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REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
EASTERN ELECTRICITY HIGHWAY PROJECT
(IDA NO. 5148-KE)**

**FOR THE YEAR ENDED
30 JUNE 2015**

**KENYA ELECTRICITY TRANSMISSION
COMPANY**





**INDEPENDENT AUDITORS REPORT
ON AUDIT OF THE EASTERN
ELECTRICITY HIGHWAY PROJECT
IMPLEMENTED BY KENYA
ELECTRICITY TRANSMISSION
COMPANY LIMITED (KETRACO)**

**FOR THE YEAR ENDED
30 JUNE 2015**

ABBREVIATIONS

AfDB	African Development Bank
IDA	International Development Association
AFD	Agence Francaise de Development
GAAP	Generally Accepted Accounting Principles
GOK	Government of Kenya
HVDC	High Voltage Direct Current
INTOSAI	International Organisation of Supreme Audit Institutions
ISA	International Standards on Auditing
KETRACO	Kenya Electricity Transmission Company Limited
kV	Kilovolts
PFSs	Project Financial Statements
RAP	Resettlement Action Plan
SORE	Statement of Receipts and Expenditure
UA	Units of Account
US\$	United States Dollar

**REPORTS ON THE GRANT RELATING TO THE CONSTRUCTION OF THE EASTERN
ELECTRICITY HIGHWAY PROJECT IMPLEMENTED BY KENYA ELECTRICITY
TRANSMISSION COMPANY LIMITED (KETRACO)
FOR THE YEAR ENDED 30 JUNE 2015**

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**REPORTS ON THE GRANT RELATING TO THE CONSTRUCTION OF THE EASTERN
ELECTRICITY HIGHWAY PROJECT IMPLEMENTED BY KENYA ELECTRICITY
TRANSMISSION COMPANY LIMITED (KETRACO)
FOR THE YEAR ENDED 30 JUNE 2015**

1.0 INTRODUCTION

1.1 Background

Kenya Electricity Transmission Company Limited (KETRACO) 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:

1. Improve quality and reliability of electricity supply throughout the country;
2. Transmit electricity to areas that are currently not supplied from the national grid;
3. Evacuate power from planned generation plants; and
4. Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region.

The Eastern Electricity Highway Project is financed by the following partners.

- World Bank – Credit no- 50480-KE
- African Development Bank (AfDB) - Loan/Grant Number - 2100150022643
- Agence Francaise de Development (AFD) –Credit No.- CKE103001B
- Government of Kenya through the Ministry of Energy and Petroleum and National Treasury.

Being the owner of the project, KETRACO provides the organizational set up for the activities and ensure the qualified staff and the basic office infrastructure for efficient execution of the project.

The Eastern Electricity Highway Project was designed for the construction of 612km of 500kV from Ethiopia to Suswa in Kenya, construction and commissioning of one converter substation, carrying out of the Environmental and Social Management Plan and the Resettlement Action Plan, system reinforcement of the substations and Project Management and Capacity Building. The Project's objective is to increase the volume and reduce the cost of electricity supply in Kenya and to support a program aimed at developing the future transformation towards full access to individual Eastern African countries to the benefits of regional power interconnection.

THE EASTERN ELECTRICITY HIGHWAY PROJECT

Key contractual data

Scope: Project Supervision and Management of Subcomponent A4-System Reinforcement

Consultant: Lahmeyer International GmbH

Loan No: IDA Credit No. 5148-KE

Contract Signed On: 21 January 2014

Contract Price: The quoted price is in four currencies Euro 4,812,602, USD 28,873,380.00, CHF 105,390 and KSH 394,920,057.

Contract Completion: 18 months after commencement

**REPORTS ON THE GRANT RELATING TO THE CONSTRUCTION OF THE EASTERN
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TRANSMISSION COMPANY LIMITED (KETRACO)
FOR THE YEAR ENDED 30 JUNE 2015**

1.0 INTRODUCTION (Continued)

1.1 Background (Continued)

Scope: Subcomponent A4-System Reinforcement; Construction of 400/220kv Isinya, Athi river and Nairobi North Substations Extensions.

Consultant: National Contracting Company

Loan No: IDA Credit No. 5148-KE

Contract Signed On: 30th April, 2014

Contract Price: The quoted price is in two currencies Euro 1,051,300 and KSH 90,428,000

Contract Completion: 18 months after commencement

Scope: Construction of Eastern Electricity Highway Project.

Lot 4 : LOG LOGO - ETHIOPIA BORDER

Contract No. KETRACO/PT/0112015-LOT 4

Contractor: KEC International Limited

Loan No: IDA Credit No. 5148-KE

Contract Signed On: 30th June, 2015

Contract Price: The quoted price is in two currencies Euro 34,227,179.00 and KSH 1,394,538,217.00

Contract Completion: 24 months after commencement

Scope: Construction of Eastern Electricity Highway Project.

Lot 5 : KINAMBA – LOG LOGO

Contract No: KETRACO/PT/0112015-LOT 5

Contractor: Larsen & Toubro Limited

Loan No: IDA Credit No. 5148-KE

Contract Signed On: 30th June, 2015

Contract Price: The quoted price is in two currencies Euro 34,630,001.20 and KSH 1,380,751,259.00

Contract Completion: 24 months after commencement

Scope: Construction of Eastern Electricity Highway Project.

Lot 6 : SUSWA - KINAMBA

Contract No. KETRACO/PT/0112015-LOT 6

Contractor: Kalpataru Power Transmission Limited

Loan No: IDA Credit No. 5148-KE

Contract Signed On: 30th June, 2015

Contract Price: The quoted price is in two currencies Euro 27,673,590 and KSH 1,353,179,720

Contract Completion: 24 months after commencement

**REPORTS ON THE GRANT RELATING TO THE CONSTRUCTION OF THE EASTERN
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TRANSMISSION COMPANY LIMITED (KETRACO)
FOR THE YEAR ENDED 30 JUNE 2015**

1.0 INTRODUCTION (Continued)

1.1 Background (Continued)

During the period under audit, the financier's disbursed funds as below:

Financiers	Amount (Kshs)
GOK Development	397,494,002
ADB	48,439,937
IDA	917,372,269
	<hr/>
Total Receipts	<u>1,363,306,208</u>

1.2 Audit objectives

Deloitte & Touche were contracted by KETRACO, as required by Funding agreements between IDA AfDB, AFD and the Government of Kenya to perform an audit of projects relating to the construction of transmission lines for the year ended 30 June 2015 in accordance with International Standards on Auditing (ISA) or International Organisation of Supreme Audit Institutions (INTOSAI) Auditing Standards.

The objective of the audit of the Project Financial Statements (PFSs) is to:

- Enable the auditors to express an independent professional opinion on the financial position of the project as at 30 June 2015 and ensure that the funds granted to the Project have been used for their intended purposes;
- Identify, evaluate and report on the internal control structure of the Eastern Electricity Highway Project for the year ended 30 June 2015;
- Enable the auditor to give an opinion on the compliance with the provisions of the loan agreement and the bank rules and procedures in respect of project management;

1.3 Audit Scope

The audit was carried out in accordance with International Standards on Auditing (ISA) and included such tests and controls, as the auditors consider necessary under the circumstances. In undertaking the audit, special attention was paid to the following to establish whether:

- (a) All bank funds had been used in accordance with the conditions of the loan agreement, with due attention to economy and efficiency and only for the purposes for which the fund was provided;
- (b) Counterpart funds (from the government budget) and external funds (in case of co-financing) have been provided and used in accordance with the conditions of the loan agreement, with due attention to economy and efficiency and only for the purposes for which they were provided;

**REPORTS ON THE GRANT RELATING TO THE CONSTRUCTION OF THE EASTERN
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FOR THE YEAR ENDED 30 JUNE 2015**

1.0 INTRODUCTION (Continued)

1.3 Audit Scope (Continued)

- (c) Goods, works and services financed have been procured in accordance with the loan agreement and in accordance with the Bank's rules and procedures; and have been properly accounted for;
- (d) All necessary supporting documents, records and accounts had been kept in respect of all project activities. Clear linkages should exist between the books of account and the financial statements presented to the bank as well as level of disbursement and physical completion stage;
- (e) Where special accounts had been used, they have been maintained in accordance with the provisions of the loan agreement and in accordance with the bank's rules and procedures;
- (f) The financial statements had been prepared in accordance with the basis of accounting set out on note 3.3.1 of this report and give a true and fair view of the financial position of the project and of its receipts and expenditures for the year ended on that date;
- (g) Comprehensive assessment of the adequacy and effectiveness of the accounting and overall internal control system to monitor expenditures and other financial transactions and ensure safe custody of project financed assets and that they are being used for the intended purpose;
- (h) The project financed assets are real and properly evaluated and project property rights or related beneficiaries rights are established in accordance with loan conditions; and
- (i) Ineligible expenditures identified during the audit are identified and reflected in a separate paragraph of the audit report and if material, the point should be reflected in the auditors' opinion.

In accordance with International Standards on Auditing, we paid attention to the following:

- (i) **Fraud and Corruption** : As required by the ISA 240 (The Auditors' Responsibilities Relating to Fraud in an Audit of Financial Statements) we presumed the significant risk of material misstatement of financial statements due to fraud arising from management override of controls and revenue recognition, we obtained sufficient evidence of analysis of these risks and assessed properly the risks identified or suspected;
- (ii) **Laws and Regulations**: In designing the audit approach and in performing the audit procedures, we evaluated the Project Implementing Unit's (PIU's) compliance with the provisions of laws and regulations that might impact significantly the Project Financial Statements (PFSs) as required by ISA 250 (Considerations of Laws and Regulations in an Audit of Financial statements);
- (iii) **Governance**: We communicated with the PIU's management responsible for Governance regarding significant audit issues related to governance in accordance with ISA 260 (Communication with those charged with Governance); and
- (iv) **Risks**: With a view to reducing audit risks to a relatively low level, we applied appropriate audit procedures and handled anomalies/risks identified during their evaluation. This is in accordance with ISA 330 (The Auditor's Responses to Assessed Risks).

**REPORTS ON THE GRANT RELATING TO THE CONSTRUCTION OF THE EASTERN
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1.0 INTRODUCTION (Continued)

1.4 Audit methodology

The audit methodology principally comprised of the following steps and procedures:

a) Audit of the Statement of Receipts and Expenditure

- i. Agreed income and expenditure account balances to the underlying records, principally the Statement of Receipts and Expenditure and transaction reports;
- ii. Reviewed income transferred to the project during the year ended 30 June 2015 and agreed the amounts to the confirmation received from IDA and GoK;
- iii. Agreed project expenses to supporting documents on a sample basis, confirming that they were adequately supported and authorised; and were related to the projects;
- iv. Ensured that expenditure allocation is in line with the approved budget;
- v. Verified the numerical accuracy of the Statement of Receipts and Expenditure;
- vi. Checked whether written donor approval was obtained where expenses exceeded the budget;
- vii. Performed cut-off tests to ensure expenses are allocated to the correct accounting period; and
- viii. Documented any findings, observations and recommendations noted

b) Audit of the activities of the project's special account:

We performed the following procedures:

- i. Reviewed the bank statements for the year ended 30 June 2015 and ensured that all credits were posted as income;
- ii. We ensured that all payments made from the account were adequately supported and approved;
- iii. Obtained interest credits from the bank statements in the period under review and ensured that this was reported under income; and
- iv. Agreed cash balances to cashbooks as at 30 June 2015.

c) Evaluation of the adequacy and effectiveness of the internal control structure:

We performed the following procedures:

- i. Obtained a sufficient understanding of internal control to plan the audit and to determine the nature, timing and extent of tests to be performed;
- ii. Assessed inherent risk and control risk and summarised the risk assessments for each assertion; and

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1.0 INTRODUCTION (Continued)

1.4 Audit methodology (Continued)

**c) Evaluation of the adequacy and effectiveness of the internal control structure:
(Continued)**

- iii. Evaluated the internal control environment, the adequacy of the accounting systems, and control procedures with emphasis on the policies and procedures that pertain to KETRACO's ability to record, process, summarize, and report financial data consistent with the assertions embodied in each account of the Statement of Receipts and Expenditure.

This included the control systems for:

- i. Ensuring that charges to the project are valid and supported.
- ii. Managing cash on hand and in bank accounts.
- iii. Procuring goods and services.
- iv. Managing personnel functions such as timekeeping, salaries and benefits.
- v. Managing and disposing of equipment purchased for the project.
- vi. Ensuring compliance with agreement terms and applicable laws and regulations that collectively have a material impact on the Statement of Receipts and Expenditure.

d) Evaluation of compliance with agreement terms and pertinent laws and regulations

We performed the following tests

- i. Identified the agreement terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the Statement of Receipts and Expenditure;
- ii. Assessed the inherent and control risk that material non-compliance could occur;
- iii. Determined the nature, timing and extent of audit steps and procedures to test for errors, fraud, and illegal acts that provide reasonable assurance of detecting both intentional and unintentional instances of non-compliance with agreement terms and applicable laws and regulations that could have a material effect on the Statement of Receipts and Expenditure; and
- iv. Documented findings, observations and made recommendations.

e) Steps to provide reasonable assurance for detecting material errors, irregularities and illegal acts.

Errors are unintentional misstatements or omissions of amounts or disclosures in financial statements while irregularities are intentional misstatements or omissions of amounts or disclosure which may involve falsification or manipulation or alteration of accounting records or supporting documents and/or misrepresentations and omission of significant information. Illegal acts are violations of government regulations.

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1.0 INTRODUCTION (Continued)

1.4 Audit methodology (Continued)

e) Steps to provide reasonable assurance for detecting material errors, irregularities and illegal acts (Continued)

These were addressed by:

- Considering the audit risk as may be apparent from any weakness in the internal control structure, our assessment of the grantee managements' attitude and our exercise of professional judgement regarding perceived audit risks;
- Focusing on specific areas which we consider to be risky e.g. allocation of actual expenditure to budget line items and incurring of expenditure in accordance with the agreement and other instructions from the Financiers;
- Being alert to identify and bring to light at the earliest stage any act or actions which appear to be violations of government laws and regulations, provisions of the agreement and other relevant directives; and
- Obtaining written presentations from management.

1.5 Summary of audit results

- **Express a professional opinion as to whether the Statement of Receipts and Expenditure show a true and fair view**

The Statement of Receipts and Expenditure presents fairly, in all respects, the income received and the expenditure incurred during the year ended 30 June 2015 in accordance with the accounting policies set out in note 3.3.1 of this report.

- **Identify, evaluate and report on the internal control structure of the Eastern Electricity Highway Project**

We established that an internal control structure is in place. We did not identify any internal control weaknesses.

- **Express an opinion as to the degree of compliance with the bank's procedures and the balance of the special account as at 30 June 2015**

The statement of special account, presents fairly, in all material respects, the cash balance for the Eastern Electricity Highway Project amounting to Kshs. 88,862,212 as at 30 June 2015 in accordance with the financiers' requirements.

- **Determine and report on whether Eastern Electricity Highway Eastern Electricity Highway Project complied, in all material respects with the provisions of the loan agreement and the bank rules and procedures in respect to project management**

There were no instances of non-compliance.

**REPORTS ON THE (GRANT RELATING TO THE CONSTRUCTION OF THE EASTERN
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COMPANY LIMITED)
FOR THE YEAR ENDED 30 JUNE 2015**

2.0 STATEMENT OF DIRECTORS' RESPONSIBILITIES

It is the responsibility of the directors of KETRACO to prepare Statement of Receipts and Expenditure for each financial year which gives a true and fair view of the state of affairs of the project as at the end of the financial year and of its operating results for that year. The directors are also required to ensure that the project keeps proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the project. They are also responsible for safeguarding the assets of the project.

The directors are responsible for the preparation of the Statement of Receipts and Expenditure in accordance with the accounting policies set out in note 3.3.1 of this report and, for such internal controls as the directors determine are necessary to enable the preparation of the Statement of Receipts and Expenditure that is free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the Statement of Receipts and Expenditure, which has been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates. The directors are of the opinion that the Statement of Receipts and Expenditure gives a true and fair view of the state of the financial affairs of the project and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the Statement of Receipts and Expenditure, as well as adequate systems of internal financial control.



Director

22 December

2015



Director

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON EASTERN ELECTRICITY HIGHWAY PROJECT (IDA NO. 5148-KE) FOR THE YEAR ENDED 30 JUNE 2015 - KENYA ELECTRICITY TRANSMISSION COMPANY

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Eastern Electricity Highway Project (IDA No. 5148-KE) set out at the pages 12 to 17, which comprise the statement of financial assets and liabilities as at 30 June 2015, statement of receipts and payments, statement of cash flows, statement of comparative budget and actual amounts, and a summary of significant accounting policies and other explanatory information have been audited by Deloitte and Touché, auditors appointed under Section 39 of the Public Audit Act, 2003. The auditors have duly reported to me the results of their audit and on the basis of this report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purposes of the audit were obtained.

Management's Responsibility for the Financial Statements

Management of Kenya Electricity Transmission Company (KETRACO) are responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected

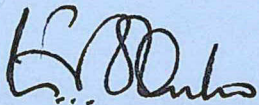
Eastern Electricity Highway Project (IDA NO. 5148-KE) – Annual Report and Financial Statements for the year ended 30 June 2015

depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparations and fair presentation of the financial statements 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. An Audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis of my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Project as at 30 June, 2015, and 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 Credit No. 5148-KE between the Government of Kenya and International Development Association dated 5 December, 2012.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

29 December 2015

REPORTS ON THE (GRANT RELATING TO THE CONSTRUCTION OF THE EASTERN ELECTRICITY HIGHWAY PROJECT MANAGED BY KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED) FOR THE YEAR ENDED 30 JUNE 2015

3.2 STATEMENT OF RECEIPTS AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014	Ineligible expenses	Unsupported expense	Notes
	Kshs	Kshs	Kshs	Kshs	
Receipts					
Grant income	1,363,306,208	773,450,501	-	-	3.6.2
Interest income	1,454,140	-	-	-	
Total Receipts	1,364,760,348	773,450,501	-	-	
Expenditure					
Consultancy fees	68,206,689	479,083,756	-	-	
Legal fees	-	32,888,000	-	-	
Licence fee	-	1,221,108	-	-	
Motor vehicles	159,736	-	-	-	
Other project costs	124,710,391	23,357,849	-	-	
Transmission lines	-	702,140,203	-	-	
Site travel and accommodation	33,306,048	28,270,651	-	-	
Survey/Topography	-	152,000	-	-	
Wayleaves	22,422,588	550,182,432	-	-	
Audit fee	600,000	-	-	-	
Total	249,405,452	1,817,295,999	-	-	
Surplus/(deficit) for the year	1,115,354,896	(1,043,845,498)	-	-	
Fund balance brought forward	(1,043,845,498)	-	-	-	
Fund surplus/(deficit) carried forward	71,509,398	(1,043,845,498)	-	-	
Represented By:					
Cash and bank balance	88,862,212	-	-	-	3.6.3
Payables	(17,352,814)	(1,043,845,498)	-	-	
	71,509,398	(1,043,845,498)	-	-	

The Statement of Receipts and Expenditure was approved and authorised by the directors of The Kenya Electricity Transmission Company Limited on 22 December 2015 and were signed on its behalf by:

)
) Director
)
) Director

REPORTS ON THE (GRANT RELATING TO THE CONSTRUCTION OF THE EASTERN ELECTRICITY HIGHWAY PROJECT MANAGED BY KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED) FOR THE YEAR ENDED 30 JUNE 2015

STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30 JUNE 2015

	NOTE	2015 Kshs	2014 Kshs
Financial assets			
Bank Balances	3.6.3	88,862,212	-
Represented by:			
Fund balance brought forward		(1,043,845,498)	-
Surplus/(deficit) for the year		1,115,354,896	(1,043,845,498.00)
Payables		17,352,814	1,043,845,498.00
NET FINANCIAL POSITION		88,862,212	-

Director

22/12/2015
Date

Project Coordinator

22/12/15
Date

REPORTS ON THE (GRANT RELATING TO THE CONSTRUCTION OF THE EASTERN ELECTRICITY HIGHWAY PROJECT MANAGED BY KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED) FOR THE YEAR ENDED 30 JUNE 2015

3.4 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	2015 Kshs
CASHFLOW FROM OPERATING ACTIVITIES		
Receipts for operating income		
Transfers from Government entities	3.6.4	397,494,002
Proceeds from domestics grants	3.6.5	965,812,206
Decrease in Payables		(1,026,492,684)
Payments for operating expenses		
Acquisition of non-financial assets	3.6.6	(249,405,452)
		<hr/>
Net cash generated from operating activities		87,408,072
		<hr/>
CASHFLOWS FROM FINANCING ACTIVITIES		
Interest income		1,454,140
		<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS		88,862,212
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		
		-
		<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	3.6.3	88,862,212
		<hr/> <hr/>

Director

22/12/2015

Date

Project Coordinator

22/12/15

Date

REPORTS ON THE (GRANT RELATING TO THE CONSTRUCTION OF THE EASTERN ELECTRICITY HIGHWAY PROJECT MANAGED BY KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED) FOR THE YEAR ENDED 30 JUNE 2015

3.5 STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payment Item	Original Budget a Kshs	Adjustments b Kshs	Final Budget c Kshs	Actual Comparable basis d Kshs	Variance e=d-c Kshs	% of variance f=e/c% Kshs
Receipts						
Transfer from Government entities	600,000,000	-	600,000,000	249,405,452	(350,594,548)	(58%)
Proceed from borrowings	4,352,000,000	-	4,352,000,000		(4,352,000,000)	(100%)
Total receipts	4,952,000,000	-	4,952,000,000	249,405,452	(4,702,594,548)	(95%)
Payments						
Acquisition of non-financial assets	(4,952,000,000)	-	(4,952,000,000)	(249,405,452)	(4,702,594,548)	(95%)



Director

22/12/2015

Date



Project Coordinator

22/12/15

Date

REPORTS ON THE (GRANT RELATING TO THE CONSTRUCTION OF THE EASTERN ELECTRICITY HIGHWAY PROJECT MANAGED BY KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED) FOR THE YEAR ENDED 30 JUNE 2015

3.6 NOTES TO THE STATEMENT OF RECEIPTS AND EXPENDITURE

3.6.1 ACCOUNTING POLICIES

a) Basis of accounting

The financial statements have been prepared on a cash receipts and disbursements basis, modified to accrue for outstanding payables and receivables. This is a comprehensive basis of accounting other than generally accepted accounting principles.

b) Income

Grant income represents amounts received under the project during the period under review. The Grant income are funds disbursed as refinancing of expenditures paid by the borrower, direct disbursements by the lender to contracting funds and funds from the Government of Kenya as recurrent development expenditure.

c) Expenditure

The actual expenditure represents the amounts incurred by the project during the period under audit.

d) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3.6.2 GRANT INCOME

The amounts received during the year are tabulated as follows:

Source of funds	2015 Kshs	2014 Kshs
GOK Development	397,494,002	626,844,572
ADB	48,439,937	146,605,929
IDA	917,372,269	-
	<hr/>	<hr/>
Total Receipts	1,363,306,208	773,450,501
	<hr/> <hr/>	<hr/> <hr/>

3.6.3 CASH AND BANK BALANCES

The bank and cash balance as at 30 June were as follows:

Details	2015 Kshs	2014 Kshs
Bank and cash balances	88,862,212	-
	<hr/> <hr/>	<hr/> <hr/>

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3.6.4 TRANSFERS FROM GOVERNMENT ENTITIES

	2015 Kshs	2014 Kshs
Government of Kenya	397,494,002	626,844,571

3.6.5 LOANS FROM EXTERNAL DEVELOPMENT PARTNERS

Receipts	2015 Kshs	2014 Kshs
ADB	48,439,937	146,605,929
IDA	917,372,269	
Other Income - Interest	1,454,140	
Total Receipts	967,266,346	146,605,929

The loan is denominated in United States Dollars (USD) and has been converted into Kenya Shillings at the rate ruling on the date of the actual drawdown.

3.6.6 ACQUISITION OF NON – FINANCIAL ASSETS

Expenditure	2015 Kshs	2014 Kshs
Consultancy fees	68,206,689	479,083,756
Legal fees	-	32,888,000
Licence fee	-	1,221,108
Motor vehicles expenses	159,736	-
Other project costs	125,310,393	23,357,849
Power line (transmission equipment)	-	702,140,203
Site travel and accommodation	33,306,048	28,270,651
Survey/topography	-	152,000
Wayleaves	22,422,588	550,182,432
Total	249,405,454	1,817,295,999

3.6.7 CURRENCY

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

APPENDIX

1. FUNDING RECEIVED

Source of funds	2015 Kshs	2014 Kshs	Method of disbursement
GOK Development	397,494,002	626,844,572	Direct payment
ADB	48,439,937	146,605,929	Direct payment
IDA	917,372,269	-	Direct payment
Interest Income	1,454,140	-	
Total Receipts	<u>1,364,760,348</u>	<u>773,450,501</u>	

2. LIST OF ASSETS

A separate list of assets is not maintained for the assets as all costs are captured as work in progress until the project is complete.