

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 23 MAR 2023	DAY: THURSDAY
TABLED BY:	MAJORITY LEADER
CLERK-AT THE TABLE:	

**OF**

**THE AUDITOR-GENERAL**

**ON**

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

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

**KENYA ELECTRICITY TRANSMISSION  
COMPANY LIMITED**







**KETRACO**



**POWER TRANSMISSION SYSTEM IMPROVEMENT PROJECT**

**KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED (KETRACO)**

**PROJECT CREDIT NUMBER: ADF LOAN NO. 2100150023752**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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



## ABBREVIATIONS

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



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## 1. PROJECT INFORMATION AND OVERALL PERFORMANCE

### 1.1 Name and Registered Office

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

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

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

The address of its registered office is:

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

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

Telephone: (+254) 20 – 4956000

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

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

### 1.2 Project Information

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

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

### 1.3 Project Overview

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



## 1 PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

### 1.3 Project Overview (continued)

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



## 1. PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

### 1.3 Project Overview (continued)

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

### 1.3 Project Overview (continued)

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

### 1.4 Bankers

The following are the bankers for the current year:

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

### 1.5 Auditors

Principal Auditor:	<p>Auditor General Office of the Auditor-General Anniversary Towers, University Way P. O. Box 30084 Nairobi</p>
Delegated Auditor:	<p>Deloitte &amp; Touche Certified Public Accountants (Kenya) Deloitte Place, Waiyaki Way, Muthangari P. O. Box 40092 - 00100 GPO Nairobi</p>



## 1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

### 1.6 Roles and Responsibilities

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

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

### 1.7 Funding summary

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



## 1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

### 1.7 Funding summary (continued)

Below is the funding summary:

#### A. Sources of Funds

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

#### A. Application of Funds

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

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





## 1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

### 1.8 Summary of Overall Project Performance:

#### 1.8.1 Budget Performance Against Actual Amounts

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

#### 1.8.2 Physical Progress and Achievements of the Project

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

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

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

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

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

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

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



## 1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

### 1.8 Summary of Overall Project Performance (continued)

#### 1.8.3 Value for Money Achievements

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

#### 1.8.4 Absorption Rate Per Year for the Project

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

### 1.9 Summary of Project Compliance:

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

#### Challenges

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



## 2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVE

### Introduction

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

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

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

### Progress on attainment of Strategic development objectives

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

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





### **3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

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

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

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

#### **Our approach**

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

#### **1. Sustainability strategy and profile**

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

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

#### **2. Environmental performance**

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

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

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



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

#### **3. Employee welfare**

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

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

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

#### **4. Market place practices**

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

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

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



### **3 ENVIRONMENTL AND SUSTAINABILITY REPORTING (Continued)**

#### **4. Market place practices (continued)**

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

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

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

#### **5. Community Engagements**

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

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





#### 4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

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

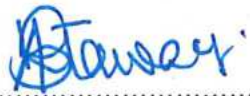
The Chief Executive Officer of KETRACO and the Project Coordinator for the Power Transmission System Improvement Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance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


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


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

##### Approval of the Project financial statements

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

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

  
.....  
Project Coordinator  
Eng. Justin Muna

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





# REPUBLIC OF KENYA

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**HEADQUARTERS**  
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Monrovia Street  
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NAIROBI

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

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

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

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*Report of the Auditor-General on Power Transmission System Improvement Project (ADF Loan No.2100150023752) for the year ended 30 June, 2022 - Kenya Electricity Transmission Company Limited*



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

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

### **Other Matter**

#### **1. Delay in Project Implementation**

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

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



The Project whose completion date was 30 June, 2019 was rescheduled to April, 2020, following the engagement of another contractor for the remaining works on the project which were significant. Further, it was observed that the Project's funding from the African Development Bank (AfDB) was terminated when the main contractor was declared insolvent in his home country.

Consequently, this Project may not be completed within schedule, resulting in delayed provision of expected services to the stakeholders.

## **2. Budgetary Control and Performance**

The statement of comparative of budget and actual amounts reflects actual receipts totalling to Kshs.136,792,701 against the budgeted receipts of Kshs.90,000,000 resulting in excess funding of Kshs.46,792,701. Further, actual expenditure for the year amounted to Kshs.447,805,244 against the budgeted amount of Kshs.90,000,000 resulting to an over expenditure of Kshs.357,805,244. Management attributed the over expenditure on utilization of brought forward funds from the previous year and slow implementation of the work plan in the previous year. However, no authority for utilization of the brought forward amounts or approval for implementation of the activities from previous year was provided for audit review.

## **3. Pending Accounts Payable**

Note 12.1 to the financial statements reflects pending accounts payable totalling to Kshs.306,174,079. Management has not explained why the pending bills were not settled during the year in which they occurred. The Project is therefore at the risk of incurring significant interest on unpaid bills together with penalties thereon.

Failure to settle bills during the year they relate to distorts the financial statements and adversely affects the budgetary provision for the subsequent year as they form the first charge.

## **4. Other Pending Payables**

Note 12.2 to the financial statements reflects other pending payables totaling to Kshs.67,256,878 relating to expected compensation to landowners for wayleaves. Management attributed failure to pay the amount due to lengthy negotiations due to absentee owners and court injunctions.

## **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, except for the matter described in the Basis for Conclusion 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**

#### **Financial Reporting**

Review of financial reporting process revealed significant manual interventions. Although the ledgers and sub-ledgers are extracted from SAP through the Business Intelligence Reporting Module, the processing of the trial balance and financial statements is done manually on excel spread sheets.

Consequently, the manual intervention may result to errors in the Project's financial statements.

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

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by African Development Fund (ADF)-Loan No.2100150023752 financing agreements, I report based on my audit, that:

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

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

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

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

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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in



an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

	Notes	2021/2022		2020/2021		Total	Cumulative to-date	
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payments controlled by the entity	Payments made by third parties		Total	
		KShs	KShs	KShs	KShs		KShs	KShs
<b>Receipts</b>								
Transfer from Government entities	11.1	115,625,000	-	109,375,000		109,375,000		3,373,564,100
Transfer From KETRACO	11.7	19,610,498						19,610,498
Loans from External Development Partners	11.2	-	-	-		-		5,881,919,739
Miscellaneous receipts	11.3	1,557,203	-	1,466,815		1,466,815		177,896,056
<b>Total Receipts</b>		<b>136,792,701</b>	<b>-</b>	<b>110,841,815</b>		<b>110,841,815</b>		<b>9,452,990,393</b>
<b>Payments</b>								
Purchase of goods and services	11.4	55,654,303	-	84,290,792		84,290,792		568,878,968
Acquisition of non-financial assets	11.5	392,150,941	-	477,661,776		477,661,776		8,848,954,978
<b>Total Payments</b>		<b>447,805,244</b>	<b>-</b>	<b>561,952,568</b>	<b>-</b>	<b>561,952,568</b>		<b>9,417,833,946</b>
<b>Deficit for the year</b>		<b>(311,012,543)</b>		<b>(451,110,753)</b>		<b>(451,110,753)</b>		<b>35,156,447</b>

The accounting policies and explanatory notes to these project financial statements form an integral part of the project financial statements. The project financial statements were approved on 30th June 2022 and signed by:

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

  
Project Coordinator  
Eng. Justin Muna


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




**7. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30 JUNE 2022**

	Notes	2021/2022 KShs	2020/2021 KShs
<b>Financial Assets</b>			
<b>Cash and cash equivalents</b>			
Bank balances	11.6	35,156,447	346,168,990
<b>Total Financial Assets</b>		<u>35,156,447</u>	<u>346,168,990</u>
<b>Represented by:</b>			
Fund balance b/fwd		346,168,990	797,279,743
Deficit for the year		(311,012,543)	(451,110,753)
<b>Net Financial Position</b>		<u>35,156,447</u>	<u>346,168,990</u>

The accounting policies and explanatory notes to these project financial statements form an integral part of the project financial statements. The project financial statements were approved on..... 30/6/2022 and signed by:

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

  
.....  
Project Coordinator  
Eng. Justin Muna

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



**8. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022**

	NOTES	2021-2022 KES	2020-2021 KES
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Transfers from Government entities	11.1	115,625,000	109,375,000
Transfer from KETRACO	11.7	19,610,498	
Miscellaneous receipts	11.3	1,557,203	1,466,815
<b>Payments for operating expenses</b>			
Purchase of goods and services	11.4	(55,654,303)	(84,290,792)
<b>Net cash flows generated from operating activities</b>		<b>81,138,398</b>	<b>26,551,023</b>
<b>Cash Flows from Investing Activities</b>			
Acquisition of non Financial assets	11.5	(392,150,941)	(477,661,776)
<b>Cash Flows from Borrowing Activities</b>			
Acquisition of non Financial assets		-	-
<b>Net Decrease/Increase in Cash &amp; Cash Equivalent</b>		<b>(311,012,543)</b>	<b>(451,110,753)</b>
Cash and Cash Equivalents at the Beginning of the year		346,168,990	797,279,743
<b>Net Decrease/Increase in Cash &amp; Cash Equivalent</b>	11.6	<b>35,156,447</b>	<b>346,168,990</b>

The accounting policies and explanatory notes to these project financial statements form an integral part of the project financial statements. The project financial statements were approved on.....30/06/2022 and signed by:



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



Project Coordinator  
Eng. Justin Muna



General Manager Finance  
CPA Tom Imbo  
ICPAK Member Number:7039





9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payment item	Original budget	Adjustments	Final budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	B	c=a+b	d	e=c-d	f=d/c%
	KShs	KShs	KShs	KShs	KShs	
<b>Receipts</b>						
Transfer from Government entities	160,000,000	(70,000,000)	90,000,000	115,625,000	-25,625,000	150.25%
Transfers from KETRACO				19,610,498	-19,610,498	
Miscellaneous Receipts	-	-	-	1,557,203	-1,557,203	(> 100%)
<b>Total receipts</b>	<b>160,000,000</b>	<b>(70,000,000)</b>	<b>90,000,000</b>	<b>136,792,701</b>	<b>-46,792,701</b>	
<b>Payments</b>						
Purchase of goods and services		-		55,654,303	-55,654,303	
Acquisition of non-financial assets	160,000,000	(70,000,000)	90,000,000	392,150,941	302,150,941	497.56%
<b>Total Payments</b>	<b>160,000,000</b>	<b>70,000,000</b>	<b>90,000,000</b>	<b>447,805,244</b>	<b>246,496,638</b>	


Note:


(i) The absorption rate of 497% was necessitated by the fact that the contractor accelerated significantly the activities from the Month of July 2021 to June 2022.


(ii) The Receipts of 150% included amount of Ksh 25,625,000 as budget for previous year 2020/2021. The amount of Ksh 19,610,498 were receipts from KETRACO towards the project due to the acceleration as the project was earmarked

Therefore, significant strides in execution of works going forward. The budget utilisation/performance differences in the last column are explained in **Annex 1** to these financial statements.

The project financial statements were approved on..... 2022 and signed by:

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

  
.....  
Project Coordinator  
Eng. Justin Muna

  
.....  
General Manager Finance  
CPA- Tom Imbo  
ICPAK Member No:7039



## **10. SIGNIFICANT ACCOUNTING POLICIES**

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 Kenya Power Transmission System Improvement Project. The financial statements encompass the reporting entity as specified in the relevant legislation Public Financial Management 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 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 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **10.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **a) Recognition of receipts (continued)**

- **External Assistance**

*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 recognized 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.

- **Purchase of goods and services**

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

- **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. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **10.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

#### **f) 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 year, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

#### **g) 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 year 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.





**10. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**10.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**g) Budget (Continued)**

The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognized as inter-entity transfers and are eliminated upon consolidation.

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

**h) 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 no amount of loan disbursements were received in form of direct payments from third parties.

**i) 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 are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of receipts and payments.

**j) Comparative figures**

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

**k) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2022

**l) Errors**

Material prior year 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 year(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior year presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior year presented.



## 11. NOTES TO THE FINANCIAL STATEMENTS

### 11.1 RECEIPTS FROM GOVERNMENT OF KENYA

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

	2021/2022	2020/2021	Cumulative to-date
	KShs	KShs	KShs
Counterpart funding through State Department of Energy			
Counterpart funds Quarter 4(2020-2021)	25,625,000		
Counterpart funds Quarter 1	40,000,000	50,000,000	1,243,086,037
Counterpart funds Quarter 2	40,000,000	33,750,000	781,356,294
Counterpart funds Quarter 3	10,000,000	25,625,000	701,163,233
Counterpart funds Quarter 4	-	-	622,333,536
<b>Total</b>	<b>115,625,000</b>	<b>109,375,000</b>	<b>3,373,564,100</b>

### 11.2 LOANS FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2022, the project did not receive funds from external development partners, the table below show the position as at 30 June 2022

Name of Partner	Date received	Amount received in partner currency	Loan received in cash	Loan received as direct payment*	Total amount	
		UA	KShs	KShs	2021/2022	2020/2021
					KShs	KShs
Loans Received from Multilateral Donors						
African Development Fund					-	-
<b>Total</b>					-	-

\*The loan tThe Loan received as direct payment represent payments for goods and services done directly by the partner on behalf of the project. Projects should ensure that there are adequate documents requested from the donors to support this loan. It should be noted the ADB Loan was terminated in July 2017. Therefore, going forward the project is financed by GOK.

### 11.3 MISCELLANEOUS RECEIPTS

	2021/2022			2020/2021	Cumulative to-date
Receipts controlled by the entity in cash	Receipts controlled by entity	Receipts controlled by third parties	Total receipts	Total receipts	
	KShs	KShs	KShs	KShs	KShs
Interest income*	1,557,203	-	1,557,203	1,466,815	177,896,056
<b>Total</b>	<b>1,557,203</b>	<b>-</b>	<b>1,557,203</b>	<b>1,466,815</b>	<b>177,896,056</b>

\*The miscellaneous receipts is income received from Interest from Escrow account domiciled in Co-operative bank, opened for the purpose of paying wayleave compensation for the project as per the Financing agreement.



## 11. NOTES TO THE FINANCIAL STATEMENTS

### 11.4 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		
	KShs	KShs	KShs	KShs	KShs
Other project costs	33,530,098	-	33,530,098	62,029,510	425,847,573
Audit Fees					1,437,975
Site travel and accommodation	22,124,205	-	22,124,205	22,261,282	141,593,420
<b>Total</b>	<b>55,654,303</b>		<b>55,654,303</b>	<b>84,290,792</b>	<b>568,878,968</b>

### 11.5 ACQUISITION OF NON-FINANCIAL ASSETS

	2021/2022			2020/2021	Cumulative to-date
	Payments made by the entity in cash	Payments made by third parties	Total payments		
	KShs	KShs	KShs	KShs	KShs
Consultancy fees	10,318,048		10,318,048	995,936	673,019,073
Powerline (transmission equipment)	226,538,479		226,538,479	369,205,895	6,232,438,824
Wayleaves	155,294,414		155,294,414	107,459,945	1,943,497,081
<b>Total</b>	<b>392,150,941</b>	<b>-</b>	<b>392,150,941</b>	<b>477,661,776</b>	<b>8,848,954,978</b>

### 11.6 CASH AND CASH EQUIVALENTS

	2021/2022	2020/2021
	KShs	KShs
<b>Cash and cash equivalents</b>		
Bank Balances	35,156,447	346,168,990
<b>Total Financial Assets</b>	<b>35,156,447</b>	<b>346,168,990</b>

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

Project bank accounts

Local Currency Accounts	FY 2021/2022	FY 2020/21
	KShs	KShs
Co-operative Bank of Kenya Limited – Upper Hill [A/C No 01136160914101]	35,156,447	16,101,288
Kenya Commercial Bank [Account number. 1111251622]		330,067,702
<b>Total bank account balances</b>	<b>35,156,447</b>	<b>346,168,990</b>

### 11.7 TRANSFERS FROM KETRACO

	2021/2022	2020/2021
	KShs	KShs
Transfer from KETRACO	19,610,498	-
<b>Total</b>	<b>19,610,498</b>	<b>-</b>



## 12 OTHER IMPORTANT DISCLOSURES

### 12.1 PENDING ACCOUNTS PAYABLE (Annex 2A)

Description	Balance b/f	Additions for the year	Paid during the year	Balance c/f
	2021/2022			2021/2022
	KShs	KShs	KShs	KShs
Supply of goods	294,923,200	237,789,358	226,538,479	306,174,079
Supply of services	-	55,535,053	55,535,053	-
<b>Total</b>	<b>294,923,200</b>	<b>293,324,411</b>	<b>282,073,532</b>	<b>306,174,079</b>

### 12.2 OTHER PENDING PAYABLES (Annex 2B)

	Balance b/f	Adjustments	Additions for the year	Paid during the year	Balance c/f
	2021/2022				2021/2022
Description	KShs	KShs	KShs	KShs	KShs
Project Affected Persons parties	174,687,343	-	47,863,949	155,294,414	67,256,878
<b>Total</b>	<b>174,687,343</b>		<b>47,863,949</b>	<b>155,294,414</b>	<b>67,256,878</b>





### 13 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status	Timeframe																				
1	<p>As reported in the previous year, review of completion status of the Project revealed delay in completion as detailed below:-</p> <table><tr><th>Line</th><th>Foundations</th><th>Erections</th><th>Stringing</th></tr><tr><td>Olkaria - Narok</td><td>100%</td><td>78.63%</td><td>44.55%</td></tr><tr><td>Lessos - Kabarnet</td><td>100%</td><td>84.48%</td><td>85.72%</td></tr><tr><td>Nanyuki - Rumuruti</td><td>100%</td><td>100%</td><td>66%</td></tr><tr><td>Kitui-Wote</td><td>50.76%</td><td>30.86%</td><td>11.03%</td></tr></table> <p>The Project whose completion date was 30 June, 2019 was rescheduled to April, 2020, following the engagement of another contractor for the -remaining works on the project which were significant. Further it was observed that the Project's funding from the African Development Bank (AfDB) was terminated when the main contractor was declared insolvent in his home country. Consequently, this Project may not be completed within schedule, resulting in delayed provision of expected services to the stakeholders</p>	Line	Foundations	Erections	Stringing	Olkaria - Narok	100%	78.63%	44.55%	Lessos - Kabarnet	100%	84.48%	85.72%	Nanyuki - Rumuruti	100%	100%	66%	Kitui-Wote	50.76%	30.86%	11.03%	<p>A new Contractor China CAMCE Co. Ltd was engaged to finalise the remaining works and he is continuing on program and is expected to complete in early June 2023.</p> <p>Olkaria Narok is completed and energised.</p> <p>Lessos Kabarnet is at 95% completion</p> <p>Kitui - Wote Section is at 70%</p> <p>A new contractor has been engaged to undertake the underground cable – Nanyuki Nyahururu.</p>	Project Manager	Olkaria Narok - Completed  Lessos Kabarnet – 95%  Kitui Wote Section – 70%	December- 22
Line	Foundations	Erections	Stringing																						
Olkaria - Narok	100%	78.63%	44.55%																						
Lessos - Kabarnet	100%	84.48%	85.72%																						
Nanyuki - Rumuruti	100%	100%	66%																						
Kitui-Wote	50.76%	30.86%	11.03%																						
2	Budgetary Control and Performance	Since we are reporting on cash basis, we paid amounts accrued in the last	General manager - Project	Closed.	Nov-22																				




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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status	Timeframe
	The statement of comparative of budget and actual amounts for the year ended. 30 June, 2021 reflects actual receipts from transfer from Government entities of Kshs.109,375,000 against the budgeted receipts of Kshs.135,000,000 resulting in a shortfall of Kshs.25,625,000. Further, actual expenditure for the year amounted to Kshs.561,952,568 against the budgeted amount of Kshs.135,000,000 resulting to excess expenditure amounting to Kshs.426,952,568 for which Management attributed to utilization of brought forward funds from the previous year and slow implementation of the work plan in the previous year but no authority to utilize the brought forward amounts was provided for audit review.	period FY 2019/2020 hence the over expenditure	Development Services and General Manager, Finance	The project financials are reported on cash basis, the funds brought forward for expenditure accrued	
3	<p>Pending Bills - Goods and Services</p> <p>Note 12.1 and 12.2 to the financial statements reflect pending bills amounting to Kshs.294,923,200 for supply of goods and services and Kshs.174,687,343 for way/leave compensations respectively as at 30 June, 2021. During the year under audit, the Project Management made payments amounting to Kshs.477,661,777 while accumulating bills amounting to kshs.235,718,269.</p> <p>The data on the amount of accumulated supplies in respect of supply of services as at 30 June, 2021 does not agree with the report as at 30 June, 2020 both for the original amounts contracted and accumulated payments to date. Management has not explained why the bills were not settled during the year in which they occurred. The project</p>	<p>The bills concerning the contractor are owed to Jyoti Structures Limited which was declared insolvent in 2017. Jyoti Structures was declared insolvent and they are part of the bill that are under review by the receiver manager.</p>	Project Manager to accelerate way/leave compensation process	Closed	December 2022



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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue ( <i>Name and designation</i> )	Status	Timeframe
	<p>is at a risk of incurring significant interest on unpaid bills together with penalties thereon.</p> <p>Failure to settle bills during the year they relate to distorts the financial statements and adversely affects the budgetary provision for the subsequent year as they form the first charge.</p>				
4	<p>Long Outstanding Wayleave Compensation</p> <p>As reported in the previous year, the expected compensation to landowners for wayleaves acquired for the project amounted to Kshs.2,276,292,723 as disclosed in Annex 28 of the financial statements. The amount certified as payable amounted to Kshs.2,276,292,723 out of which Kshs.2,101,605,381 was paid leaving a balance of Kshs.174,687,343 as unpaid. Management attributed failure to pay the amount due to budgetary allocation from The National Treasury and lengthy land valuation negotiations due to absentee owners and various court injunctions on the disputed cases.</p>	<p>Most of the wayleave has been paid within this year payments to wayleave totaling up to Ksh 155,294,413.95.</p>	General Manager - Finance	Ongoing	December 2023

  
Ag. Chief Executive Officer  
Eng. Antony Wamukota

  
Project Coordinator  
Eng. Justin Muna

.....  
Date

.....  
Date



**ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	Previous Budget C/F	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation Variance to Final Budget	Comments on Variance
		a	b	c=a-b	d=c/a %	
<b>RECEIPTS DURING THE YEAR</b>		<b>KShs</b>	<b>KShs</b>	<b>KShs</b>		
Government of Kenya		90,000,000	115,625,000	(25,625,000)	128.47%	(i)
Miscellaneous Receipts		-	1,557,203	(1,557,203)	100%	(ii)
<b>Total receipts</b>		<b>90,000,000</b>	<b>117,182,203</b>	<b>(27,182,203)</b>		
<b>PAYMENTS DURING THE YEAR</b>						
Purchase of goods and services			55,535,053	(55,535,053)	100%	(iii)
Acquisition of non-financial assets		90,000,000	392,150,941	302,150,941	435.72%	(iv)
<b>Total payments</b>		<b>90,000,000</b>	<b>447,685,994</b>	<b>246,615,888</b>		

*Explain all variances (% of utilization) below 90% and above 100%*

Explanations: -

- (i) The receipts from the Government within the year included disbursement of last quarter for Financial Year 2020/2021 of the adjusted budget.
- (ii) Miscellaneous receipts include interest from Escrow Account in Co-operative Bank of Kenya
- (iii) Purchase of Good and services variance is as resulted to increase in activities with the acceleration of the project expected to be completed in November 2022
- (iv) Acquisition of non-financial assets include payment to accrued wayleave and External procurement for the Contractor executing the project, the amounts were accrued in the previous year but payment done in the year under Audit, since we are reporting on cash basis, therefore when the payment were made in the current financial year, it resulted in higher absorption.





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**ANNEX 2A - ANALYSIS OF PENDING BILLS**

Supplier of Goods or Services	Original amount and variation	Date contracted	Amount paid to date	Outstanding balance 2022	Outstanding balance 2021	Comments
	a	b	c	d=a-c	d=a-c	
	KShs	KShs	KShs	KShs	KShs	
<b>Supply of goods</b>						
Lot1: 132kVTLKPTSIP	1,535,112,988	16 April 2013	1,261,402,441	90,357,310	90,357,310	Retention and Invoices
Lot1: 132kVTLKPTSIP	547,699,841	16 April 2013	488,538,396	33,583,689	33,583,689	Retention and Invoices
Lot2: 132kV TL KPTSIP	1,013,421,972	16 April 2013	962,905,184	115,403,400	115,403,400	Retention and Invoices
Lot2: 132kV TL KPTSIP	403,309,135	16 April 2013	318,432,134	55,578,801	55,578,801	Retention and Invoices
Lot 1&2 KPTSIP	953,043,198	15 April 2019	510,333,688	11,250,879		
Lot 1&2 KPTSIP	172,369,008	15 April 2019	80,834,232	-		
<b>Sub-Total</b>	4,624,956,142		3,622,446,075	306,174,079	294,923,200	
<b>Supply of services</b>						
SMEC International PTY Ltd	326,054,608	03 February 2012	326,054,608	-	-	
	174,929,965	03 February 2012	174,929,965	-	-	
<b>Sub-Total</b>	500,984,573		500,984,573	-	-	
<b>Grand Total</b>	<b>5,125,940,715</b>		<b>4,123,430,648</b>	<b>306,174,079</b>	<b>294,923,200</b>	

**Note:**

The Contract to Jyoti Structures Limited was terminated, and a new contract awarded to China CAMCE Company Limited. The new contractor will finish up the remaining works of the transmission lines. The balances due to Jyoti Structures Limited are not payable except for the retention amounts and invoices which were pending as at the time of Contract termination amounting to KShs 294,923,200.



**ANNEX 2B - ANALYSIS OF OTHER PENDING PAYABLES**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount of Certified Work To-Date	Amount Paid To-Date	Outstanding Balance 2021/2022	Outstanding Balance 2020/2021
		a	b	c	d	e=c-d	
Amounts due to Third Parties		KShs		KShs	KShs	KShs	KShs
Project Affected Persons	Wayleaves compensation	2,324,156,673	2012-2021	2,324,156,673	2,256,899,795	67,256,878	174,687,364
<b>Total</b>		<b>2,324,156,673</b>		<b>2,324,156,673</b>	<b>2,256,899,795</b>	<b>67,256,878</b>	<b>174,687,364</b>

**ANNEX 2C - SUMMARY OF FIXED ASSET REGISTER**

Asset class	Opening Cost	*Purchases/Additions in the Year	Disposals in the Year	Closing Cost
	KShs	KShs	KShs	KShs
	2021/2022	2021/2022	2021/2022	2021/2022
	(a)	(b)	(c)	(d)=(a)+(b)-(c)
Powerline (transmission equipment)	8,455,808,101	226,538,479	-	8,682,346,580
<b>Total</b>	<b>8,455,808,101</b>	<b>226,538,479</b>	<b>-</b>	<b>8,682,346,580</b>

Notes

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

