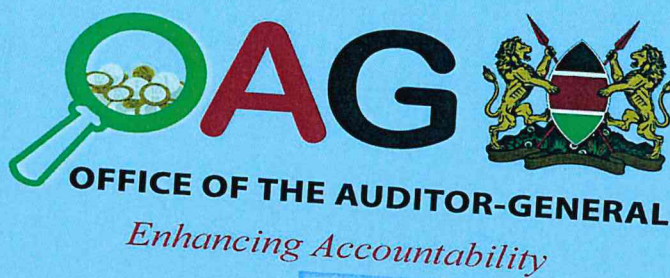


REPUBLIC OF KENYA

14



REPORT

OF

THE AUDITOR-GENERAL

ON

**MULTINATIONAL KENYA-TANZANIA
POWER INTERCONNECTION PROJECT
(KENYAN COMPONENT)
(ADF LOAN NO.2100150032846)**

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

**KENYA ELECTRICITY TRANSMISSION
COMPANY LIMITED**

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE:	18 FEB 2021	DAY:	THURSDAY
TABLED BY:	Majority Whip Hon. Wangwe		
CLEARER:	Anne Mutandau		

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THE KENYA TANZANIA POWER INTERCONNECTION PROJECT - (KENYAN COMPONENT)

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

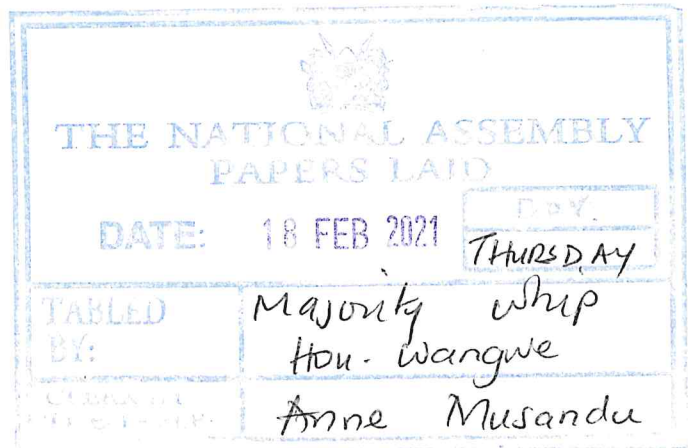
CREDIT NUMBER: ADF LOAN NO: 2100150032846

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2020

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



ABBREVIATIONS

ADF	African Development Fund
EUR	Euro
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
KTPIP	Kenya Tanzania Power Interconnection Project
NCPE	North China Power Engineering Company
kV	Kilovolts
PFSs	Project Financial Statements
PSASB	Public Sector Accounting Standards Board
RAP	Resettlement Action Plan
SORP	Statement of Receipts and Payments
UA	Units of Account
UAC	Unit of Currency
US\$	United States Dollar

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1. Name and Registered Office

Name: The project's official name is Kenya Tanzania Power Interconnection Project (Kenyan Component).

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:

Kenya Tanzania Power Interconnection Project (Kenyan Component)
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 Date:	The project start date is 14 February 2017
Project End Date:	The project end date is 30 September 2021
Project Manager:	The project manager is Eng. Ruth Mburu
Project Sponsor:	The project sponsors are Government of Kenya and African Development Fund (ADF)

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

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 number	Project ID: P-Z1-FA0-086ADF, LOAN NO: 2100150032846
Strategic goals of the project	The strategic goal of the project is to contribute to the delivery of adequate and reliable power supply.
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>The project is being financed by African Development Fund (ADF) and the Government of Kenya through the Ministry of Energy 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>

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.3. Project Overview (Continued)

	<p>Key Data: Kenya Tanzania Power Interconnection Project Lot K1 (Isinya-Namanga).</p> <p>Scope: Design, manufacture, supply, civil work, erection, testing and commissioning of 400kV double circuit overhead HVAC transmission line Contractor: North China Power Engineering Company (NCPE) Contract No: KETRACO/PT017/2014 Contract Award Date: 18 October 2016 Contract Effective Date: 14 February 2017 Original Contract Price: US\$ 22,428,704 plus KShs 439,444,244 Contract Completion Date: Twenty-two (22) months from Contract effective date.</p> <p>The scope comprises:</p> <ol style="list-style-type: none"> Transmission lines: Construction of a 400kV 510km Transmission line (TL) 510kms double circuit between Tanzania (414km) and Kenya(96km) Substations: it includes the construction of a 400kV substation in Arusha and extension of Singida substation in Tanzania and the construction of 400kV substation at Isinya in Kenya (Component A4 - System Reinforcement financed by World Bank). Rural Electrification: 80km of 33kv lines and LV system and customer connections along the 400kV TL in Tanzania and Rural Electrification, consisting of 147km of 33kV line, 34 transformers and connection to customers in Kenya Consultancy services for studies: Interconnection Tariff Study and The Feasibility study for the 2nd Interconnection between Kenya and Tanzania (Menengai – Mwanza) <p>Engineering Services for Kenya Tanzania Power Interconnection Project Lot K1 (Isinya-Namanga).</p> <p>Key contractual data Scope: Project Supervision and Management Consultant: M/s Intec GOPA International Energy Consultants of Germany. Contract No: KETRACO/PT/016/2014-PA/001/2015/HQ/C/024 Contract Signed On: 09 May 2016 Contract Price: EUR 2,024,137.50 and KShs 16,262,400/- Contract Completion: 24 months from contract effective date.</p>
Current situation that the project was formed to intervene	Inadequate and unreliable power supply.
Project duration	The project started on 14 th February 2017 and is expected to run until 30 September 2021. Pre-construction costs amounting to KShs 22,904,446 was incurred in the financial year 2015/2016.

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

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
 Nairobi.

1.6. Roles and Responsibilities

Below is a list of the different people working on the project. This list includes the project manager and all the key stakeholders involved with the project.

Names	Title designation	Key qualification	Responsibilities
Eng. Ruth Mburu	Project Manager	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)
Dickens Makana	Project Accountant	Bachelor of Commerce (Finance), CPA(Sec. 6)	Preparation of project financial reports

Kenya Electricity Transmission Company Limited
 Kenya Tanzania Power Interconnection Project (Kenyan Component)
 Report and Financial Statements
 For the Year Ended 30 June 2020

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.7. Funding Summary

The Project financing is for duration of 6 years from 2015 to 2021 with an approved budget of ADF funding amounting to U.A. 27,500,000 (translated as at 30 June 2020 at the rate of 1UA=KShs 145,474) and Government counterpart funding of KShs. 821,354,692 as highlighted in the table below:

Source of funds	Donor Commitment		Amount received to date: (30.06.2020)		Undrawn balance to date: (30.06.2020)	
	Donor currency (A)	KShs (A')	Donor currency (B)	KShs (B')	Donor currency (A)-(B)	KShs (A')-(B')
(i) Loan						
ADF Loan No. 2100150032846	UA. 27,500,000	4,000,535,000	UA. 12,506,378	1,819,352,830	UA. 14,993,622	2,181,182,170
(ii) Counterpart funds						
Government of Kenya	-	821,354,692	-	821,354,692	-	-
Total	UA. 27,500,000	4,821,889,692	UA. 12,506,378	2,640,707,522	UA. 14,993,622	2,181,182,170

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 1,321,199,572 against a final budget of KShs 1,540,000,000 representing 86% budget utilization. The project's cumulative receipts and payments to-date amount to KShs 2,640,707,522 and KShs 2,403,550,579 respectively.

1.8.2 Physical Progress and Achievements of the Project

Kenya Tanzania Power Interconnection Project Lot K1

Contract effective 14 February 2017:

- The overall implementation status of this project as at 30 June 2020 was at 48.7%

Isinya 400kV Substation

- Isinya substation is 99% complete.

Subject	Weight	Planned	Actual	Comment
Design	10%	100%	100%	Milestone delayed.
Supply of equipment and material	35%	100%	98.50%	
Civil works foundations	25%	100%	14.60%	Delayed due to ROW issues.
Tower erection works	15%	100%	4.10%	Delayed due to ROW issues.
Conductor, earthwire and OPGW stringing works	10%	90%	0%	Delayed due to ROW issues.
Line testing & commissioning works	5%	0%	0%	
Total progress	100%	100%	48.70%	

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 PROJECTS PREDETERMINED OBJECTIVES

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

The key development objective of the project's 2018-2022 is to:

- 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.

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 objective:

Project	Objective	Outcome	Indicator	Performance
The Kenya Tanzania Project	The ultimate development objective of the project is to improve the supply, reliability and affordability of electricity in the Eastern Africa region through cross-border exchange of cheap and cleaner surplus power from neighbouring countries. the project will help to improve the supply of electricity in Tanzania in the short to medium term with imports from Ethiopia.	Project ongoing	No. of substations and transmission lines complete.	Overall Project status is at 48.7%

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 Coordination (Controlled Substances) Regulations, 2007; The Environmental Management and Coordination (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)

The Company continued implementing corruption prevention measures as identified in the 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.

Rural electrification: 80km of 33kv lines and LV system and customer connections along the 400kv TL in Tanzania and rural electrification, consisting of 147km of 33kv line, 34 transformers and connection to customers in Kenya,

This project is being undertaken as a CSR to improve on electricity connectivity in the community affected. The overall status of the CSR is as below;

Overall Progress of Works for CSR Project

Subject	Weight	Planned	Actual	Comment
Design	10%	100%	91.80%	Milestone delayed.
Supply of equipment and material	35%	100%	38%	
Civil works foundations	25%	100%	23.70%	
Pole erection works	15%	100%	12.40%	Milestone delayed
Stringing works	10%	0%	0%	Milestone delayed
Line testing & commissioning works	5%	0%	0%	
Total progress	100%	100%	30.10%	



5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer of KETRACO and the Project Coordinator for the Kenya Tanzania Power Interconnection Project (Kenyan Component) 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 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 statement, 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 Kenya Tanzania Power Interconnection Project (Kenyan Component) 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 Kenya Tanzania Power Interconnection Project (Kenyan Component) 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 Kenya Tanzania Power Interconnection Project (Kenyan Component) 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 Kenya Tanzania Power Interconnection Project (Kenyan Component) 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 Kenya Tanzania Power Interconnection Project (Kenyan Component) on06/01/2021 and signed by them.


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


.....
Project Coordinator
Antony Wamukota


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

5. REPORT OF THE INDEPENDENT AUDITORS ON THE KENYA TANZANIA POWER INTERCONNECTION PROJECT (KENYAN COMPONENT)

To the Auditor General

Opinion

We have audited the accompanying financial statements of Kenya Tanzania Power Interconnection Project (Kenyan Component) set out on pages 15 to 31 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 Kenya Tanzania Power Interconnection Project 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 KENYA TANZANIA POWER INTERCONNECTION PROJECT (KENYAN COMPONENT) (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.

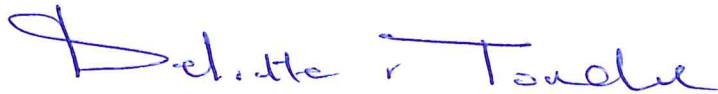
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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 KENYA TANZANIA PROJECT POWER INTERCONNECTION PROJECT (KENYAN COMPONENT) (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.



Certified Public Accountants (Kenya)
Nairobi

 2021

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

REPUBLIC OF KENYA

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Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON MULTINATIONAL KENYA-TANZANIA POWER INTERCONNECTION PROJECT (KENYAN COMPONENT) (ADF LOAN NO.2100150032846) FOR THE YEAR ENDED 30 JUNE, 2020 - KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Multinational Kenya-Tanzania Power Interconnection Project (Kenyan Component) (ADF Loan No.2100150032846) set out on pages 15 to 27, which comprise the statement of financial assets as at 30 June, 2020, statement of receipts and payments, statement of cash flow 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, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Multinational Kenya-Tanzania Power Interconnection Project (Kenyan Component) as at 30 June, 2020, 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 Loan Agreement No.2100150032846 dated 30 July, 2015 between the Republic of Kenya and the African Development Fund, and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Multinational Kenya-Tanzania Power Interconnection Project (Kenyan Component) 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 Multinational Kenya-Tanzania Power Interconnection Project (Kenyan Component) (ADF Loan No.2100150032846) for the year ended 30 June, 2020 - Kenya Electricity Transmission Company Limited

Key Audit Matters

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

Other Matter

1. Pending Bills – Goods and Services

As reported in previous years, the total value of works and services contracted under the Project amounted to Kshs.3,303,669,940, as disclosed in Annex 2A to the financial statements. The amounts certified as payable total Kshs.2,004,043,756 out of which payments totalling Kshs.1,819,352,830 were made over the years resulting in outstanding bills totalling Kshs.184,690,926 as at 30 June, 2020.

Delay in settling the pending bills may result in wasteful expenditure on penalties and litigation costs.

2. Long Outstanding Wayleave Compensation

As previously reported, the total compensation payments owed to landowners for wayleaves acquired since inception of the Project on 5 December, 2012, amounted to Kshs.740,936,855, as disclosed in Annex 2B to the financial statements. The amount certified as payable totalled Kshs.664,939,500 and payments made were Kshs.435,996,950 leaving a balance of Kshs.228,942,550 unpaid as at 20 June, 2020.

Management has attributed the failure to pay the balance to lack of budgetary allocations by The National Treasury, lengthy negotiations on land valuation, absentee landlords and legal disputes on ownership of some of the lands.

Since the implementation of the Project is behind schedule, any further delay in resolving these issues is likely to delay its completion.

3. Budgetary Control and Performance

During the year under review, the Project was budgeted to receive loans from external partners totalling Kshs1,000,000,000 but received Kshs.731,199,572 only, resulting to a revenue shortfall of Kshs.2,68,800,428 or 27% of the budget. Further, the Project was budgeted to spend Kshs.1,540,000,000 but spent Kshs.1,114,303,419 resulting in under absorption of Kshs.425,696,581 or 28% of the budget. Further analysis indicated that Kshs.417,546,970 of the expenditure totalling Kshs.425,696,581 was incurred in acquisition of non-financial assets where Kshs.1,425,388,956 was budgeted but only Kshs.1,007,841,986 was spent.

The shortfall in revenue and the under-expenditure indicates that some of the Project's activities for the year were not implemented. This may delay its completion, and the attainment of its objectives.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, except for the matter described in the Basis for Lawfulness and Effectiveness in Use of Public Resources Section of my Report, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Delay in Implementation of Lot K1 Component of the Project

Examination of records on progress of work on the Isinya-Namanga transmission line under Lot K1 indicated that the works were 49% complete as at 30 June, 2020. They were, therefore, much behind schedule as their expected completion date was in April, 2020.

Failure to complete the works in due time has hindered the Project from realizing its objectives and amplified the risk of an increase in its costs due to economic and other factors.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion, Basis for Lawfulness and Effectiveness in Use of Public Resources and Basis for Effectiveness of Internal Control, Risk Management and Governance Sections 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

Unexplained Mix of Financial Reporting Systems

Audit review of the Project's financial reporting system indicated that Management uses both electronic and manual systems to prepare financial reports. Whereas the sub-ledger accounts are derived from the electronic system, the trial balance and financial statements are processed manually on spreadsheets. No plausible explanation has been provided by Management as to why the trial balance is not processed electronically as well.

The use of both manual and electronic accounting systems has increased the risk of errors and omissions in the 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 governance, were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the African Development Fund (ADF), I report based on my audit, that:

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

Responsibilities of Management and those charged with Governance

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report 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 audit is planned and performed to express a conclusion on whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution, and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control which might be material weaknesses under the ISSAIs.

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

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

05 January, 2021


Kenya Electricity Transmission Company Limited
 Kenya Tanzania Power Interconnection Project (Kenyan Component)
 Report and Financial Statements
 For the Year Ended 30 June 2020


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

Notes	FY 2019/20			FY 2018/19			Cumulative to-date
	Receipts and payments controlled by the entity KShs	Payments made by third parties KShs	Total KShs	Receipts and payments controlled by the entity KShs	Payments made by third parties KShs	Total KShs	
Receipts							
Transfer from Government entities	590,000,000	-	590,000,000	200,000,000	-	200,000,000	821,354,692
Loan from External Development Partners	-	731,199,572	731,199,572	-	487,927,425	487,927,425	1,819,352,830
Total Receipts	590,000,000	731,199,572	1,321,199,572	200,000,000	487,927,425	687,927,425	2,640,707,522
Payments							
Purchase of Goods and services	106,461,433	-	106,461,433	9,684,674	-	9,684,674	144,626,049
Acquisition of non-financial assets	276,642,414	731,199,572	1,007,841,986	160,054,536	487,927,425	647,981,961	2,258,924,530
Total Payments	383,103,847	731,199,572	1,114,303,419	169,739,210	487,927,425	657,666,635	2,403,550,579
Surplus	206,896,153	-	206,896,153	30,260,790	-	30,260,790	237,156,943

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 05/01/2021 and signed by:

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



 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	237,156,943	30,260,790
Total Financial Assets		237,156,943	30,260,790
Represented by:			
Fund Balance b/fwd		30,260,790	-
Surplus/ deficit for the year		206,896,153	30,260,790
Net Financial Position		237,156,943	30,260,790


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 06/01/2021 and signed by:



 Chief Executive Officer
 FCPA Fernandes Barasa, OGW

for 

 Project Coordinator
 Antony Wamukota




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



8. STATEMENT OF CASH FLOWS FOR THE YEAR 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	590,000,000	200,000,000
Payments for operating expenses			
Purchases of goods and services	10.5	(106,461,433)	(9,684,674)
Net Cash Flows from Operating Activities		483,538,567	190,315,326
Cash Flows from Investing Activities			
Acquisition of non-financial assets	10.6	(1,007,841,986)	(647,981,961)
Cash Flows from Borrowing Activities			
Loan from external development partners	10.4	731,199,572	487,927,425
Net Increase in Cash and Cash Equivalents		206,896,153	30,260,790
Cash and Cash Equivalents at Beginning of the Year		30,260,790	-
Cash and Cash Equivalents at End of the Year	10.7	237,156,943	30,260,790

The project financial statements were approved on..... 06/01/2021 and signed by:


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


.....
Project Coordinator
Antony Wamukota


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


Kenya Electricity Transmission Company Limited
 Kenya Tanzania Power Interconnection Project (Kenyan Component)
 Report and Financial Statements
 For the Year Ended 30 June 2020


9. SUMMARY STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS


Receipts/Payment Item	Original Budget	Adjustments	Final Budget	Actual Comparable Basis	Variance	% of variance
	a Kshs	b Kshs	c=a+b Kshs	d Kshs	e=c-d Kshs	f=d/c%
Receipts						
Transfer from Government entities	720,000,000	(180,000,000)	540,000,000	590,000,000	(50,000,000)	109%
Loan from External Development Partners	1,000,000,000	-	1,000,000,000	731,199,572	268,800,428	73%
Total receipts	1,720,000,000	(180,000,000)	1,540,000,000	1,321,199,572	218,800,428	86%
Payments						
Purchase of goods and services	114,611,044	-	114,611,044	106,461,433	8,149,611	93%
Acquisition of non-financial assets	1,605,388,956	(180,000,000)	1,425,388,956	1,007,841,986	417,546,970	71%
Total payments	1,720,000,000	(180,000,000)	1,540,000,000	1,114,303,419	425,696,581	72%

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements.

The project financial statements were approved on 06/01/2021 and signed by:


 Chief Executive Officer
 FCPA Fernandes Barasa, OGW


 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 Kenya Tanzania Power Interconnection Project (Kenyan Component) under the 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. NOTES TO THE FINANCIAL STATEMENTS (Continued)

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. NOTES TO THE FINANCIAL STATEMENTS (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 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.

10. NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.3 RECEIPTS FROM GOVERNMENT OF KENYA

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

	FY 2019/20	FY 2018/19	Cumulative to-date
	KShs	KShs	KShs
Counterpart funding through State Department of Energy			
Counterpart funds Quarter 1	50,000,000	50,000,000	100,000,000
Counterpart funds Quarter 2	360,000,000	50,000,000	411,762,398
Counterpart funds Quarter 3	180,000,000	100,000,000	280,447,812
Counterpart funds Quarter 4*	-	-	29,144,482
Total	590,000,000	200,000,000	821,354,692

10.4 LOANS FROM EXTERNAL DEVELOPMENT PARTNERS

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

Name of Donor	Cumulative Amount Received as at 30.06.20	Amount in Grants Currency	Grants Received in Cash (Revenue)	Grants Received as Direct Payment	Total Amount in KShs	
					FY 2019/20	FY 2018/19
	KShs	UAC	KShs	KShs	KShs	KShs
Loan Received from Multilateral Donors (International Organizations)						
ADB Loan No.2100150032846	1,819,352,830	12,506,378	-	1,819,352,830	731,199,572	487,927,425

Translated as at 30 June 2020 at the rate of 1UA=KShs 145.474

10. NOTES TO THE FINANCIAL STATEMENTS (Continued)

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
Other project costs	59,143,878	-	59,143,878	6,264,561	68,096,291
Site travel and accommodation	14,062,425	-	14,062,425	3,420,113	43,274,628
Legal Fees	33,255,130	-	33,255,130	-	33,255,130
Total	106,461,433	-	106,461,433	9,684,674	144,626,049

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	-	-	-	700,000	3,574,750
Powerline (transmission equipment)	-	731,199,572	731,199,572	487,927,425	1,819,352,830
Wayleaves	276,642,414	-	276,642,414	159,354,536	435,996,950
Total	276,642,414	731,199,572	1,007,841,986	647,981,961	2,258,924,530

10.7 BANK AND CASH BALANCES

The project does not have a separate bank account. The cash is held in the KCB Bank Kenya Limited [A/c No 1206560752].

	FY 2019/20	FY 2018/19
	KShs	KShs
Cash and cash equivalents		
Bank balances	237,156,943	30,260,790
Totals	237,156,943	30,260,790

10.8 CURRENCY

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

11. OTHER IMPORTANT DISCLOSURES

11.1 PENDING ACCOUNTS PAYABLE (Annex 2A)

Description	Balance b/f	Adjustment	Additions for the period	Paid during	Balance c/f
	FY 2019/20			the year	FY 2019/20
	KShs	KShs	KShs	KShs	KShs
Supply of Goods	125,219,437	-	697,947,169	(655,745,533)	167,421,073
Supply of Services	3,252,480	-	89,471,412	(75,454,039)	17,269,853
Total	128,471,917	-	787,418,581	(731,199,572)	184,690,926

11.2 OTHER PENDING PAYABLES (Annex 2B)

Description	Balance b/f	Adjustment*	Additions for the period	Paid during the year	Balance c/f
	FY 2019/20				FY 2019/2020
	KShs	KShs	KShs	KShs	KShs
Project Affected Persons	79,164,957	-	426,420,007	276,642,414	228,942,550
Total	79,164,957	-	426,420,007	276,642,414	228,942,550


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 person to resolve the issue	Status:	Timeframe:
1. Pending Bills – Goods and Services	Management has contracted works and services amounting to KShs. 3,303,669,940. The amounts certified as payable amounted to KShs. 1,216,625,175 out of which bills amounting to KShs. 1,088,153,258 was paid leaving an outstanding pending bill of KShs. 128,471,917. The unpaid bills are likely to lead to penalties or litigation with the consequent risk of wasteful expenditure.	To address delays in the payment for goods and services	Tom Imbo, Ag. GM/Finance & Strategy	The Amounts were settled in October 2019	N/A
2. Long Outstanding Wayleave Compensation	The expected compensation to landowners amounted to Kshs. 740,936,855 for wayleaves acquired since inception of the project on 5 December 2012. The amounts certified as payable totalled to KShs. 238,519,493 out of which 159,354,536 was paid leaving an unpaid balance of Kshs. 79,164,957. Management has attributed the failure to pay the amount due to lack of budgetary allocation from the National Treasury and lengthy land valuation negotiations due to absentee land owners and various court injunctions on disputed cases.	To address delays in the wayleave compensation process	Eng. Anthony Wamukota, Project Manager Josephine Olang'o, Project accountant	Resolved	N/A

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue	Status:	Timeframe:
3. Delayed Project Implementation	The Isinya Namanga transmission line under Lot K1 contracted at KShs. 16,262,400 was at 42% complete by 30 June 2019. The project is behind schedule considering that the expected completion date was April 2020 and significant works remains to be done. The project may not be completed as per the expected completion date and this may result in delayed delivery of services to the public and possible cost overruns.	Continuous	Eng. Anthony Wamukota, Project Manager	The contractor has been given an extension to 14 th May 2021	May 2021



 Chief Executive Officer
 FCPA Fernandes Barasa, OGW

06/01/2021

 Date



 Project Coordinator
 Antony Wamukota

06/01/2021

 Date

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payment Item	Final Budget e=a+b Kshs	Actual Comparable Basis d Kshs	Budget Utilization Difference e=c-d Kshs	% of Utilization f=d/c%	Comments on Variance
Receipts					
Transfer from Government entities	540,000,000	590,000,000	(50,000,000)	109%	(i)
Loan from External Development Partners	1,000,000,000	731,199,572	268,800,428	73%	(ii)
Total receipts	1,540,000,000	1,321,199,572	218,800,428	86%	
Payments					
Purchase of goods and services	114,611,044	106,461,433	8,149,611	93%	
Acquisition of non-financial assets	1,425,388,956	1,007,841,986	417,546,970	71%	(ii)
Total payments	1,540,000,000	1,114,303,419	425,696,581	72%	

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

- i. Since we are reporting on cash basis, there was Kshs. 50 million relating to FY 2018/19 budgetary allocation that was received in the current fiscal year.
- ii. Most of the invoices due for payment were in process as at 30 June 2020, and hence not disbursed therefore low absorption.

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ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount of Work Certified	Amount Paid To-Date	Outstanding Balance 2020	Outstanding Balance 2019
	KShs		KShs	KShs	KShs	KShs
	a	b	c	d	e=c-d	
Supply of goods						
KTPIP – NCPE	2,310,156,512	18.10.2016	1,492,119,504	1,382,325,720	109,793,784	120,633,230
	439,444,244	18.10.2016	292,303,559	247,614,132	44,689,427	4,586,207
M/s JV of Unique System FZE & Philafe Engineering Limited	176,136,603	07.05.2018	47,389,942	34,452,080	12,937,862	-
	120,797,818	07.05.2018	24,159,563	24,159,563	-	-
Sub-Total	3,046,535,177		1,855,972,568	1,688,551,495	167,421,073	125,219,437
Supply of services						
Intec GOPA	240,872,363	09.05.2016	144,818,708	130,801,335	14,017,373	-
	16,262,400	09.05.2016	3,252,480	-	3,252,480	3,252,480
Sub-Total	257,134,763		148,071,188	130,801,335	17,269,853	3,252,480
Grand Total	3,303,669,940		2,004,043,756	1,819,352,830	184,690,926	128,471,917

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ANNEX 2B - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount of Work Certified to date	Amount Paid to-Date	Outstanding Balance 2020	Outstanding Balance 2019
		a		b	c	d=a-c	
Amounts due to Third Parties							
Project Affected Persons	Wayleaves compensation	740,936,855	2016-2020	664,939,500	435,996,950	228,942,550	79,164,957
		740,936,855		664,939,500	435,996,950	228,942,550	79,164,957

ANNEX 2C – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost		Adjustment****	Revised opening cost (c)	*Purchases/Additions in the Year		** Disposals in the Year (KShs) 2019/2020	Closing Cost (KShs) 2020 (d) = (c)+ (d)-(e)
	(KShs)				(KShs)			
	2019/2020				2019/2020			
	(a)				(d)			
Powerline (Transmission Equipment)	1,289,247,160		(38,164,616)	1,251,082,544	1,007,841,986	-	2,258,924,530	
Total	1,289,247,160		(38,164,616)	1,251,082,544	1,007,841,986	-	2,258,924,530	

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.

*** The adjustment relates to the cost of purchase of goods and services erroneously included under powerline (transmission equipment) in prior year.

