembled at the office of Cash office at 4.00 P.M. (Time) on the 05th August, 2022 and the following cash was produced:-

Notes	...	..	..	..	..	..	Sh. Nil
Silver	...	..	..	..	..	..	Sh. Nil
Cooper	...	..	..	..	..	..	Sh. Nil

It was observed that cheques amounting to Sh - Cts - had been on hand for more than 14 days prior to the date of the survey.

The cash consists of East African currency and does not contain any demonetized coin or notes.

The Cash Book reflected the following balances as at the close of business on the 30th June, 2022.

Cash on hand, ...	..	..	..	..	KShs.	Nil
Bank Balance ..	..	..	..	..	KShs.	<u>29,961,958.40</u>
					Kshs.	<u>29,961,958.40</u>

The Bank Certificate of Balance showed a sum of KShs. 29,961,958.40 to the credit of the account on 30th June, 2022.

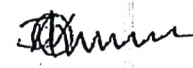

The difference between this figure and the Bank Balance as at and the Bank Balance as shown by the Cash Book is accounted for in the Bank Reconciliation Statement (F.O. 30) attached.


Chairman

Date JONES CHERUIYOT Members of the Board

JUDITH OKUMU

SECRETARY JOHN M. NGUNDO

BANKI
KUU YA
KENYA



CENTRAL
BANK OF
KENYA

Haile Selassie Avenue
P.O. Box 60000 - 00200 Nairobi, Kenya
Telephone: 2860000, Fax: 340192

5th August, 2022

CERTIFICATE OF BALANCES

STATE DEPARTMENT
FOR ENERGY

Customer : 138668
Balance
Date: 30-Jun-22

Account No	Account Name	Currency	Balance
1000383992	REC-STATE DEPT FOR ENERGY	KES	131,887,382.40
1000384007	DEV-STATE DEPT FOR ENERGY	KES	675,963,037.30
1000384018	DEP-STATE DEPT FOR ENERGY	KES	120,369,270.30
1000384026	CBK 165-STATE DEPT FOR ENERGY	KES	0.00
1000390824	KEN. OFF GRID SOL. ACC. PRJ. CR.61	KES	47,232,586.45
1000390875	KEN. ELEC. MODERN. PRJ 55870KE	KES	29,961,958.40
1000410302	STATE DEPT. FOR ENER. EQUA FUND OPE	KES	98,297,334.20
1000566736	GCF PROMO OF CLIMATE FRIENDLY COOKI	KES	0.00

Lawrence Rweria
AUTHORISED SIGNATORY
BANKING SERVICES DIVISION

Joyce Nasieku (Ms)
AUTHORISED SIGNATORY
BANKING SERVICES DIVISION

MU. GEN (KIC) OF. GEORGE W. NINDIHOWE, CBS
 Principal Secretary
 Ministry of Energy
 P. O. Box 30592
 NAIROBI

Dear Sirs

RE: INTER-ENTITY TRANSFERS CONFIRMATION LETTER

Reference is made to the above subject and your letter Ref: MOE/ACC/IVOL/1110 dated 25th August, 2022

We confirm that during the financial year 2021/22, KPLC received disbursements as tabulated below:

Date Received	Recurrent - Ksh	Development - Ksh
06.09.2021		1,074,500,000.00
25.11.2021		1,074,500,000.00
20.04.2022	4,525,000,000.00	651,500,000.00
20.04.2022		378,595,551.35
23.05.2022		(24,092,855.35)
15.06.2022		651,500,000.00
23.06.2022	4,525,000,000.00	
27.06.2022		20,504,818.70
30.06.2022		117,060,000.00
Total	9,050,000,000.00	3,944,067,514.70

I hope you find this in order.

Yours sincerely,



ENG. GEOFFREY MULI
 MANAGING DIRECTOR (Asst)