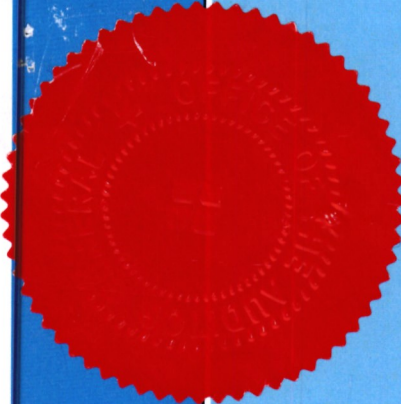


REPUBLIC OF KENYA



Enhancing Accountability



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REPORT

OF

THE AUDITOR-GENERAL

ON

**LAST MILE CONNECTIVITY PROJECT
(LOAN NO.2100150032195)**

**FOR THE YEAR ENDED
30 JUNE, 2021**

**KENYA POWER AND LIGHTING
COMPANY PLC**



LAST MILE CONNECTIVITY PROJECT I

KENYA POWER AND LIGHTING COMPANY PLC.

ADF LOAN NO: 2100150032195

PROJECT ID No: P-KE-FAO-010

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30 JUNE 2021

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: Last Mile Connectivity Project I

Objective: The key objective of the project is to support the Government's initiative of ensuring increased Electricity access to Kenyans, particularly the poor.

Executing Agency: Ministry of Energy

Implementing Agency: Kenya Power and Lighting Company PLC (Kenya Power)

Address: The Implementing Agency headquarters offices are in Nairobi City, Nairobi County, Kenya.

The address of its registered office is:

Stima Plaza
 Kolobot Road, Parklands
 P. O. Box 30099 - 00100
 Nairobi.

Contacts: The following are the projects contacts:

Kenya Power and Lighting Company PLC
 Telephone: +254-02-3201000
 Website: www.kplc.co.ke

1.2 Project Information

Project Start Date:	The project start date is 18 December 2014.
Project End Date:	The project end date is 31 December 2022.
Project Manager:	The project manager is Eng. Jared Biwott.
Project Sponsors:	The project sponsors are Government of Kenya and African Development Bank.

1.3 Project Overview

Line Ministry/State Department of the project	The Kenyan Ministry of Energy is the Executing Agency of the project while Kenya Power and Lighting Company PLC (Kenya Power) is the Implementing Agency.
Project number	P-KE-FAO-010- Loan No: 2100150032195
Strategic goals of the project	The strategic goal of the project is to support the Government's initiative of ensuring increased Electricity access to Kenyans, particularly the poor.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: <ul style="list-style-type: none"> • Expansion of the power distribution system to be within reach and thus enable more Kenyans to connect to the grid at affordable cost; and • Reduction of Connection cost paid by the customer.

1.3 Project Overview (continued)

<p>Other important background information of the project</p>	<p>The Government of the Republic of Kenya (the "Government") and the African Development Fund (the "Fund"/"ADF") entered into a Loan Agreement for the Last Mile Connectivity Project I (Project ID. No.: P-KE-FAO-010 and Loan No.: 2100150032195) (the "Project") on 18 December 2014 (the "Loan Agreement"). As per the Loan Agreement, the Fund agreed to extend a loan not exceeding 90 million Units of Account (UA 90,000,000) to the Government.</p> <p>The Loan Agreement was subject to conclusion of a Subsidiary Grant Agreement between the Government and the Kenya Power and Lighting Company PLC for on granting of the loan. The Subsidiary Grant Agreement was signed on 4 September 2015.</p> <p>The scope of the Project is the extension of the low voltage network on existing and new distribution transformers to reach households within the transformer protection distance in areas with a low penetration rate throughout the country. The Project was to include the construction of 11,906.09 kilometres of low voltage distribution lines, and installation of equipment for the connection of 224,952 customers. The Project has been divided into 12 Lots. 10 lots were for supply and installation, 1 lot for supply of meters and 1 for the Supervision and Management Consultant.</p>
<p>Current situation that the project was formed to intervene</p>	<p>Low Electricity access rate especially in the rural areas across all the 47 Counties of Kenya.</p>
<p>Project duration</p>	<p>The project started on 18 December 2014 and is expected to run until 31 December 2022.</p>

1.4 Auditors

The project is audited by the below Auditors:

Principal Auditors

The Auditor General
 Kenya National Audit Office
 Anniversary Towers
 P. O. Box 30084 -00100
 Nairobi, Kenya.

Delegated Auditor

Ernst & Young LLP
 Kenya-Re Towers, Upper Hill
 Off Ragati Road
 P. O. Box 44286 - 00100
 Nairobi, Kenya.

1.5 Project Implementation Team

Name	Title Designation	Key Qualifications	Responsibilities
Eng. Rosemary Oduor	Ag. Managing Director & Chief Executive Officer, KPLC	MBA, B.Tech. Electrical & Communications Technology	Accounting officer
Eng. Aggrey Machasio	General Manager, Infrastructure Development	BSc. Electrical Eng.& Technology	Head Infrastructure Development
Eng. Kennedy Owino	Manager, Connectivity & Turnkey Projects	MSc. CBIS, BSc. Electrical Eng. & Electronic Engineering	Supervision and Management of all Projects.
Eng. Jared Biwott	Project Leader, LMCP I	BSc. Electrical and Electronic Eng.	Project Coordination, Supervision and Management.
Ambrose Lamaon	Chief Accountant, Donor Funded Projects, KPLC	MBA(Finance), B. Com Accounting, CPA(K)	Project Financial Management.
Stella Mucheke	Chief Supply Chain Officer, Donor Funded Project	MBA (Operations Management), BA - Economics, Maths and Sociology, CIPS Level 6.	Project Procurement and Contract Management.
Simon Tirop	Project Accountant	B.Com Accounting, CPA(K).PMD Pro Level 1.	Project Financial Management.
Allan Otieno	Procurement specialist	MBA-Procurement &Supply Chain; B.A Anthropology; CIPS Level 4	Project Procurement and Contract Management.
Wilfred Koech	SHE Specialist	M. Philosophy (Environ Sc.), BSc. (Environ. Sc.), Dip. (Environ Mgt)	Coordination and Management of Social, Safety and Environmental aspects of the project.

1.6 Funding summary

The Project duration is 8 years, from 2014 to 2022, with an approved budget of UA 106,951,017 equivalent to KShs 15.733 Billion as highlighted in the table below:

a) Sources of Funds

Source of funds	Donor Commitment		Amount Paid as at 30.06.2021		Undrawn balance as 30.06.2021	
	Unit of Account-UA	KShs '000	Unit of Account-UA	KShs '000	Unit of Account-UA	KShs '000
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
ADF Financing (UA)	90,000,000	13,228,362	74,924,831	10,643,646	15,075,169	2,584,716
(ii) Counterpart funds						
Government of Kenya	16,951,017	2,505,423	10,607,940	1,567,893	6,343,077	937,530
Total	106,951,017	15,733,785	85,532,771	12,211,539	21,418,246	3,522,246

b) Application of Funds

	Amount Received as at 30.06.2021		Cumulative Amount Paid as at 30 June 2021		Unutilised Balance as at 30 June 2021	
	Unit of Account-UA	KShs '000	Unit of Account-UA	KShs '000	Unit of Account-UA	KShs '000
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
ADF Financing (UA)	74,924,831	10,643,646	74,924,831	10,643,646		
(ii) Counterpart funds						
Government of Kenya	10,607,940	1,567,893	10,607,940	1,567,893		
Total	85,532,771	12,211,539	85,532,771	12,211,539		

1.7 Summary of Overall Project Performance:

a) Budget Performance against Actual Amounts

To date the Project has utilised KShs 12.2 Billion, which is 78% of the budget.

b) Physical Progress and Achievement of the Project

A total of 5,320 transformers were to be maximized under the Project. However, after design the targeted number of transformers was reduced to 4,859.

The total number of customers connected as at 30 June 2021 was 206,839, which is 92% of the total customers targeted. A total of 11,356 new customers were connected during the period under review.



1.7 Summary of Overall Project Performance (continued)

c) Implementation Challenges and way forward

Implementation of the project has faced several challenges, which affected the timely execution and delivery of key project milestones. Document collection and data gathering challenges were experienced as most of the customers are in the rural areas and do not have the mandatory statutory documents for power supply contracting. In addition, poor performance of contractors due to lack of adequate cash flow and poor project planning affected the project. During the year, the effects of Covid-19 slowed down the progress of installation and connection of customers.

To mitigate the effects of the various challenges the Project Implementation Team have enhanced supervision of works by increasing site supervisors, fast tracking payments to contractors and closely liaising with Government for adequate funding. In addition, the project implementation Team has embraced the use the local administration for stakeholder sensitization to facilitate document collection and data gathering.

1.8 Summary of Project Compliance

KPLC is entrusted with the responsibility of implementing the Last Mile Connectivity Project I.

a) Compliance with applicable environmental laws and regulations

KPLC strives to comply with all the national and international environmental statutory and regulatory provisions that apply to its operational activities. The key national laws are; the Water Act of 2002 and the Environmental Management and Coordination Act (EMCA) of 1999 and the associated regulations. While key International Best practices include the IFC Performance Standards.

Therefore, all KPLC's projects promote sound healthy environment and opportunities for environmental conservation with local communities in all project areas.

b) Consequences if any suffered on account of non-compliance or likely to be suffered.

KPLC takes the utmost precautions in its operations in ensuring all associated impacts are negligible on health and the environment.

The Company has not suffered any consequences as a result of non-compliance due to its commitment towards environmental regulatory compliance.

c) Mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance

KPLC has a sound environmental policy that reflects commitment to continually improve in the field of environmental management and monitoring. It serves as a guide to the company, Contractors and Suppliers and forms the basis for good collaboration with stakeholders.

The Company continues to streamline its environmental and social management/monitoring plans to be in total compliance with International Environmental Best Practices and Standards. Dissemination of knowledge on environmental conservation, management and awareness has been a key component through the social afforestation program.

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.

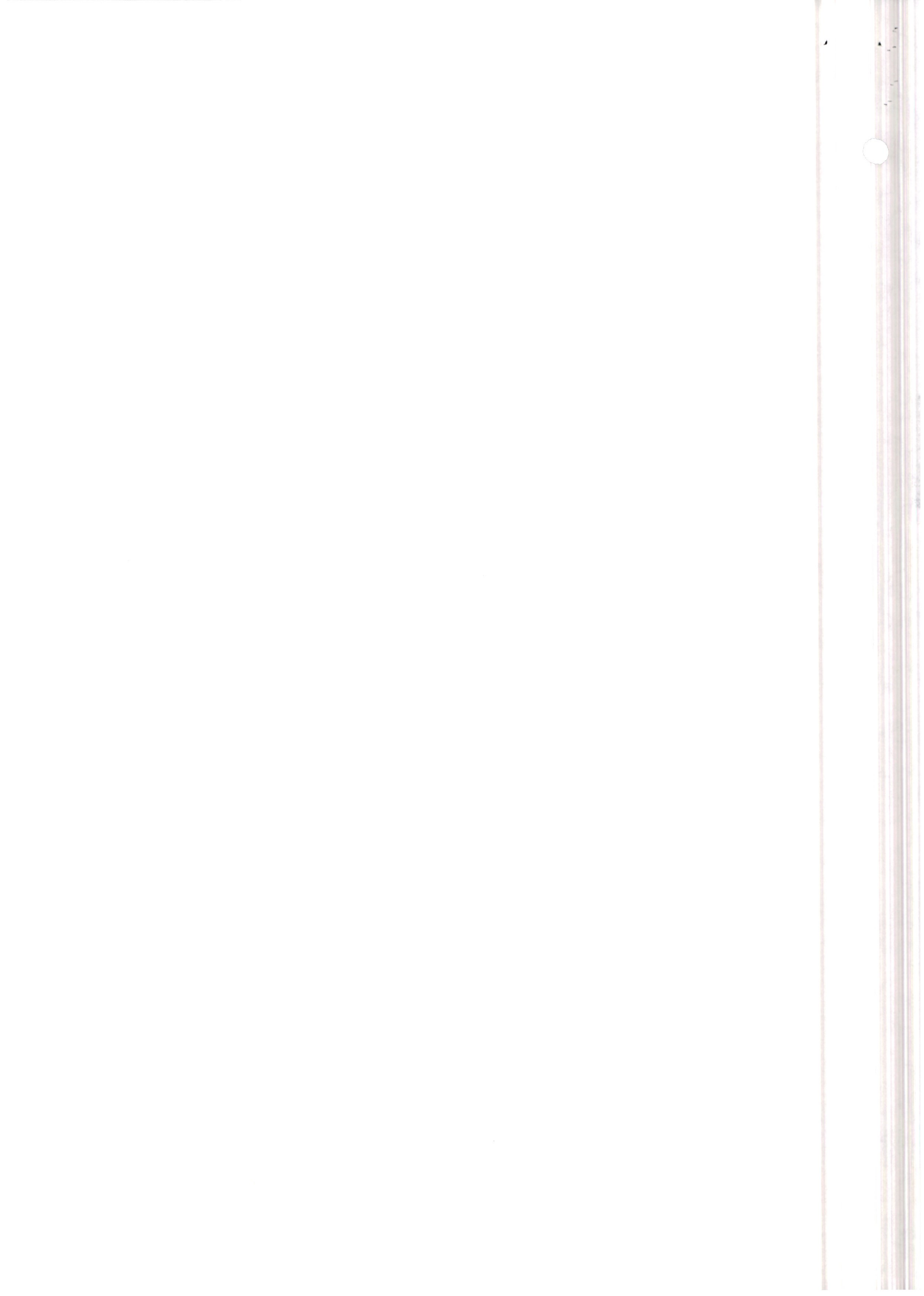
The key development objective of the project's 2018-2022 plan is to support the Government's initiative of ensuring increased electricity access to Kenyans, particularly the poor.

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives are 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. The Project status deliverables as at year-end is as follows.

S N	Item Description	Unit	Quantity	Status of Execution	% Achieved
1	LV route length	km	11,906.09	10,977.60	92%
2	Customer	PC	224,952	206,839	92%

The project as proposed targets connecting customers in areas with low access to electricity as per the Government policy. The electrification of rural areas has immediate effect on economic activities in that region thus creating employment and increase business opportunities, better education services, improve health facilities and overall quality of life for the citizens.



3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY

Sustainability strategy and profile

As Kenya Power prepares to mark a century of service, it is important to acknowledge that this was possible as the Company journeyed along with and invested in our communities. Cognizant of our core business which transmission, distribution and retail of electricity, upholding a balance between the demand for reliable, quality and competitively-priced electricity, and the impacts on the environment and communities arising from electricity supply is fundamental.

The Company remains aware of the need to safeguard business sustainability pillars encompassing financial, environmental and social aspects. In line with its sustainability agenda, the Company has been dedicating 1% of its annual after tax profits under its Corporate Social Investment policy towards education, environmental conservation and social welfare over the years: -

Environmental performance

Continued environmental degradation can completely destroy the various aspects of the environment such as biodiversity, ecosystems, natural resources, and habitats. As such, Kenya Power supports diverse programmes and initiatives that promote nurturing of the environment to mitigate against negative effects of degradation.

The Company prioritizes dispatch of clean energy to contribute to the reduction of greenhouse gas emissions which have an adverse effects on the environment

These renewable energy sources, in addition to being sustainable, are economical and readily available. In the last five years, we have significantly reduced the uptake of thermal (fossil fuels) power in favor of renewable sources of electricity such as solar, wind, hydro and geothermal. Our quest for clean energy has seen us reduce thermal uptake to a low of 7.69 percent, while we have increased uptake of geothermal to 46.69%, wind to 11.2% and Solar at 0.8% while hydroelectricity stood at 32.22 percent as at end of June 2021. As a result of reduced thermal dispatch, clean energy now accounts for 92.3% of our total energy mix.

The Company is also a strong player in environmental conservation. Over the years, we have worked with the Kenya Forest Service and other local partners in support of environmental initiatives such as water systems clean ups and tree planting around the country's water catchment areas. Over the years, we have worked with several partners that protect the environment such as the Rhino Ark and Bill Woodley Mount Kenya Trust, Chemosusu Dam Marathon, Amboseli Safari Festival, KenGen Great Dams Race among others. In the year, we launched an employee-driven environmental conservation programme christened Kijani Tree Planting campaign under which we planted a further 18,300 trees seedlings on our company land in various parts of the country during the year.

As a testament of our commitment towards the environment, the Company has planted 261,500 trees across the country in the last 10 years. A significant number of trees are used for wooden poles and damage to the environment occurs as a consequence of our operations. Over the years, we have reduced reliance for poles and incrementally used concrete poles for construction of power lines. The use of concrete poles which are long lasting and durable as compared to wooden ones, has also reduced the rate of poles replacement by 50%. During the year, the Company used 22,765 concrete poles, saving over 22,765 trees which could have been cut for wooded poles. Additionally, the Company has been in the forefront in advocating for water harvesting in schools and health centers in dry areas as well as putting up roof gutters and providing tanks for water storage in dry areas to supplement conventional water supply.

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY (continued)

The Company has been working in conjunction with the Colobus Conservation Trust in the protection and conservation of the endangered monkey species in Diani area of Kwale County. The company has contributed immensely since 2008 on the conservation through various avenues including but not limited to ring fencing of its transformers with razor wires to deter monkeys from accessing energized transformers, trimming of trees to create clear and accessible path free of power network for colobus monkeys and the use of insulated cable within areas inhabited by the colobus monkeys. We did not record any Colobus monkey electrocutions or incidents in the year ended June 2021.

We have also invested over Shs.10 million to raise and hoist transformers higher in sections of our electricity network within Nakuru National Park, Soysambu Conservancy, Naivasha Game and Naivasha Wildlife Training Institute to prevent electrocution of giraffes. The conversion of our National Control Substation in Nairobi to an enclosed Gas Insulated Substation has helped to reduce electrocution incidences of Marabou Stork birds in the area. In addition, we rebuild a section of 33kV power line in Kinangop to allow Crested African Crane birds in the area manoeuvres easily thus eliminating collisions and electrocutions as experienced earlier. The Company has also installed reflective balls on the Magadi power line to minimize flamingos being electrocuted due to collisions.

Employee welfare

The Company continued with promotion of safety culture of employees, customers and the general public which is of great concern to the Company as we transact our business. Safety training and awareness for staff was conducted including routine worksites inspections to ensure compliance with safe operating procedures and routine inspections of tools and equipment. The Company also participated in development of road safety policy and review of electrical safety rules. Public electrical safety sensitization workshops for national Government administration officers were conducted during the year with 26 out of 47 counties sensitization having been conducted by end of the year. Other activities conducted included fire safety and burns awareness forums, staff sensitization on safety measures to act as safety ambassadors in their communities, branding of vehicles with safety messages, engaging the mass media and schools' sensitization programs.

Community Engagements

We have supported several programmes over the years towards electrification of boreholes in Machakos, Homa Bay and Baringo counties among others. We have also donated used poles to various communities either to construct school fences or construction of hay barns. In addition, we have sponsored several art projects and exhibitions for children living in Kibera slums.

We have given support to organisations which rehabilitate vulnerable children, elderly and underprivileged people from different communities. We have also partnered with organisations that support persons with disability to create an enabling environment.

To promote good health care initiatives, we have sponsored free medical treatment camps in Murang'a and Machakos that benefited 3,000 people. We have also supported Standard Chartered Marathon, Mater Heart Run and Beyond Zero Marathons and supported several charity cup tournaments to promote healthy living and nurture young people through sports. We have also distributed sanitary towels to needy students in Baringo County.

In line with legal requirements the Company during the year reserved 30% of its annual procurement budget for disadvantaged groups including youth, women and persons with disability. Tenders valued at Kshs. 1,209.8 million were awarded to this category as compared to Kshs.1, 46.4 million the previous year.

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY (continued)

Education plays a significant role in catalyzing economic development and providing a pool of human resources required to nurture a culture of innovation and societal growth. Investing in education is investing in the future of the country. Indeed, at Kenya Power, we have over the years prioritised programmes that support education of marginalized children since we understand the role of education as a powerful tool to enable disadvantaged communities lift themselves up economically and socially. Our Corporate Social Investment programmes envisage a future where more people can access high quality education as our way of giving back to the communities from which we draw our human resources.

Over the years, we have continued to support students from disadvantaged communities to study at Starehe Boys Centre and Starehe Girls Center under the Kenya Power Endowment Programme worth Shs.30 million. The fund is part of the Company's investment of over Shs.100 million in education in the last 10 years. Other activities undertaken in support of education over the period includes construction of classrooms, rehabilitation of learning facilities in various parts of the country and supporting in school feeding programs.

Kenya Power requires engineering expertise in operations, therefore we have been partnering with Institute of Engineers of Kenya to mentor young boys and girls in high schools to change their perceptions in engineering courses and to increase the uptake of these subjects.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

KPLC, through the KPLC Project Implementation Team 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 (period) ended on 30 June 2021. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The KPLC Project Implementation Team 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 (IPSAS).

The KPLC Project Implementation Team is 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 2021, and of the Project's financial position as at 30 June 2021 in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS). The KPLC Project Implementation Team further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project's financial statements as well as the adequacy of the systems of internal financial control.

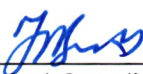
The KPLC Project Implementation Team confirms that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial years under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by Kenya Power and Lighting Company PLC Project Implementation Team on _____ and signed on their behalf by:



Ag. Managing Director & CEO
Name: Eng. Rosemary Oduor



Project Coordinator
Name: Eng. Jared Biwott

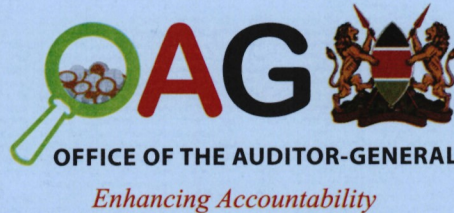


Project Accountant:
Name: Simon Tirop
ICPAK Member Number: 9665



REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON LAST MILE CONNECTIVITY PROJECT (LOAN NO.2100150032195) FOR THE YEAR ENDED 30 JUNE, 2021 – KENYA POWER AND LIGHTING COMPANY PLC

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Last Mile Connectivity Project (Loan No.2100150032195) set out on pages 14 to 28, which comprise of the statement of financial assets as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows, and the statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Ernst and Young LLP, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Last Mile Connectivity Project as at 30 June, 2021, and of its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No.2100150032195 dated 18 December, 2014, between the African Development Fund (ADF) 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 Last Mile Connectivity Project 1 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 audit 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 which, in my professional judgment, were of most significance in the audit of the financial statements. There were no key audit matters in the year under review.

Other Information

The Management of Kenya Power and Lighting Company PLC and the Project Implementation Team are responsible for the other information, which comprise the Project Information and Overall Performance as required by the Public Financial

Management (PFM) Act, 2012. The other information does not include the financial statements and our auditor's report thereon.

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 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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Weaknesses in Implementation of the Project

Last Mile Connectivity Project is being implemented by Kenya Power and Lighting Company PLC in accordance with the financing agreement signed between the Government of Kenya and the African Development Bank (AfDB).

Review of the project implementation revealed a number of weaknesses and governance lapses as shown below:

- i) Lack of public participation by the communities targeted in the project which led to lack of project ownership by members of the public thus hampering implementation of the project.
- ii) There was no evidence of engagement with key regulatory, oversight and stakeholder agencies such as the Energy and Petroleum Regulatory Authority

(EPRA) and Rural Electrification and Renewable Energy Corporation (REREC), an omission which can lead to duplication of projects.

- iii) Documents that are key to procurement of services and works including feasibility studies and surveys, progress reports for projects, technical specifications, bills of quantities and architectural drawings, and environmental and social impacts assessment reports were not provided for audit review.
- iv) The Company procured consultancy services for supervision and management of civil works and installation of meters at a cost of Kshs.274,380,500. However, site visits by the audit team revealed no evidence of consultants' personnel presence at the sites raising doubt as to whether they had been deployed as per the contract.
- v) The project had received a total of Kshs.28,272,249,380 representing 63% of the approved loan amount of Kshs.44,797,955,760. However, documents in respect of disbursement and payments to contractors were not provided for audit verification. In addition, although the project had a projection of connecting 525,796 customers by the end of phase I and II of the project, only 213,432 had been connected representing 41% of the projection yet disbursement was at 63%.
- vi) Single prepaid meters procured from a Chinese company at a cost of US\$.10,073,000 (Kshs.1,086,373,050) and installed at customers premises were not vending even though they had been activated by the contractor, thereby implying that customers were purchasing tokens but the Consumer Interface Units (CIU) were not picking the tokens and thus had no access to power. Other meters had taken as long as three years without vending.

2. Time Lag in Payment Processing

The terms of payments in the signed contracts with suppliers required payments to be processed within sixty (60) days after receiving contractors' invoices. However, review of pending bills as at 30 June, 2021 revealed significant delays in processing of payments. As a result, Kshs.89,063,531 remained outstanding for more than one year. The non-payment of the amount was occasioned by KPLC failure to adhere to regulations on contractual period provided and rejection of any changes in the contracts by the Company.

Delay in payment of contractors exposes the project to interest charges and penalties on outstanding balances. Further, failure to settle bills during the year they relate to distorts the financial statements and adversely affects the budgetary provisions for the subsequent year in which they form a first charge.

3. Delay in Project Delivery

Despite the project having connected 206,839 customers, which is 92% of the total customers targeted of 224,952, there was slow progress in achieving the set targets under Lot 2 and 4 whose achievements are outlined below:

Lot	Targeted Customers	Connected Customers	Outstanding Connections	% of Connectivity
Lot 2	39,287	23,898	15,389	61
Lot 4	22,015	13,502	8,513	61

The Management attributed the slow progress in achieving set targets to a dispute with the contractor who under-performed on the contract. Kenya Power and Lighting Company PLC made an attempt to terminate the contract but the contractor went to court to challenge the termination, a case whose decision was made on 28 November, 2019, allowing the contract to be terminated.

The Management did not provide documentation to support termination of the project and neither was there evidence of continuous implementation of the project by the contractor.

There is a high chance that set outcomes/targets may not be achieved. The donor has, however, extended the closing date of the financing agreement to December, 2022 to allow finalization of the pending works.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the African Development Bank (AfDB) except for the matter under other matter, I report based on my audit that: -

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue sustaining 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 Project's monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 which might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

17 November, 2021

6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	FY 2020/2021		FY 2019/2020		Cumulative to-date (From inception)
		Receipts and payments controlled by the entity KShs'000	Payments made by third parties KShs'000	Receipts and payments controlled by the entity KShs'000	Payments made by third parties KShs'000	
Receipts						KShs'000
GoK Counterparty Funding	10.3	221,090	-	74,554	-	74,554
Loan from African Development Fund	10.4	-	271,767	-	446,607	446,607
Total Receipts		221,090	271,767	74,554	446,607	521,161
Payments						
Construction of Distribution Lines	10.5	221,090	271,767	74,554	446,607	521,161
Total Payments		221,090	271,767	74,554	446,607	521,161
Surplus		-	-	-	-	-

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

R. Adell

Ag. Managing Director & CEO
 Name: Eng. Rosemary Oduor

Jared

Project Coordinator
 Name: Eng. Jared Biwott

Simon

Project Accountant
 Name: Simon Tirop
 ICPAK Member No.: 9665

7. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2021

	Notes	FY 2020/2021 KShs	FY 2019/2020 KShs
Financial Assets			
Cash and Cash Equivalents			
Bank Balances		-	-
Cash Balances		-	-
Cash Equivalents (short-term deposits)		-	-
Total Cash and Cash Equivalents		-	-
Accounts receivables - Imprest and Advances		-	-
Total Financial Assets		-	-
Represented By			
Fund balance b/fwd		-	-
Prior year adjustments		-	-
Surplus/(Deficit) for the year		-	-
Net Financial Position		-	-

R. Adu

Ag. Managing Director & CEO
 Name: Eng. Rosemary Oduor

Jared

Project Coordinator
 Name: Eng. Jared Biwott

Simon

Project Accountant
 Name: Simon Tirop
 ICPAK Member No.: 9665

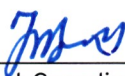
8. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	FY 2020/2021 KShs '000	FY 2019/2020 KShs '000
Receipts from operating activities			
Transfer from Government entities	10.3	221,090	74,554
Miscellaneous Receipts		-	-
Net Cash Flows from Operating Activities		221,090	74,554
Net cash flows from Investing Activities			
Construction of Distribution Lines	10.5	(492,857)	(521,161)
Net Cash Flows from Investing Activities		(492,857)	(521,161)
Cash Flows from Borrowing Activities			
Proceeds from African Development Bank	10.4	271,767	446,607
Net Cash Flows from Borrowing Activities		271,767	446,607
Net Increase in Cash and Cash Equivalent		-	-
Cash and cash equivalent at beginning of the year		-	-
Cash and cash equivalent at end of the year		-	-

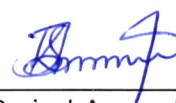
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2021 and signed by:



Ag. Managing Director & CEO
 Name: Eng. Rosemary Oduor



Project Coordinator
 Name: Eng. Jared Biwott



Project Accountant
 Name: Simon Tirop
 ICPAK Member No.: 9665

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on Comparable Basis	Budget Utilization Difference	% Utilization
	A	B	C = A+B	D	E = C-D	F = D/C
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	
Receipts						
Transfer from Government of Kenya	221,090	-	221,090	221,090	-	100%
Proceeds from ADF	1,050,000	(100,000)	950,000	271,767	678,233	29%
Total receipts	1,271,090	(100,000)	1,171,090	492,857	678,233	42%
Payments						
Construction of Distribution Lines	1,271,090	(100,000)	1,171,090	492,857	678,233	42%
Total payments	1,271,090	(100,000)	1,171,090	492,857	678,233	42%

NB: Budget utilization differences are explained in Annex1 to the financial statements.

R. All.

Ag. Managing Director & CEO
 Name: Eng. Rosemary Oduor

Jared

Project Coordinator
 Name: Eng. Jared Biwott

Simon

Project Accountant
 Name: Simon Tirop
 ICPAK Member No.: 9665

10. NOTES TO THE FINANCIAL STATEMENTS

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

10.1 Basis of Preparation

10.1.1 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.

10.1.2 Reporting entity

The financial statements are for the Last Mile Connectivity Project I under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

10.1.3 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 a thousand Kenya Shilling.

10.2 Significant Accounting Policies

a) Recognition of receipts

The Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by the Government.

- **Transfers from the Exchequer**

Transfer from Exchequer is be 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.

- **External Assistance**

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

Donations and grants

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

10. NOTES TO THE FINANCIAL STATEMENTS (continued)

10.2 Significant Accounting Policies (Continued)

a) Recognition of receipts (continued)

Proceeds from borrowing

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

Undrawn external assistance

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

- **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 recognised in the financial statements the time associated cash is received.

b) Recognition of payments

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

- **Compensation of employees**

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

- **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.

- **Interest on borrowing**

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

- **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.

10. NOTES TO THE FINANCIAL STATEMENTS (continued)

10.2 Significant Accounting Policies (Continued)

b) Recognition of payments (Continued)

- 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.

c) 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.

d) 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.

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.

e) Accounts receivable

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. NOTES TO THE FINANCIAL STATEMENTS (continued)

10.2 Significant Accounting Policies (Continued)

f) 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.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

g) Contingent Assets

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

h) 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' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

10. NOTES TO THE FINANCIAL STATEMENTS (continued)

10.2 Significant Accounting Policies (Continued)

i) 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.

j) Third party payments

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

During the year, there was no loan disbursements received in form of direct payments from third parties.

k) 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.

l) 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.

m) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended 30 June 2021.

n) Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

10 NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.3 RECEIPTS FROM GOVERNMENT OF KENYA

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

	FY 2020/2021	FY 2019/2020	Cumulative to-date (from inception)
	KShs '000	KShs '000	KShs '000
Counterpart Funding	221,090	74,554	1,567,893
Other transfers from government entities	-	-	-
Appropriation in Aid	-	-	-
Total	221,090	74,554	1,567,893

NB: KPLC receive funds through Ministry of Energy in Lumpsum for the all the programmes. All the funds are managed together with other Government fund and allocated on need basis.

10.4 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2021, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Name of Donor	Amount in loan currency UA	Loans received in cash KShs	Loans received as direct payment KShs'000	Total amount in KShs'000	
				FY 2020/2021	FY 2019/2020
Loans Received from Multilateral Donors (International Organizations)					
African Development Fund	1,746,448	-	271,767	271,767	446,607
Total	-	-	-	271,767	446,607

10. NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.5 ACQUISITION OF NON FINANCIAL ASSETS

	FY 2020/2021			FY 2019/2020	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs'000	KShs '000	KShs '000	KShs '000	KShs'000
Construction of Distribution Lines	221,090	271,767	492,857	521,161	12,211,539
Total	221,090	271,767	492,857	521,161	12,211,539

11. OTHER IMPORTANT DISCLOSURES

11.1 PENDING ACCOUNTS PAYABLE (Refer to Annex 2)

Description	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
	KShs'000	KShs'000	KShs'000	KShs'000
Supply of Good and Services	159,260	608,960	492,857	275,363
Total	159,260	608,960	492,857	275,363

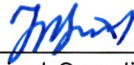


12. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

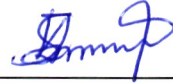
There were no auditor's recommendations in the previous year's audit report for follow-up.



Ag. Managing Director & CEO
Name: Eng. Rosemary Oduor



Project Coordinator
Name: Eng. Jared Biwott



Project Accountant
Name: Simon Tirop
ICPAK Member No.: 9665

ANNEX 1: VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on Comparable Basis	Budget Utilization Difference	% Utilization	Comments on Variance
	A	B	C = A + B	D	E = C - D	F = D / C	
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000		
Receipts							
Transfer from Government of Kenya	221,090	-	221,090	221,090	-	100%	
Proceeds from ADF	1,050,000	(100,000)	950,000	271,767	678,233	29%	(i), (ii)
Total receipts	1,271,090	(100,000)	1,171,090	492,857	678,233	42%	
Payments							
Construction of Distribution Lines	1,271,090	(100,000)	1,171,090	492,857	678,233	42%	(ii)
Total payments	1,271,090	(100,000)	1,171,090	492,857	678,233	42%	

(i) The budget for the project was reduced during the supplementary budget review by the National Treasury.

(ii) Budget utilisation was affected by procurement delays due to litigation on the tender. The tender for the pending scope under the project was contested by the Power Transmission Line Contractors through Public Procurement Administrative Review Board (PARB) leading to its cancellation. Kenya Power has appealed the ruling in the high court.

ANNEX 2: ANALYSIS OF PENDING BILLS

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Amount Approved for payments	Outstanding Balance as June 2021	Outstanding Balance as June 2020
		KShs		KShs	KShs	KShs	KShs
		a	b	c	d	e= d-c	
Lot 1-Gammon India Ltd	Construction of Distribution Lines	2,515,190,252	30/03/2016	2,078,417,149	2,187,340,292	108,923,142	-
Lot 2- AEE Power S.A	Construction of Distribution Lines	2,376,920,220	23/03/2016	1,485,370,112	1,541,980,034	56,609,922	56,609,922
Lot 3-Rwathia Distributor JV	Construction of Distribution Lines	1,706,758,972	15/04/2016	1,480,275,768	1,555,253,560	74,977,792	-
Lot 4-AEE Power S.A	Construction of Distribution Lines	1,574,587,087	30/03/2016	1,117,594,226	1,150,047,833	32,453,606	32,453,606
Lot 5-Etrade Company Ltd	Construction of Distribution Lines	1,132,843,148	17/05/2016	765,311,439	765,311,439	-	-
Lot 6-Polyphase Systems Ltd	Construction of Distribution Lines	406,177,170	17/05/2016	321,596,078	321,596,077	-	-
Lot 7-Neo Electric Company Ltd	Construction of Distribution Lines	1,720,885,769	01/06/2016	1,550,747,722	1,550,747,722	-	-
Lot 8-Metsec Cables Ltd	Construction of Distribution Lines	1,405,276,589	24/04/2016	1,196,052,306	1,196,052,306	-	63,160,913
Lot 9-Angelique International Ltd	Construction of Distribution Lines	735,678,957	17/05/2016	679,447,178	679,447,177	-	-
Lot 10-Etrade Company Ltd	Construction of Distribution Lines	776,997,264	17/05/2016	648,134,245	648,134,245	-	-
Shenhen Inhemeter	Construction of Distribution Lines	728,069,880	27/10/2016	728,069,880	728,069,880	-	-
Feedback Infra Pvt Ltd	Construction of Distribution Lines	153,948,691	08/01/2016	160,524,317	162,923,102	2,398,785	7,035,688
Grand Total		15,233,333,999		12,211,540,420	12,486,903,667	275,363,247	159,260,129

The Pending Bills at the end of the year comprises of approved outstanding payments as at year end.

ANNEX 3: SUMMARY FIXED ASSETS REGISTER

Asset class	Opening Cost as at 01.07.2020	Acquisition in the year	Disposals in the Year	Transfers in/(out)	Closing Cost as 30.06.2021
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
	(a)	(b)	(c)	(d)	(e)=(a)+(b)-(c)+(-)d
Construction of Distribution Lines	11,718,682	492,587	-	-	12,211,539
Total	11,718,682	492,587	-	-	12,211,539

