

REPORT

**THE NATIONAL ASSEMBLY
PAPERS LAID**

OF

DATE: 24 NOV 2021

DAY.

WED

**TABLED
BY:**

L. O. M

CLERK-AT

THE AUDITOR-GENERAL

H.T.O.

ON

**LAST MILE CONNECTIVITY
PROJECT II LOAN NO.2000200000152**

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

KENYA POWER LIGHTING COMPANY PLC



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LAST MILE CONNECTIVITY PROJECT II

KENYA POWER AND LIGHTING COMPANY PLC.

ADF LOAN NO: 2000200000152

PROJECT ID No: P-KE-FAO-013

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30 JUNE 2021

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



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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: Last Mile Connectivity Project II

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

Executing Agency: Ministry of Energy

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

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

The address of its registered office is:

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

Contacts: The following are the projects contacts:

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

1.2 Project Information

Project Start Date:	The project start date is 17 October 2016.
Project End Date:	The project end date 31 December 2022.
Project Manager:	The project manager is George Tarus.
Project Sponsor:	The project sponsors are Government of Kenya and African Development Bank.

1.3 Project Overview

Line Ministry/State Department of the project	The Kenyan Ministry of Energy is the Executing Agency of the project while Kenya Power and Lighting Company PLC is the Implementing Agency.
Project number	P-KE-FAO-013- Loan No: 2000200000152
Strategic goals of the project	The strategic goal of the project is to support the Government's initiative of ensuring increased Electricity access to Kenyans, particularly the poor.
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> • Expansion of the power distribution system to be within reach and thus enable more Kenyans to connect to the grid at affordable cost; and • Reduction of Connection cost paid by the customer.

1.3 Project Overview (continued)

Other important background information of the project	<p>The Government of the Republic of Kenya (the "Government") and the African Development Bank (the "Bank") entered into a Loan Agreement for the Last Mile Connectivity Project II (Project ID. No.: P-KE-FAO-013 and Loan No.: 20002000000152) (the "Project") on 17 October 2016 (the "Loan Agreement"). As per the Loan Agreement, the Fund agreed to extend a loan not exceeding USD 134,640,000 to the Government of Kenya.</p> <p>The Loan Agreement was subject to conclusion of a Subsidiary Grant Agreement between the Government and the Kenya Power and Lighting Company PLC for on-granting of the loan. The Subsidiary Grant Agreement was signed on 4 April 2017.</p> <p>The objective of the Project is to support the Government's initiative of ensuring increased electricity access to Kenyans, particularly the poor. The scope of the Project is the extension of the low voltage network on existing and new distribution transformers to reach households within the transformer protection distance in areas with a low penetration rate throughout the country.</p> <p>The Project has been divided into 22 lots. 15 lots are for supply, design and installation; 6 lots for supply of meters and metering accessories; and 1 for the supervision and management Consultant. The Project was to include the construction of 27,589 kilometres of low voltage distribution lines, and installation of equipment for the connection of 293,446 customers. The financing provides also for the Capacity Building and Public Relation & Communication specialist.</p>
Current situation that the project was formed to intervene	Low Electricity access rate especially in the rural areas across all the 47 Counties of Kenya.
Project duration	The Project started on 17 October 2016 and is expected to run until 31 December 2022.

1.4 Bankers

Standard Chartered Bank Kenya Ltd.
Harambee Avenue
P. O. Box 20063-00200
Nairobi, Kenya.

1.5 Auditors

Principal Auditors

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

Delegated Auditor

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

1.6 ROLES AND RESPONSIBILITIES

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

1.7 Funding summary

The Project duration is six years from 2016 to 2022 with an estimated project Cost of USD 198.48 Million, equivalent to KShs 20.499 Billion as highlighted in the table below. Additionally, the project has accumulated miscellaneous receipts of KShs 1.46 Million. Below is the funding summary:

a) Sources of Funds

	Donor Commitment		Amount received as at 30.06.2021		Undrawn balance as at 30.06.2021	
	USD	KShs'000'	USD	KShs'000'	USD	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
African Development Bank Financing	134,640,000	13,905,175	124,910,705	13,227,819	9,729,295	677,356
(ii) Counterpart funds						
Government of Kenya Contribution	63,841,089	6,593,297	21,462,538	2,216,586	42,378,551	4,376,711
Miscellaneous receipts	-	1,463	-	1,463	-	-
Total	198,481,089	20,499,935	146,373,243	15,445,868	52,107,847	5,054,067

b) Application of Funds

	Amount received as at 30.06.2021		Cumulative Amount Paid as at 30.06.2021		Unutilised Balance as at 30.06.2021	
	USD	KShs'000'	USD	KShs'000'	USD	KShs'000'
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
African Development Bank Financing	124,910,705	13,227,819	124,910,705	13,227,819	-	-
(ii) Counterpart Funding						
Government of Kenya	21,462,538	2,216,586	21,462,538	2,216,586	-	-
Miscellaneous receipts	-	1,463	-	1,463	-	-
Total	146,373,243	15,445,868	146,373,243	15,445,868	-	-

1.8 Summary of Overall Project Performance:

a) Budget Performance against Actual Amounts

As at end of the year under review the Project has utilised KShs 15.445 Billion, which is 75 % of the project cost.

b) Physical Progress and Achievement of the Project

The project is at advanced stage. The contractors have purchased most of the required materials and the installation works as well as the metering works are ongoing. As at 30 June 2021, a total of 253,530 (86%) customers were connected under the project out of the targeted 293,446 customers as per the actual designs. During the period, a total of 156,159 customers were connected.

c) Implementation Challenges and way forward

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

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

1.9 Summary of Project Compliance:

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

a) Compliance with applicable environmental laws and regulations

KPLC strives to comply with all the national and international environmental statutory and regulatory provisions that apply to its operational activities. The key national laws are; the Water Act of 2002 and the Environmental Management and Coordination Act (EMCA) of 1999 and the associated regulations. While key International Best practices include the IFC Performance Standards. Therefore, all KPLC's projects promote sound healthy environment and opportunities for environmental conservation with local communities in all project areas.

b) Non-compliance attracts consequences

KPLC takes the utmost precautions in its operations in ensuring all associated impacts are negligible on health and the environment. The Company has not suffered any consequences because of non-compliance due to its commitment towards environmental regulatory compliance.

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

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

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

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Introduction

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

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

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. The Project status deliverables as at year-end is as follows.

S N	Item Description	Unit	Quantity	Status of Execution	% Achieved
1	LV route length	km	18,862	14,823	79%
2	Customer	PC	293,446	253,530	86%

The project as proposed targets connecting customers in areas with low access to electricity as per the government policy. The electrification of rural areas has immediate effect on economic activities in those regions thus creating employment and increase in business opportunities, better education services, improved health facilities and overall quality of life for the citizens. Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Last Mile Connectivity Project II	To accelerate Electricity Access	Increased Electricity access rate	No. of New customer Connected in the project	In FY 20/21, 156,159 Customers were connected

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Sustainability strategy and profile

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

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

Environmental performance

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

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

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

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

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



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

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

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

Employee welfare

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

Community Engagements

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

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

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

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

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY (continued)

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

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

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

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

KPLC, through the KPLC Project Implementation are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on 30 June 2021.

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

The KPLC Project Implementation Team accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS).

The KPLC Project Implementation Team is of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended 30 June 2021, and of the Project's financial position as at 30 June 2020 in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS). The KPLC Project Implementation Team further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the Project financial statements

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



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



Project Coordinator
Name: George Tarus

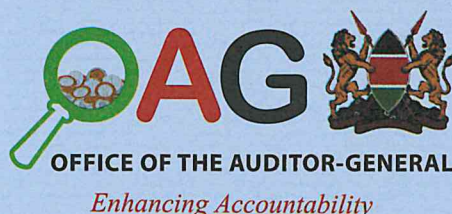


Project Accountant:
Name: Simon Tirop
ICPAK Member No.: 9665

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REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON LAST MILE CONNECTIVITY PROJECT II LOAN NO.2000200000152 FOR THE YEAR ENDED 30 JUNE, 2021 - KENYA POWER LIGHTING COMPANY PLC

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Last Mile Connectivity Project II Loan No.2000200000152 set out on pages 14 to 26, which comprise the statement of financial assets as at 30 June, 2021, the statement of receipts and payments, the statement of cashflows and the statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Ernst & Young LLP, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Last Mile Connectivity Project II as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Financial Management Act, 2012 and Financing Agreement ADF Loan No: 2000200000152 dated 17 October, 2016 between the African Development Bank(AfDB) and the Government of the Republic of Kenya.

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

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Pending Bills

Note 11.1 to the financial statements reflects pending bills of Kshs.517,952,000 as at 30 June, 2021. Management has not provided explanations for non-payment of the bills.

The Project is at risk of incurring significant interest costs and penalties with the 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.

Other Information

The Ag. Managing Director and CEO of Kenya Power and Lighting Company PLC and the Project Implementation Team are responsible for the other information, which comprise the Project Information and Overall Performance as required by the Public Financial Management (PFM) Act, 2012. The other information does not include the financial statements and our auditor's report thereon.

My 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 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, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have to report in this regard.

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, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Large Time Lag in Processing of Tax Exemption Certificates for Contractors

Contractors incurred retention/storage/Custom Bond 1-A fees due to delays by KPLC in processing tax exemption certificates on time. As a result, the contractors are demanding reimbursement of approximately Kshs.18,762,706 from Kenya Power and Lighting Company PLC as extra costs incurred in respect of LOT1 and 5 as analyzed in **Table 1** below;

Table 1: Lot Analysis

Lot Number	Amount USD	Exchange Rate (1 USD = Kshs.100)	Kshs.
Lot 1	-		4,011,506
Lot 5	147,512	100	14,751,200
Total			18,762,706

Report of the Auditor-General on Last Mile Connectivity Project II Loan No.2000200000152 for the year ended 30 June, 2021

This might lead to additional project costs that were not included in the budget.

2. Non-Compliance with Reports Submission Set Timelines

Analysis of reports submission for 2020/2021 revealed that the project did not comply with report submission timelines as per Section 7.01 and Section 7.02 of Article VII of Subsidiary Grant Agreement dated 4 April, 2017.

Quarter	Due Date	Submission Date	Days Late
July-September, 2020	15/10/2020	21/10/2020	6
October - December, 2020	15/01/2021	20/01/2021	5
April - June, 2021	5/07/2021	16/07/2021	1

The Project is therefore in breach of the terms of the financing agreement.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or 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 how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 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 sustaining its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 November, 2021

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

	Notes	FY 2020/2021			FY 2019/2020			Cumulative to-date (From inception) KShs'000'
		Receipts and payments controlled by the entity KShs'000'	Payment made by third parties KShs'000'	Total KShs'000'	Receipts and payment controlled by the entity KShs'000'	Payments made by third parties KShs'000'	Total KShs'000'	
Receipts								
GoK Counterparty Funding	10.3	1,468,885	-	1,468,885	485,624	-	485,624	2,216,586
Loan from African Development Bank	10.4	-	3,499,737	3,499,737	-	3,336,377	3,336,377	13,207,270
Advance Receipts from African Development Bank	10.8	127		127	1,203		1,203	20,549
Miscellaneous Receipts	10.5	-	-	-	-	-	-	1,463
Total Receipts		1,469,012	3,499,737	4,968,749	486,827	3,336,377	3,823,204	15,445,868
Payments								
Acquisition of Non-Financial Assets	10.7	1,468,885	3,499,737	4,968,622	485,624	3,336,377	3,822,001	15,423,856
Purchase of Goods and Services	10.6	13	-	13	1,076	-	1,076	21,898
Total Payments		1,468,898	3,499,737	4,968,635	486,700	3,336,377	3,823,077	15,445,754
Surplus		114	-	114	127	-	127	114

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

R. Adh-

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

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Project Coordinator
Name: George Tarus

Simon

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

7. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2021

	Notes	FY 2020/2021 Kshs'000'	FY 2019/2020 Kshs'000'
Financial Assets			
Cash and Cash Equivalents			
Bank Balances	10.9	114	127
Total Cash and Cash Equivalents		114	127
Total Financial Assets		114	127
Represented By:			
Fund balance B/F	10.10	114	127
Net Financial Position		114	127

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



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



Project Coordinator
Name: George Tarus



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

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

	Notes	FY 2020/2021 KShs'000'	FY 2019/2020 KShs'000'
Receipts from operating activities			
GOK Contribution	10.3	1,468,885	485,624
Payment from Operating Activities			
Bank Charges	10.5	(13)	-
Net cash flows from operating activities		<u>1,468,872</u>	<u>485,624</u>
Net cashflows from investing activities			
Construction of Distribution Lines	10.7	(4,968,622)	(3,822,001)
Capacity Building	10.6	-	(1,076)
Net cash flows from investing activities		<u>(4,968,622)</u>	<u>(3,823,077)</u>
Cash Flows from Borrowing Activities			
Loan from African Development Bank	10.4	3,499,737	3,336,377
Net cash flows from Borrowing activities		<u>3,499,737</u>	<u>3,336,377</u>
Net Increase in Cash and Cash Equivalent		<u>(13)</u>	<u>(1,076)</u>
Cash and cash equivalent at beginning of the year		<u>127</u>	<u>1,203</u>
Cash and cash equivalent at end of the year	10.9	<u>114</u>	<u>127</u>

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



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



Project Coordinator
Name: George Tarus



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

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9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	A	B	C = A + B	D	E = C - D	F=D/C %
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	
Receipts						
Transfer from Government of Kenya	1,468,885	-	1,468,885	1,468,885	-	100%
Loan from African Development Fund	2,500,000	500,000	3,000,000	3,499,737	(499,737)	117%
Miscellaneous Receipts	-	-	-	-	-	-
Total receipts	3,968,885	500,000	4,468,885	4,968,622	(499,737)	111%
Payments						
Construction of Distribution Lines and Capacity Building Expenses	3,968,885	500,000	4,468,885	4,968,622	(499,737)	111%
Total payments	3,968,885	500,000	4,468,885	4,968,622	(499,737)	111%

NB: Budget Utilization differences are explained in Annex 1 of the financial statements.



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



Project Coordinator
Name: George Tarus



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

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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 Public Sector Accounting standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

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

10.1.2 Reporting entity

The financial statements are for the Last Mile Connectivity Project II Implemented by KPLC. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

10.1.3 Reporting currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Project and all values are rounded to the nearest a thousand Kenya Shilling.

10.2 Significant Accounting Policies

a) Recognition of receipts

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

- **Transfers from the Exchequer**

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

10. NOTES TO THE FINANCIAL STATEMENTS (continued)

10.2 Significant Accounting Policies (Continued)

a) Recognition of receipts

Proceeds from borrowing

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

Undrawn external assistance

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

- **Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

b) Recognition of payments

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

- **Compensation of employees**

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

- **Use of goods and services**

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

- **Interest on borrowing**

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

- **Repayment of borrowing (principal amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the financial statements.

- **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 financial statements.

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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) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. There were no contingent liabilities in the year.

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

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10. NOTES TO THE FINANCIAL STATEMENTS (continued)

10.2 Significant Accounting Policies (Continued)

g) Contingent Assets

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

h) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

i) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

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

j) Third party payments

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

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

10. NOTES TO THE FINANCIAL STATEMENTS (continued)

10.2 Significant Accounting Policies (Continued)

k) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

l) Comparative figures

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

m) Subsequent events

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

n) Errors

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

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10. NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.3 RECEIPTS FROM GOVERNMENT OF KENYA

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

	FY 2020/2021	FY 2019/2020	Cumulative to-date (from inception)
	KShs'000	KShs'000	KShs'000
Counterpart Funding	1,468,885	485,624	2,216,586
Other transfers from government entities	-	-	-
Appropriation in Aid	-	-	-
Total	1,468,885	485,624	2,216,586

NB: KPLC receive funds through Ministry of Energy in Lumpsum for all the programmes. The entire funds are managed centrally with other Government funds and allocated on a need basis.

10.4 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

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

Name of Donor	Amount in loan currency	Loans received in cash	Loans received as direct payment	Total amount in KShs'000	
	USD	KShs	KShs'000	FY 2020/2021	FY 2019/2020
African Development Bank	32,259,832	-	3,499,737	3,499,737	3,336,377
Total	32,259,832	-	3,499,737	3,499,737	3,336,377

10.5 MISCELLANEOUS RECEIPTS

	FY 2020/2021			FY 2019/2020	Cumulative to date
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Interest Income	-	-	-	-	1,463
Total	-	-	-	-	1,463

10. NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.6 PURCHASE OF GOODS AND SERVICES

	FY 2020/2021			FY 2019/2020	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Total Payments
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Capacity Building	-	-	-	1,076	21,885
Bank Charges	13	-	13	-	13
Total	13	-	13	1,076	21,898

10.7 ACQUISITION OF NON FINANCIAL ASSETS

	FY 2020/2021			FY 2019/2020			Cumulative to- date
	Payments controlled by the entity	Payment made by third parties	Total Payments	Payments controlled by the entity	Payment made by third parties	Total Payments	Total Payments
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Construction of Distribution Lines	1,468,885	3,499,737	4,968,622	485,624	3,336,377	3,822,001	15,423,856
Total	1,468,885	3,499,737	4,968,622	485,624	3,336,377	3,822,001	15,423,856

10.8 ADVANCE RECEIPTS FROM AFRICAN DEVELOPMENT BANK

AFDB advanced an amount of USD 200,000 (KShs 20.549 Million) to the project on 26/7/2017 for project implementation. The unutilised funds at the start of the year is as presented below:

	FY 2020/2021	FY 2019/2020
	KShs'000	KShs'000
Advance Receipts from African Development Bank	127	1,203
Total	127	1,203

10. NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.9 CASH AND CASH EQUIVALENTS CARRIED FORWARD

	FY 2020/2021	FY 2019/2020
	KShs'000	KShs'000
Local Currency Accounts		
Standard Chartered Bank Kenya Ltd - [A/c No 104074121624]	114	127
Total bank account balances	114	127

10.10 FUND BALANCE BROUGHT FORWARD

	FY 2020/2021	FY 2019/2020
	KShs'000	KShs'000
Bank accounts	114	127
Total bank account balances	114	127

11 OTHER IMPORTANT DISCLOSURES

11.1 PENDING ACCOUNTS PAYABLE

Description	Balance b/f	Additions for the period	Paid during the year	Balance c/f
	FY 2019/2020			FY 2020/2021
	KShs'000	KShs'000	KShs'000	KShs'000
Supply of Good and Services	959,730	4,526,844	4,968,622	517,952
Total	959,730	4,526,844	4,968,622	517,952

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

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Observation from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status	Timeframe
Other Matter	<p>Pending Bills</p> <p>Financial statement reflected pending bills of KShs 959,730,000 as at 30 June 2020. The management had not provided explanations for non-payment of the bills. The project is at risk of incurring significant interest costs and penalties with the continued delay in payment. Further, 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.</p>	<p>The balances are not long outstanding since the accounts had movements for payments made to the contractors/suppliers during the period under review.</p> <p>In addition, the overall balance reduced from PY balance of KES 959,730,000 to KES 517,838,000.</p>	The Project Management Team	Not Resolved	FY 2021/2022

R. Adell

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

George Tarus

Project Coordinator
Name: George Tarus

Simon Tirop

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

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13 ANNEXES

ANNEX 1: VARIANCE EXPLANATIONS: COMPARATIVE BUDGET AND ACTUALS

	Original budget	Adjustments	Final budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments
	A	B	C = A + B	D	E = C - D	F = D/C %	
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000		
Receipts							
Transfer from Government of Kenya	1,468,885	-	1,468,885	1,468,885	-	100%	
Loan from African Development Fund	2,500,000	500,000	3,000,000	3,499,737	(499,737)	117%	(i), (ii)
Miscellaneous Receipts	-	-	-	-	-	-	
Total receipts	3,968,885	500,000	4,468,885	4,968,622	(499,737)	111%	
Payments							
Construction of Distribution Lines and Capacity Building Expenses	3,968,885	500,000	4,468,885	4,968,622	(499,737)	111%	(ii)
Total payments	3,968,885	500,000	4,468,885	4,968,622	(499,737)	111%	

- (i) The budget for the project was increased during the supplementary budget review by the National Treasury to cater for the increased project's financial requirements.
- (ii) The payments for the period includes KShs 959.730 Million in relation to pending bills cleared during the period but had already been budgeted in the previous years hence the high absorption rate.



ANNEX 2: ANALYSIS OF PENDING BILLS

Name	Original Amount KShs	Amount Approved for payments KShs	Amount Paid To-Date KShs	Outstanding Balance as June 2021 KShs	Outstanding Balance as June 2020 KShs
	a	b	c	d=c-b	
Giza Cable Industries	880,642,440	742,628,213	742,628,213	-	34,491,600
Giza Cable Industries	1,176,039,469	888,341,287	888,341,287	-	-
Bajaj Electricals Ltd/ Wayne Homes Kenya Ltd	1,597,203,479	1,262,470,348	1,226,869,097	35,601,251	118,173,523
Transrail Lighting Ltd	1,883,586,272	1,399,313,908	1,379,990,036	19,323,872	60,948,391
Sinotec Company Ltd	1,655,628,925	1,291,840,807	1,275,032,470	16,808,337	213,862,499
Esiko Kenya Enterprises / NARI Group Corporation	1,545,058,076	945,455,015	928,831,992	16,623,023	109,336,313
K.B.Sangani & Sons Colpitt Ltd	1,487,509,735	1,285,512,581	1,257,653,572	27,859,009	40,049,070
CP Power E.A Ltd/Gateway Clean Energy Africa Ltd	1,430,283,925	1,063,821,335	1,063,821,335	-	71,984,500
CCC International Engineering Nigeria Ltd	1,181,302,133	932,670,298	880,136,128	52,534,170	13,206,750
Camusat Kenya Ltd/Philafe Engineering Ltd/Clear Water Industries Ltd JV	390,962,769	285,291,219	285,291,219	-	7,535,611
Meru Woods I/Elegant/Hitecs JV	946,668,643	677,692,218	677,692,218	-	18,188,835
Nirav Agencies Ltd/Annihi Creations Enterprises Ltd JV	1,210,662,083	1,239,397,382	1,220,858,172	18,539,210	121,885,855
Burhani Engineers	777,924,899	650,187,271	642,130,524	8,056,747	798,775
Steg International Services	1,010,773,600	956,149,298	956,149,298	-	13,463,006
Global Access Networks Ltd/CPF Financial Services Ltd JV	507,475,959	348,371,496	319,405,674	28,965,822	100,093,059
Shenzhen Clou Electronic Co. Ltd	524,785,703	352,881,616	319,050,865	33,830,751	-
Wings Enterprises Ltd	102,676,170	102,115,085	102,115,085	-	10,479,751
Nirav Agencies Ltd	213,656,000	140,131,680	140,131,680	-	-
Rousant International Ltd	173,509,816	184,214,850	184,214,850	-	-
Quingdao	176,321,589	-	-	-	-
Shenzhen Clou Electronic Co. Ltd	1,041,682,171	967,908,180	708,098,681	259,809,499	-
Aberdare Engineering Ltd	274,380,500	218,817,901	218,817,901	-	25,232,205
PWC	2,505,000	2,505,000	2,505,000	-	-
Ernst & Young	4,090,947	4,090,947	4,090,947	-	-
Total	20,195,330,303	15,941,807,935	15,423,856,244	517,951,691	959,729,743

ANNEX 3: SUMMARY OF FIXED ASSETS REGISTER

Asset class	Opening Cost as at 01.07.2020	Acquisition in the year	Disposals in the Year	Transfers in/(out)	Closing Cost as 30.06.2021
	KShs'000 (a)	KShs'000 (b)	KShs'000 (c)	KShs'000 (d)	KShs'000 (e)=(a)+(b)-(c)+(-)d
Distribution Lines	10,455,234	4,968,622	-	-	15,423,856
Total	10,455,234	4,968,622	-	-	15,423,856

