

REPORT

OF

THE AUDITOR-GENERAL

ON

**220KV AND 132KV TRANSMISSION LINES
AND SUBSTATIONS (EXIM BANK OF INDIA
FUNDED) PROJECTS**

**FOR THE YEAR ENDED
30 JUNE, 2020**

**KENYA ELECTRICITY TRANSMISSION
COMPANY**



THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 18 FEB 2021

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220KV AND 132KV TRANSMISSION LINES AND SUBSTATIONS (EXIM BANK OF INDIA FUNDED) PROJECTS

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED (KETRACO)

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30 JUNE 2020**

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

ABBREVIATIONS

EXIM	Export Import
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
KV	Kilovolts
PFSs	Project Financial Statements
PIU	Project Implementing Units
PSASB	Public Sector Accounting Standards Board
RAP	Resettlement Action Plan
SORE	Statement of Receipts and Expenditure
UA	Units of Account
USD	United States Dollar
MDAs	Ministries, Departments and Agencies

Kenya Electricity Transmission Company Limited
220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects
Report and Financial Statements
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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The Project's Official Name is 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects.

Objective: The key objective of the project is to increase electricity access and address the challenges of access and low connectivity

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

The address of its registered office is:

Exim Bank of India Funded Projects
 Block B, Kawi House
 Off Red Cross Road, South C
 P. O. Box 34942 – 00100 Nairobi

Contacts: The following are the project contacts

Telephone: (+254) 20 – 4956000

E-mail: info@ketraco.co.ke

Website: www.ketraco.co.ke

1.2 Project Information

Project Start Dates:	KETRACO/PT/010 /2012-LOT 1A-14/11/2013 KETRACO/PT/010 /2012-LOT 1B-13/11/2013 KETRACO/PT/010 /2012-LOT 3A-03/12/2013 KETRACO/PT/010 /2012-LOT 3B-03/12/2013
Project End Dates:	The project end date is KETRACO/PT/010 /2012-LOT 1A-31/12/ 2018- (Expected Completion Date), Terminated in September 2018 KETRACO/PT/010 /2012-LOT 1B-31/03/2020 KETRACO/PT/010 /2012-LOT 3A-30/12/2020 KETRACO/PT/010 /2012-LOT 3B-30/12/2020
Project Manager:	The project manager is Eng. Samson Akuto
Project Sponsor:	The project sponsor are Government of Kenya and Exim Bank of India

1.3 Project Overview

Line Ministry/ State Department of the project	The project is under the supervision of the Kenya Electricity Transmission Company Limited, a state corporation under the State Department of Energy.
Project numbers	KETRACO/PT/010 /2012-LOT 1A KETRACO/PT/010 /2012-LOT 1B KETRACO/PT/010 /2012-LOT 3A KETRACO/PT/010 /2012-LOT 3B

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Strategic goals of the project	The strategic goal of the project is to increase electricity access and address the challenges of access and low connectivity
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <p>Lot 1A – Construction of 220kV Substations at Turkwel, Ortum & Kitale Lot 1B – Construction of 220kV Transmission Line Turkwel – Ortum – Kitale Lot 3A – Construction of 132/33kV Machakos-Konza-Kajiado-Namanga Transmission Line Lot 3B – Construction of 132/33kV Substations at Machakos, Konza, Kajiado & Namanga</p>
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"> (i) Improve quality and reliability of electricity supply throughout the country; (ii) Transmit electricity to areas that are currently not supplied from the national grid; (iii) Evacuate power from planned generation plants; and (iv) Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region. <p>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 Indian Funded Projects comprises of projects which are funded jointly by the Government of Kenya through the Ministry of Energy and Petroleum and The National Treasury and a line of credit obtained from Government of India – backed EXIM Bank of India. The line of credit agreement was signed on 16 November 2010 for USD 61.60 Million. The Consultant and Contractors' details are as follows:</p>

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Name	Description	Project	Contract Amount-USD	Expected completion date
Powergrid Corporation of India Limited	Consultant-signed on 25 April 2012	Engineering and project management services	USD 2,366,533 revised to USD 2,826,643	24 October 2016 revised to 30 June 2017 at which time the contract ended.
Jyoti Structures Limited	Contractor-signed on 16 April 2013	Lot 1A – 220kV Substations at Turkwel, Ortum & Kitale	USD 19,072,680 Revised to USD 18,100,120	30 October 2016 revised to 31 December 2018. The company went into liquidation in July 2018. Ketraco terminated the contract in September 2018.
KEC International	Contractor-signed on 16 April 2013	Lot 1B – 220kV Transmission Line Turkwel – Ortum – Kitale	USD 11,861,976	30 July 2016 revised to 31 March 2020.
Joint Venture of Shyama Power India Ltd and Mirador Commercial PVT Limited	Contractor-signed on 16 April 2013	Lot 3A – 132/33kV Machakos-Konza-Kajiado-Namanga Transmission Line	USD 8,358,759	30 October 2016 revised to 30 December 2020
Shyama Power India Limited	Contractor-signed on 16 April 2013	Lot 3B – 132/33kV Substations at Machakos, Konza, Kajiado & Namanga	USD 20,906,659	30 October 2016 revised to 30 December 2020
<p>The projects funded through the line of credit from EXIM bank are divided into 3 parts, and their status as at 30 June 2020 is as follows:</p>				

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	Payments to-date % Contract value	Civil works/ Foundation Works/ Erection Works % Total	Wayleave acquisition % Total	Overall completion %	Commencement /Completion date
Lot 1A- 220kV Substations at Turkwel, Ortum & Kitale	73%	Engineering: 100% Supply: 82% Installation: 73%	N/A	78%	Commencement: 14/11/2013 Completion: 31/12/2018 <i>Suspended</i>
Lot 1B- 220kV Transmission Line Turkwel - Ortum- Kitale	91%	Foundation Works: 100% Tower Erection Works: 100% Stringing: 100%	Land-65% Crops/Trees- 95% Structures- 99%	100%	Commencement: 13/11/2013 Completion: 31/03/2020
Lot 3A- 132/33kV Machakos- Konza- Kajiado- Namanga Transmission Line	81%	Foundation works: 7.5% Erection Works: 5%	Land-60% Crops/Trees- 85% Structures- 95%	60%	Commencement: 03/12/2013 Completion: 30/12/2020
Lot 3B - 132/33kV Substations at Machakos, Konza, Kajiado & Namanga	88%	Earth Works: 100% Foundation Works: 85% Erection Works: 80%	N/A	99%	Commencement: 03/12/2013 Completion: 30/12/2020
Current situation that the project was formed to intervene	Low electricity access and low connectivity.				

1.4 Bankers

The following are the bankers for the current year:

Kenya Commercial Bank Limited
 Moi Avenue
 P. O. Box 30081 – 00100
 Nairobi

1.5 Auditors

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

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

1.6 Roles and Responsibilities

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

Names	Title designation	Key qualification	Responsibilities
Eng. Samson Akuto	Project Manager	BSC Electrical 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)
Paul Mzungu	Project Accountant	Bachelor of Commerce (Finance), CPA (K)	Preparation of project financial reports

1.7 Funding summary

The Project financing has an approved budget of USD 61,600,000, equivalent to KShs. 6,561,779,840 and Government counterpart funding of KShs. 1,000,000,000 as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor commitment		Amount received to date – (30/06/2020)		Undrawn balance to date (30/06/2020)	
	USD (A)	KShs (A')	USD (B)	KShs (B')	USD (A)-(B)	KShs (A')-(B')
(i) Loan						
EXIM Bank of India Ltd	61,600,000	6,561,779,840	52,696,283	5,146,633,154	8,903,717	1,415,146,686
(ii) Counterpart funds						
Government of Kenya	-	1,000,000,000	-	1,601,572,175	-	(601,572,175)
Total	61,600,000	7,561,779,840	52,696,283	6,748,205,329	8,903,717	813,574,511

1.8 Summary of Overall Project Performance:

1.8.1 Budget Performance Against Actual Amounts

During the year under review, the project received KShs 456,956,904 against a final budget of KShs. 781,000,000. Similarly, the project incurred total expenditure of KShs. 338,502,600 during the year, against a final budget of KShs 781,000,000 representing 43% budget utilization. The project's cumulative receipts and payments to-date amounts to KShs 6,748,205,329 and KShs 6,344,570,142 respectively.

1.8.2 Physical Progress and Achievements of the Project

EXIM Bank of India finances the Turkwel-Ortum-Kitale Transmission Line and Substations and the Machakos-Konza-Kajiado-Namanga Transmission Line and Substations. So far, the Turkwel-Ortum-Kitale Transmission Line was completed on 31 March 2020.

The Machakos and Konza substations have been completed and commissioned. The Transmission Line from Machakos to Konza has been completed. The Isinya-Namanga Transmission line is expected to be completed by 31 December 2020.

1.8.3 Implementation Challenges and Way Forward

The contractor for Turkwel-Ortum-Kitale Substations was terminated in September, 2018 for non – performance. Bids were invited, received and evaluated for a contractor to complete the works left by M/s Jyoti Structures Ltd. The results of the evaluation exercise were sent to Exim Bank of India for concurrence. We still await this in order that we may award and enter into negotiations with the successful bidder.

The transmission line from Isinya to Namanga has faced challenges in wayleaves acquisition and negotiations are still underway. 75% of the project funds have been disbursed. The overall contract implementation stands at 78%.

1.9 Summary of Project Compliance:

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

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

- a) Enhance electricity access, availability and reliability of 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 neighbouring countries in order 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
The EXIM Bank of India Funded Projects	To strengthen the electricity grid system and enhance power transfer capacity	Increased stability of power supply enabling additional evacuation of power from Turkwel Gorge Dam.	No. of substations and transmission lines completed	In FY 2019/20 the Turkwel-Ortum-Kitale transmission line was completed. At the same time, the substations at Isinya and Namanga are substantially complete and are awaiting completion of the Isinya-Namanga transmission to be energised.

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

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

Below is a brief highlight of our achievements in each pillar

1. Social 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:

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

2 Environmental performance (Continued)

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. Employee welfare

Competence Management

During the year ended 30 June 2020, the Company procured Strathmore University to undertake Skill Gap Analysis among staff, in order to develop a plan that can improve employee performance. The Company also paid professional fees to professional bodies and facilitated trainings and conferences for staff members. Further, Knowledge Management Gap Analysis conducted by Kenyatta University and staff performance appraisal was undertaken. This has been of great importance in improvement of KETRACO project's work execution.

Safety and Security Measures

During the year ended 30 June 2020, the Company organized for safety and security awareness sensitization sessions for craftsmen and technicians deployed at various projects and substations across the country. In addition, the company procured services of security providers and deployed them at all KETRACO project substations to ensure safety of company's infrastructure projects. Further, Internal audit of the Information Security Management System (ISMS) and backups for the data centre were also undertaken in the period.

4. Market place practices

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

In addition, contractors/suppliers were sensitised on SAP Ariba Sourcing Strategy & Access to e-government procurement opportunities. Through the SAP Ariba Developer portal procurement processes have been eased

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

4 Market place practices (Continued)

- corruption risk assessment and mitigation plan. The Integrity Committee quarterly meetings were held. 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 CSR projects were implemented through a consultative process with stakeholders' right from the initial project planning through to commissioning.

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.

During the year, KETRACO developed a customer relationship management system on Integrated Location Intelligence System (ILIS) platform, which is aimed at enhancing handling of customer complaints and access to information by various stakeholders especially in wayleave acquisition grievance recording and resolution.

In the 2019/2020 financial year, the company undertook the following Corporate Social Responsibility (CSR) Project around the Kamatira area of West Pokot upon the request of the County Government of West Pokot. This is consistent with the National Government's policy of increasing forest cover in the country.

CSR	Project	Area	Mode of Implementaion	Scope	Cost
Kamatira tree planting	West Pokot	Turkwel – Ortum - Kitale	KETRACO donation	Planting of 3000 seedlings in Kamatira forest 10 staff participated	1,758,000

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer of KETRACO and the Project Coordinator for the 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects are responsible for the preparation and presentation of the Project’s financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on 30 June 2020. This responsibility includes maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; 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; safeguarding the assets of the Project; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.


The Chief Executive Officer of KETRACO and the Project Coordinator for the 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects 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 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects 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 2020, and of the Project’s financial position as at that date. Chief Executive Officer of KETRACO and the Project Coordinator for the 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects 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 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects 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 Chief Executive Officer of KETRACO and the Project Coordinator for the 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects on *6th Jan*2021 and signed by them.


.....
Chief Executive Officer
FCPA Fernandes Barasa, OGW


.....
Overall Project Coordinator
Antony Wamukota


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

5. REPORT OF THE INDEPENDENT AUDITORS ON THE 220KV AND 132KV TRANSMISSION LINES AND SUBSTATIONS (EXIM BANK OF INDIA FUNDED) PROJECTS

To the Auditor General

Opinion

We have audited the accompanying financial statements of the 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects set out on pages 15 to 33 which comprise the statement of financial assets as at 30 June 2020, and the 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 notes.

In our opinion, the financial statements give a true and fair view of the financial position of the 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects as at 30 June 2020, and of its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) financial reporting framework under the cash basis of accounting.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Chief Executive Officer of KETRACO and the Project Coordinator are responsible for the other information. The other information comprises the information included in the financial statements but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

5. REPORT OF THE INDEPENDENT AUDITORS ON THE 220KV AND 132KV TRANSMISSION LINES AND SUBSTATIONS (EXIM BANK OF INDIA FUNDED) PROJECTS (Continued)

Responsibility of the Project Management for the financial statements

The Chief Executive Officer of KETRACO and the Project Coordinator are responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS) financial reporting framework under the cash basis of accounting and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer of KETRACO and the Project Coordinator are responsible for assessing the Project's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the Chief Executive Officer of KETRACO and the Project coordinator either intend to terminate the Project, or have no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the Project financial statements

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We 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 our 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Chief Executive Officer of KETRACO and the Project Coordinator's use of the going concern 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 sustaining its services. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease sustaining its services.

5. **REPORT OF THE INDEPENDENT AUDITORS ON THE 220KV AND 132KV TRANSMISSION LINES AND SUBSTATIONS (EXIM BANK OF INDIA FUNDED) PROJECTS (Continued)**

- 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.

We communicate with the Chief Executive Officer of KETRACO and the Project Coordinator regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

D. Aloo & Toule

Certified Public Accountants (Kenya)
Nairobi

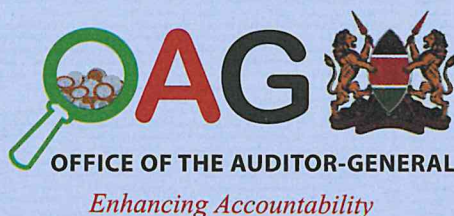
7 January

2021

CPA Fred Aloo, Practicing certificate No. 1537
Signing partner responsible for the independent audit

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON 220KV AND 132KV TRANSMISSION LINES AND SUBSTATIONS (EXIM BANK OF INDIA FUNDED) PROJECTS FOR THE YEAR ENDED 30 JUNE, 2020 - KENYA ELECTRICITY TRANSMISSION COMPANY

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of 220KV and 132KV Transmission Lines and Substations (Exim Bank of India Funded) Projects set out on pages 15 to 28, which comprise the statement of financial assets as at 30 June, 2020, and the 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 in accordance with the provisions of Article 229 of the Constitution of Kenya, Section 35 of the Public Audit Act, 2015, and the Dollar Credit Line Agreement dated 16 November, 2010, between the Republic of Kenya and Export-Import Bank of India, have been audited on my behalf by Deloitte & Touche, 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 220KV and 132KV Transmission Lines and Substations (Exim Bank of India Funded) Projects as at 30 June, 2019, 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 Dollar Credit Line Agreement dated 16 November, 2010.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of 220KV and 132KV Transmission Lines and Substations Projects 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.

Report of the Auditor-General on 220KV and 132KV Transmission Lines and Substations (Exim Bank of India Funded) for the year ended 30 June, 2019 - Kenya Electricity Transmission Company

Emphasis of Matter

Liquidation of Contractor

As reported in the prior year, the contractor for Lot 1A 220KV Turkwel- Ortum- Kitale substations was contracted on 16 April, 2013 with a contract sum of USD19,972,680 later revised to USD18,100,120. As at the date of the audit, the contractor had achieved an overall completion status of 78%. The contractor was put into liquidation in July, 2018 by the courts in India resulting in challenges in completing the Project due of lack of finances. According to Management, another contractor is in the process of being identified as a replacement to take over the remaining works.

Consequently, the Project may not be completed on time and may also experience cost overruns.

My opinion is not qualified with respect to this matter.

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 Matters

1. Pending Bills – Goods and Services

According to Note 11.1 and 11.2 to the financial statements, the Project had pending accounts payables totalling Kshs.270,044,247 (2019: Kshs.263,844,328) as at 30 June, 2020. During the year under review, the Project Management made payments totalling Kshs.168,907,461 while accumulating bills totalling Kshs.175,107,380. Management has not explained why the bills were not settled during the year they occurred. The Project is at risk of incurring significant interest costs and penalties with their continued delay in payment.

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

2. Long Unpaid Wayleave Compensation

The expected compensation to landowners for wayleaves acquired since inception of the Project amounts to Kshs.958,943,467 out of which Kshs.929,756,255 was certified payable. The Project Management has so far paid Kshs.746,848,361 leaving an unpaid balance of Kshs.182,907,894. The Management has attributed failure to pay the amount due to lack of budgetary allocation from The National Treasury and lengthy land negotiations between land owners, Kenya Electricity Transmission Company and the County Government of Kajiado.

3. Delayed Project Implementation

The Lot 1A - 220KV Substations at Turkwel, Ortum & Kitale and Lot 3A - 132/33KV Machakos-Konza-Kajiado-Namanga Transmission Lines - reported 78% and 60% completion rate respectively, by 30 June, 2020. Lot 1A of the Project is currently suspended and significant work remains undone. Works are yet to commence at the main strategic substation in Turkwel, which may lead to underutilization of the Project. Lot 3A was expected to be complete by 30 December, 2019, hence the Project is behind schedule and may delay delivery of services to the intended beneficiaries.

Consequently, the Project may also experience cost overruns and possible withdrawal of funding by the project financier.

4. Budgetary Control and Performance

The statement of comparative budget and actual amounts for the year ended 30 June, 2020 reflects actual receipts of Kshs.456,956,904 against budgeted receipts of Kshs.781,000,000 resulting in a shortfall of Kshs.324,043,096 or 41% of the final receipt budget. Further, actual expenditure for the year amounted to Kshs.338,502,600 against the actual receipts of Kshs.781,000,000 resulting to under absorption of Kshs.442,497,400 or 57% of the final receipt budget. Management attributed this to late disbursement of the 4th Quarter which was disbursed in July, 2020 and reduced proceeds from borrowing due to termination of contractual works.

Consequently, the underfunding and low expenditure may affect the planned activities and impact negatively on service delivery to the public.

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 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 OVERALL 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(s) 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 governance were not effective.

Basis for Conclusion

Automation of the Financial Reporting Process

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

Consequently, the manual interventions may result to errors in the Project financial statements.

The audit was conducted in accordance to 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 overall governance, were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis), and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements 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 governance.

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


31 December, 2020

Kenya Electricity Transmission Company Limited
 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects
 Report and Financial Statements
 For the Year Ended 30 June 2020


6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30 JUNE 2020

	Notes	FY 2019/20			FY 2018/19			Cumulative to-date
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	
Receipts		KShs	KShs	KShs	KShs	KShs	KShs	KShs
Transfer from Government entities	10.3	392,778,750	-	392,778,750	435,836,250	-	435,836,250	1,601,572,175
Loans from External Development Partners	10.4	-	64,178,154	64,178,154	-	183,356,251	183,356,251	5,146,633,154
Total Receipts		392,778,750	64,178,154	456,956,904	435,836,250	183,356,251	619,192,501	6,748,205,329
Payments								
Purchase of goods and services	10.5	50,726,838	-	50,726,838	44,749,760	-	44,749,760	325,916,542
Acquisition of non-financial assets	10.6	223,597,608	64,178,154	287,775,762	105,905,607	183,356,251	289,261,858	6,018,653,600
Total Payments		274,324,446	64,178,154	338,502,600	150,655,367	183,356,251	334,011,618	6,344,570,142
Surplus		118,454,304	-	118,454,304	285,180,883	-	285,180,883	403,635,187

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 14th January..... 2021 and signed by:


 Chief Executive Officer
 FCPA Fernandes Barasa, OGW


 Overall Project Coordinator
 Antony Wamukota


 Ag. General Manager – Finance
 CPA Tom Imbo
 ICPAK Member No. 7039

7. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2020

	Notes	FY 2019/20 KShs	FY 2018/19 KShs
Financial Assets			
Cash and cash equivalents			
Bank balances	10.7	403,635,187	285,180,883
Total Financial Assets		403,635,187	285,180,883
Represented By:			
Fund balance b/fwd.	10.9	285,180,883	-
Surplus for the year		118,454,304	285,180,883
Net Financial Position		403,635,187	285,180,883


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 6th January 2021 and signed by:



 Chief Executive Officer
 FCPA Fernandes Barasa, OGW



 Overall Project Coordinator
 Antony Wamukota




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

8. STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2020

	Notes	FY 2019/20 KShs	FY 2018/19 KShs
Cash Flows from Operating Activities			
Receipts for operating income			
Transfers from Government entities	10.3	392,778,750	435,836,250
Payments for operating expenses			
Purchase of goods and services	10.5	(50,726,838)	(44,749,760)
Net cash generated from operating activities		342,051,912	391,086,490
Cash Flows from Investing Activities			
Acquisition of non-financial assets	10.6	(287,775,762)	(289,261,858)
Cash Flows from Borrowing Activities			
Loan from external development partners	10.4	64,178,154	183,356,251
Net Increase in Cash and Cash Equivalents		118,454,304	285,180,883
Cash and Cash Equivalents at Beginning of the Year		285,180,883	-
Cash and Cash Equivalents at End of the Year	10.7	403,635,187	285,180,883

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 6th January 2021 and signed by:


 Chief Executive Officer
 FCPA Fernandes Barasa, OGW


 Overall Project Coordinator
 Antony Wamukota



 Ag. General Manager – Finance
 CPA Tom Imbo
 ICPAK Member No. 7039

Kenya Electricity Transmission Company Limited
 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects
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9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNT

	Original Budget a	Adjustments b	Final Budget c=a+b	Actual On Comparable Basis d	Budget Utilisation Difference e=c-d	% Of Utilisation f=d/c %
Receipts						
Transfers from Government entities	370,000,000	-	370,000,000	392,778,750	(22,778,750)	106%
Loan from External Development Partners	69,000,000	342,000,000	411,000,000	64,178,154	346,821,846	16%
Total Receipts	439,000,000	342,000,000	781,000,000	456,956,904	324,043,096	59%
Payments						
Purchase of Goods & Services	80,086,223	-	80,086,223	50,726,838	29,359,385	63%
Acquisition of Non-Financial Services	358,913,777	342,000,000	700,913,777	287,775,762	413,138,015	44%
	439,000,000	342,000,000	781,000,000	338,502,600	442,497,400	43%

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


 Chief Executive Officer
 FCPA Fernandes Barasa, OGW


 Overall Project Coordinator
 Antony Wamukota


 Ag. General Manager – Finance
 CPA Tom Imbo
 ICPAK Member No. 7039

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 220kv and 132kv Transmission Lines and Substations (Exim Bank of India Funded) Projects 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 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 and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

10.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Recognition of receipts (continued)

- **External Assistance (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.

- **Purchase 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.

- **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.

10.2 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 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.

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 period, 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 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.

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 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.

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/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.

j) 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.

k) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2020.

l) 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.

10.3 RECEIPTS FROM GOVERNMENT OF KENYA

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

	FY 2019/20	FY 2018/19	Cumulative to-date
	KShs	KShs	KShs
Counterpart funding through State Department of Energy			
Counterpart funds Quarter 1	115,278,750	145,278,750	428,933,049
Counterpart funds Quarter 2	185,000,000	145,278,750	609,537,311
Counterpart funds Quarter 3	92,500,000	145,278,750	394,932,385
Counterpart funds Quarter 4*	-	-	168,169,430
Total	392,778,750	435,836,250	1,601,572,175

*Quarter 4 disbursement of KShs 115,278,750 for FY 2018/19 was received in July 2019. Quarter 4 disbursement of KShs. 92,500,000 was received in July 2020 and hence is not included in this report

10.4 LOANS FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2020, we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment	Total amount	
					FY 2019/20	FY 2018/19
		USD	KShs	KShs	KShs	KShs
Loans Received from Multilateral Donors						
EXIM Bank of India Ltd	2013	628,387	-	64,178,154	64,178,154	183,356,251
Total		628,387	-	64,178,154	64,178,154	183,356,251

10.5 PURCHASE OF GOODS AND SERVICES

	FY 2019/20			FY 2018/19	Cumulative to- date
	Payments made by the entity in cash	Payments made by third parties	Total payments		
	KShs	KShs	KShs	KShs	KShs
License fees	-	-	-	-	2,344,863
Professional fees	1,596,800	-	1,596,800	9,222,527	58,054,996
Bank charges and fees	87,297	-	87,297	288,601	10,937,715
Other operating expenses	32,678,448	-	32,678,448	18,996,756	175,233,393
Site travel	16,364,293	-	16,364,293	16,241,876	77,468,325
Audit fees	-	-	-	-	1,877,250
Total	50,726,838	-	50,726,838	44,749,760	325,916,542

10.6 ACQUISITION OF NON-FINANCIAL ASSETS

	FY 2019/20			FY 2018/19	Cumulative to- date*
	Payments made by the entity in cash	Payments made by third parties	Total payments		
	KShs	KShs	KShs	KShs	KShs
Consultancy fees	4,197,095	-	4,197,095	267,287	393,382,167
Transmission equipment	114,671,206	64,178,154	178,849,360	183,356,251	4,878,423,072
Wayleaves compensation	104,729,307	-	104,729,307	105,638,320	746,848,361
Total	223,597,608	64,178,154	287,775,762	289,261,858	6,018,653,600

*The cumulative to date amount for transmission equipment and wayleave compensation was updated in the current fiscal period to correct a classification error between the two note lines.

10.7 BANK AND CASH BALANCES

	FY 2019/20	FY 2018/19
	KShs	KShs
Bank account balances	403,635,187	285,180,883
Total	403,635,187	285,180,883

The project does not have a separate bank account. The cash is held in the KCB Bank Kenya Limited Consolidated account [A/c No 1111251622].

10.8 CURRENCY

The financial statements are presented in Kenya Shillings (KShs).

10.9 FUND BALANCE BROUGHT FORWARD

The balance brought forward for the current period is 285,180,883 (FY 2018/19 – KShs. Nil)

11. OTHER IMPORTANT DISCLOSURES

11.1 PENDING BILLS (Annex 2A)

Description	Balance b/f FY 2018/19	Additions for the period	Paid during the year	Balance c/f FY 2019/20
	KShs	KShs	KShs	KShs
Supply of goods	87,730,872	63,583,635	(64,178,154)	87,136,353
Total	87,730,872	63,583,635	(64,178,154)	87,136,353

11.2 OTHER PENDING PAYABLES (Annex 2B)

Description	Balance b/f FY 2018/19	Additions for the period	Paid during the year	Balance c/f FY 2019/20
	KShs	KShs	KShs	KShs
Project Affected Persons parties	176,113,456	111,523,745	(104,729,307)	182,907,894
Total	176,113,456	111,523,745	(104,729,307)	182,907,894

12. 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	Status	Timeframe
1.0	Delay in project deliverables	KETRACO is in the process of procuring a new contractor to complete the substations.	Ag. GM-Design & Construction	Not Resolved	FY 2021
1.0	Pending Bills-Goods and Services	The project contracted works and services at a cost of KES 6,241,368,839 as disclosed in Annex 2A. The amounts certified as payable amounted to KES 5,348,831,303 out of which KES 5,260,692,720 was paid leaving a balance of KES 87,730,872. Management has attributed failure to pay this pending bill to liquidation of the main contractor.	Ag. GM-Project Development Services	Not Resolved	FY 2021
2.0	Long Unpaid Wayleave Compensation	The expected compensation to landowners for wayleaves acquired inception of the project amounts to KES 958,943,467 as disclosed in Annex 2B. the amounts certified as payable amounted to KES 818,289,510 of which KES 642,119,654 was paid leaving a balance of KES 176,113,456. Management has attributed failure to pay this amount to lack of budgetary allocation from National Treasury and long negotiations between landowners, Kenya Electricity Company Limited and the County Government of Kajiado.	Ag. GM-Finance	Not Resolved	FY 2021

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12 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS (Continued)

Reference No. on the external audit Report	Issue / observations from Auditor	Management comments	Focal point person to resolve the issue	Status	Timeframe
3.0	Delayed Project Implementation	The Lot 1A-220kV substations at Turkwel, Ortum and Kitale and Lot 3A-132/33kV Machakos-Konza-Kajiado-Namanga TL reported a 78% completion rate respectively by 30 June 2019. The Lot 1A project is suspended and significant work remains not done. Works have not started at the main strategic substation in Turkwel which may lead to underutilisation of the project. Lot 3A was expected to be completed by 30 December 2019 hence the project is behind schedule and may delay delivery of services to the public. The projects may also experience cost overruns.	Ag. GM-Design & Construction	Not Resolved	FY 2021
4.0	Budgetary Control and Performance.	The project budgeted for receipts of KES 845,115,000 but only received 619,192,501 resulting in a 27% underutilisation of receipts. Further the project incurred expenditure amounting to KES 334,011,618 against a budget of KES 845,115,000 resulting in an overall budget absorption of only 40%. In view of the above, the project's expenditure budget for 2018/2019 was largely not implemented which may lead to delay in achieving the planned activities and overall objectives of the project.	Ag. GM-Design & Construction	Not Resolved	FY 2021


 Chief Executive Officer
 FCPA Fernandes Barasa, OGW:

Date: 6th Jan 2021


 Overall Project Coordinator
 Antony Wamukota

Date: 06/01/2021

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	Comments on Variance	% of Utilisation		
					a	b	c=a-b
Receipts During the Year/Period							
Transfer from Government entities	370,000,000	392,778,750	(22,778,750)	(i)			106%
Loan from external development partners	411,000,000	64,178,154	346,821,846	(ii)			16%
Total Receipts	781,000,000	456,956,904	324,043,096				59%
Payments During the Year/Period							
Purchase of goods and services	80,086,223	32,174,568	47,911,655	(iii)			63%
Acquisition of non-financial assets	700,913,777	306,328,032	394,585,745	(iii)			44%
Total Payments	781,000,000	338,502,600	442,497,400				43%

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

Explanations: -

- (i) Quarter 4 disbursement for FY 2018/19 of KShs. 115,278,750 was received in July 2019 while the Quarter 4 disbursement for FY 2019/20 of KShs. 92,500,000 was only received in July 2020 hence the variance.
- (ii) Reduced proceeds from borrowings due to contractual works being terminated.
- (iii) The variance arose because less funds were applied as the contractual works were terminated during the period

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ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance	
				2020	2019
	a	b	c	d=a-c	
Construction of civil works					
Jyoti Structures Ltd	1,828,112,120	16-Apr-13	1,121,870,292	13,450,260	13,450,260
Shyama Power	2,955,807,277	16-Apr-13	2,455,230,609	67,429,580	74,280,612
KEC International Limited	1,171,958,500	16-Apr-13	1,287,302,215	6,256,513	-
Sub-Total	5,955,877,896		4,864,403,116	87,136,353	87,730,872
Supply of services					
Power Grid Corporation of India	285,490,943	25-Apr-12	293,690,426	-	-
Sub-Total	285,490,943		293,690,426	-	-
Grand Total	6,241,368,839		5,158,093,542	87,136,353	87,730,872

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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 FY 2019/20	Outstanding Balance FY 2018/19
		a	b	c	d	e=c-d	
		KShs		Kshs	KShs	KShs	KShs
Amounts due to Third Parties							
Project affected persons	Wayleaves compensation	958,943,467	2019/2020	929,756,255	746,848,361	182,907,894	176,113,457
Grand Total		958,943,467		929,756,255	746,848,361	182,907,894	176,113,457

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ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening cost FY 2018/19 (KShs) (a)	*Purchases/additions in FY 2019/20 (KShs) (b)	** Disposals in FY 2019/20 (KShs) (c)	Closing cost FY 2019/20 (KShs) (d)= (a)+ (b)-(c)
Motor vehicles	29,124,656	-	-	29,124,656
Powerline (Transmission Equipment)	5,701,753,182	287,775,762	-	5,989,528,944
Total	5,730,877,838	287,775,762	-	6,018,653,600

Notes

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

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

