

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 09 FEB 2022 DAY OF Wed

TABLED BY: LDM

CLERK-AT THE-TABLE: S. Kollama

THE AUDITOR-GENERAL

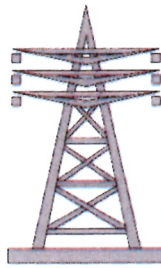
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**NAIROBI RING TRANSMISSION LINE
PROJECT (AFD CREDIT NO. CKE6012.01, AFD
CREDIT NO. CKE 1068 01, AFD CREDIT
NO. CKE 1030.01B, EIB CREDIT
NO. 25.367/KE AND GOK)**

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

**KENYA ELECTRICITY TRANSMISSION
COMPANY LIMITED**



KETRACO



THE NAIROBI RING TRANSMISSION LINE PROJECT

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED (KETRACO)

CREDIT NUMBER: AFD LOAN NO: CKE 1068 01N; CKE 6012 01G & EIB CREDIT NO. 25367 KE

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)**

ABBREVIATIONS

AFD	Agence Francaise de Development
EIB	European Investment Bank
EUR	Euro
GOK	Government of Kenya
HVDC	High Voltage Direct Current
IPSAS	International Public Sector Accounting Standards
KETRACO	Kenya Electricity Transmission Company
kV	Kilovolts
USD	United States Dollar
NCC	National Contracting Company
GOK	Government of Kenya
OGW	Order of Grand Warrior
Wt	Weight

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and Registered Office

Name: The project’s official name is Nairobi Ring Transmission Line Project.

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

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

The address of its registered office is:

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

Contacts: The following are the project contacts

Telephone: (+254) 20 – 4956000
 E-mail: info@ketraco.co.ke
 Website: www.ketraco.co.ke

1.2 Project Information

Project start date:	The project start date is October 2012
Project end date:	The project end date is 31 March 2022
Project manager:	The project manager is Engineer Anthony Musyoka
Project sponsor:	The project sponsor is Government of Kenya

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of Kenya Electricity Transmission Company Limited.
Project number	CKE 1030 01G; CKE 1068 01N; CKE 6012 01G & EIB CREDIT NO. 25367 KE
Strategic goal of the project	The strategic goal of the project is to evacuate power from planned generation plants and to transmit electricity to areas that are currently not supplied from the national grid.

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.3 Project Overview (continued)

Other important background information of the project	<p>The project is implemented by Kenya Electricity Transmission Company Limited (KETRACO) which was incorporated on 2 December 2008 and registered under the Companies Act, Cap 486 pursuant to Sessional Paper No. 4 of 2004 on Energy. The Company was established to develop new high voltage electricity transmission infrastructure that will form the backbone of the National Transmission Grid, in line with Kenya Vision 2030. Its core business is to plan, design, build and maintain new electricity transmission lines and associated substations. These new lines will include 132kV, 220kV, 400kV and 500kV High Voltage Direct Current (HVDC). In carrying out this mandate, the Company is expected to develop a new and robust grid system in order to:</p> <ul style="list-style-type: none"> (i) Improve quality and reliability of electricity supply throughout the country; (ii) Transmit electricity to areas that are currently not supplied from the national grid; (iii) Evacuate power from planned generation plants; and (iv) Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region. <p>As the owner of the project, KETRACO provides the organizational set up for the activities, qualified staff and basic office infrastructure for efficient execution of the project.</p> <p>The Nairobi Ring Project comprises of projects which are funded jointly by the Government of Kenya through the Ministry of Energy and the National Treasury and a line of credit obtained from AFD and EIB. The line of credit agreement was signed in 2010 for USD 99.80 Million.</p>
Current situation that the project was formed to intervene	Low electricity access and low connectivity.
Project duration	The project started in 2012 and is expected to run until 31 March 2022.

1.4 Bankers

The following are the bankers for the current year:

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

NCBA Bank Kenya Limited
 Upper Hill
 P. O. Box 30437 – 00100
 Nairobi.

Citibank Kenya
 Upper Hill
 P. O. Box 30711 - 00100
 Nairobi

Standard Chartered Bank Ltd
 P. O. Box 30001-00100
 Nairobi

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.5 Auditors

Delegated Auditor: Deloitte & Touche LLP
 Deloitte Place, Waiyaki Way, Muthangari
 P O Box 40092 – 00100 GPO
 Nairobi.

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

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Engineer Anthony Musyoka	Project Manager	Master of Science Power Systems, Master of Business Administration, Bachelor of Science Electrical Engineering	Project Coordinator
Johnson Muthoka	Senior Manager Wayleaves	Bachelor of Arts Land Econ (Hons), Master of Arts (Urban and Regional Planning , full member of Institute of Surveyors of Kenya, registered and licensed land economist	Wayleaves acquisition (land economists, land surveyors, social economists, environmental experts)
Mildred Mwhaki	Project Accountant	Master of Business Administration, Bachelor of Commerce (Finance), Certified Public Accountant(Kenya)	Preparation of project financial reports

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.7 Funding Summary

The Project financing is for a duration of 10 years from 2012 to 2021 with an approved budget of AFD funding amounting to Euro 78,500,000 and additional AFD savings of Euro 11,555,046; Euro 25,769,045 and Euro 9,793,644 for EIB loan no.25367 for Nairobi Ring project respectively. The counterpart funding is KShs 4,533,946,000 and KShs 6,854,309 from GOK and KETRACO respectively as highlighted in the table below:

A. Sources of Funds

Source of funds	Donor Commitment		Amount received to date : - (30 June 2021)		Undrawn balance to date: (30 June 2021)	
	Donor currency EURO	KShs	Donor currency EURO	KShs	Donor currency EURO	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')- (B')
(i) Grant/Loan						
AFD Credit No.CKE 1068 01N	78,500,000	8,826,736,465	78,500,000	8,826,736,465	-	-
AFD Credit No.CKE 6012 01G	11,555,046	1,240,000,000	11,555,046	1,240,000,000	-	-
EIB credit No.25367 KE	9,793,644	1,126,363,589	9,793,644	1,126,363,589	-	-
AFD Credit No.CKE 1030 01G	25,474,893	3,295,300,502	25,474,893	3,295,300,502	-	-
(ii) Counterpart funds						
Government of Kenya	-	4,533,946,000	-	4,533,946,000	-	-
KETRACO	-	6,854,309	-	6,854,309	-	-
Total	125,323,583	19,029,200,865	125,323,583	19,029,200,865	-	-

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.7 Funding Summary (continued)

B. Application of Funds

Source of funds	Amount received to date – (30 June 2021)		Cumulative Amount paid to date – (30 June 2021)		Unutilised balance to date – (30 June 2021)	
	Donor Currency EURO (A)	KShs (A')	Donor Currency EURO (B)	KShs (B')	Donor Currency EURO (A)-(B)	KShs (A')-(B')
(i) Grant/Loan						
AFD Credit No.CKE 1068 01N	78,500,000	8,826,736,465	78,500,000	8,826,736,465	-	-
AFD Credit No.CKE 6012 01G	11,555,046	1,240,000,000	11,555,046	1,240,000,000	-	-
EIB credit No.25367 KE	9,793,644	1,126,363,589	9,793,644	1,126,363,589	-	-
AFD Credit No.CKE 1030 01G	25,474,893	3,295,300,502	4,807,391	592,950,208	20,667,502	2,702,350,293
(ii) Counterpart funds						
Government of Kenya	-	4,533,946,000		4,533,946,000	-	-
KETRACO	-	6,854,309		6,854,309	-	-
Total	125,323,583	19,029,200,865	104,656,081	16,326,850,571	20,667,502	2,702,350,293

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

1.8 Summary of Overall Project Performance:

1.8.1 Budget Performance Against Actual Amounts

During the year under review, the project received KShs 3,158,479,998 against a final budget of KShs 3,100,000,000. Similarly, the project incurred total payments of KShs 707,102,009 during the year, against a final budget of KShs 3,100,000,000. The project's cumulative receipts and payments to-date amounts to KShs 19,120,637,912 and KShs 16,408,547,888 respectively.

1.8.2 Physical Progress Based on Outputs, Outcomes and Impact

- 100km 400kV Isinya-Suswa double circuit Line. The project was completed in August 2017.
- 220 kV Suswa Substation. The project was completed in April 2016
- Isinya substation was completed on 14 June 2018.
- Athi River substation was completed on 19 June 2019.
- Kimuka (Ngong) substation is expected to be completed on 31 March 2022. Malaa (Komarock) Substation is expected to be completed on 31 March 2022. The physical progress is follows:

Isinya Substation	Manufacturing/Shipment	wt. =30%	100%
	Civil Works/Construction	wt. =40%	100%
	Outdoor Installation	wt. =15%	100%
	Indoor Installation	wt. =15%	100%
	Overall Completion	wt. =100%	100%
	Physical completion achieved on 14 June 2018. Energization done in December 2019.		
Athi River Substation	Manufacturing/Shipment	wt. =30%	100%
	Civil Works/Construction	wt. =40%	100%
	Outdoor Installation	wt. =15%	100%
	Indoor Installation	wt. =15%	100%
	Overall Completion	wt. =100%	100%
	Substation is physically completed on 19 June 2019. Energization planned for November 2021.		
Kimuka Substation	Manufacturing/Shipment	wt. =30%	95%
	Civil Works/Construction	wt. =40%	99%
	Outdoor Installation	wt. =15%	100%
	Indoor Installation	wt. =15%	99%
	Overall Completion	wt. =100%	97%
	The completion date expected to be on April 2021. Energization planned for March 2022.		
Malaa Substation	Manufacturing/Shipment	wt. =30%	85%
	Civil Works/Construction	wt. =40%	82%
	Outdoor Installation	wt. =15%	40%
	Indoor Installation	wt. =15%	40%
	Overall Completion	wt. =100%	79%
	The completion date expected to be on April 2021. Energization planned for March 2022.		

1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.8.3 Value for Money Achievements

The Nairobi ring via Suswa substation and the Isinya-Suswa line has enhanced evacuation capacity from the geothermal hub at Olkaria and hence since the energization of the transmission line and substation there have been minimal power outages/ shortages in Nairobi. Once the rest of the works are complete the power stability and quality of supply will be greatly improved hence enable better supply to manufacturing plants such as the cement and steel industries near Athiriver and improve the standard of living for the citizens.

1.8.4 Absorption Rate Per Year for the Project

Financial Year	Absorption Rate per Year
2012/2013	76%
2013/2014	57%
2014/2015	157%
2015/2016	50%
2016/2017	89%
2017/2018	222%
2018/2019	108%
2019/2020	122%
2020/2021	23%

1.8.5 Implementation Challenges and Way Forward

Implementation delayed due to procurement challenges as a result of the of COVID-19 pandemic. This has been majorly due to the closure of factories in India from where we were procuring several switchgear supports and transmission line tower materials hence the new completion date is March 2022.

1.9 Summary of Project Compliance:

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

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Introduction

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

The key development objectives of the projects are to:

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

Progress on attainment of Strategic development objectives

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

Project	Objective	Outcome	Indicator	Performance
The Nairobi Ring Project	To Strengthen the electricity grid system and Enhance power transfer capacity	-Increased stability of power supply to Nairobi -enabling additional evacuation of power from Olkaria and Loiyangalani	Number of substations and transmission lines complete.	In financial year 20/21 we increased system stability and power transfer capacity by progressing works at Malaa substation which is at 79%

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

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

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

Our approach

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

Below is a brief highlight of our achievements in each pillar

1. Social sustainability strategy and profile

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

In addition, KETRACO offered youth internship opportunities to fresh graduates and industrial attachments to ongoing University students for the purpose of transferring skills and future career preparation.

2. Environmental performance

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

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

2. Environmental performance (continued)

The Environmental Management and Coordination Act, Cap 387;The Environmental Impact (Assessment and Auditing) Regulations, 2003;Environmental Management and Coordination (Environmental Impact Assessment and Audit) Regulations, 2003;Environmental Management and Coordination (Water Quality) Regulations of 2006;Environmental Management and Coordination (Waste Management) Regulations of 2006 ; Environmental Management and Co-ordination (Controlled Substances) Regulations, 2007;The Environmental Management and Co-ordination (Conservation of biological diversity and resources, and access to genetic resources and benefits sharing) Regulations, 2006;The Environmental Management and Coordination (Wetlands, Riverbanks, Lakeshores and seashores management) Regulations, 2009;Environmental Management and Coordination (Noise and Excessive Vibration Pollution Control) Regulations, 2009;Environmental Management and Coordination (Air Quality) Regulations, 2008;Occupational Safety and Health Act (OSHA 2007) ;Wildlife Management and Conservation Act, 2013;Forest Act 2015 ;Public Health Act (Cap. 242) 36;The Environment and Land Court Act, 2011;Water Act, 2002.

3. Employee welfare

Competence management

KETRACO has developed many policies that guide recruitment among them being the Gender policy which is in line with a third rule enshrined in the constitution. The skills gap analysis report was received from the consultant and training priority areas picked for discussion during HRAC meeting as intervention for skills gaps identified. The company also developed reward and performance system policy that help in recognizing performance and sanctions. A committee to handle staff appraisals was formed during the year (Performance management review committee), an ad-hoc committee answerable to HRAC.

Safety and security measures

During the year ended 30 June 2021, the Company achieved the following;

1. Championed the roll out of ISO 45001: 2018 – Occupational health and safety management system certification journey in the company through staff awareness trainings, development of safety procedures and carrying out internal audits. The Section also developed a Safety and Health policy being a management tool for OSH in the organization.
2. Participated in the development of the Energy (Incident and Accident Reporting) Regulations as well being incorporated in the Ministerial OSH Committee.
3. Promotional of safe work through effective incident and accident investigations, OSH inspections /audits, robust risk assessment and monitoring implementations of corrective actions for both operational sites and sites under construction.

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

3. Employee welfare (continued)

Safety and security measures (continued)

4. Sensitized/trained staff and contracted personnel on workplace safety and health measures in the offices and substations. As well as dissemination of vital Osh information to employees.
5. Participated in the management of COVID-19 pandemic through development of guidelines, protocols, and purchase of protective equipment.
6. Enhanced public safety by listening to safety and health concerns of employees and other stakeholders and guiding appropriately.
7. Developed guidelines on statutory occupational safety and health training requirements for the company.
8. The Section played a key role in ensuring safety and health during the completion and commissioning of Olkaria-Lessos-Kisumu transmission line and associated substations.
9. Participated in the development of the Energy (Incident and Accident Reporting) Regulations.

4. Market place practices

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

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

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

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

4. Market place practices (continued)

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

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

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

5. Community engagements

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

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

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer of KETRACO and the Project Coordinator for the Nairobi Ring Transmission Line Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended 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; selecting and applying appropriate accounting policies; and (v) Making accounting estimates that are reasonable in the circumstances.

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

The Chief Executive Officer of KETRACO and the Project Coordinator for the Nairobi Ring Transmission Line Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended 30 June 2021, and of the Project's financial position as at that date. Chief Executive Officer of KETRACO and the Project Coordinator for the Nairobi Ring Transmission Line Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the Project financial statements

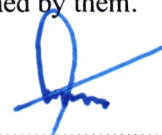
The Project financial statements were approved by Chief Executive Officer of KETRACO and the Project Coordinator for the Nairobi Ring Transmission Line Project on 2021 and signed by them.



Chief Executive Officer
FCPA Fernandes Barasa, OGW



Overall Project Coordinator
Antony Wamukota



General Manager-Finance
CPA Tom Imbo
ICPAK Member Number 7039

5. REPORT OF THE INDEPENDENT AUDITORS ON THE NAIROBI RING TRANSMISSION LINE PROJECT

To the Auditor General

Opinion

We have audited the accompanying financial statements of Nairobi Ring Transmission Line Project set out on pages 17 to 33 which comprise the statement of financial assets as at 30 June 2021, and the statement of receipts and payments, statement of cash flows, and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of Nairobi Ring Transmission Line Project as at 30 June 2021, and of its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) financial reporting framework under the cash basis of accounting.

Basis for Opinion

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

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

Other Information

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

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



5. REPORT OF THE INDEPENDENT AUDITORS ON THE NAIROBI RING TRANSMISSION LINE PROJECT (Continued)

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Chief Executive Officer of KETRACO and the Project Coordinator's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue sustaining its services. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease sustaining its services.

5. **REPORT OF THE INDEPENDENT AUDITORS ON THE NAIROBI RING TRANSMISSION LINE PROJECT (Continued)**

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Fred Aloo, Practicing certificate No. 1537.**

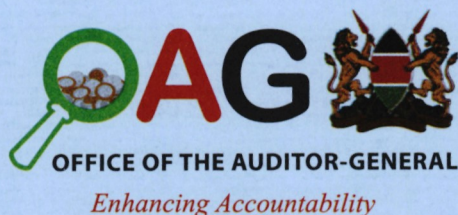


**For and on behalf of Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Nairobi**

2 December 2021

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON NAIROBI RING TRANSMISSION LINE PROJECT (AFD CREDIT NO. CKE6012.01, AFD CREDIT NO. CKE 1068 01, AFD CREDIT NO. CKE 1030.01B, EIB CREDIT NO. 25.367/KE AND GOK) FOR THE YEAR ENDED 30 JUNE, 2021 - KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

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 control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

Report of the Auditor-General on Nairobi Ring Transmission Line Project (AFD Credit NO. CKE6012:01, AFD Credit No. CKE 1068 01, AFD Credit No. CKE 1030.01.B, EIB Credit NO. 25.367/KE AND GOK) for the year ended 30 June 2021 - Kenya Electricity Transmission Company Limited

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Nairobi Ring Transmission Line Project (AFD Credit No CKE6012.01, AFD Credit No. CKE1068 01, AFD Credit no. CKE1030.01.B, EIB Credit No. 25.367/KE and GOK) set out on pages 17 to 33, which comprise the statement of financial assets and liabilities as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Deloitte & Touche, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Nairobi Ring Transmission Line Project 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 Financing Agreement No. CKE 6012.01 dated 3 April, 2009, Credit No.CKE1068 01 N dated 13 December, 2012 and Credit No.CKE1030.01B dated 29 March, 2018 between Agency Francaise De Development and Credit No. 25.367/KE dated 21 December, 2009 with the European Investment Bank and the Government of the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1. Long Outstanding Wayleave Compensation

As reported in the previous year, the expected compensation to landowners for the wayleave acquired since inception of the project in October, 2012, amounted to

Report of the Auditor-General on Nairobi Ring Transmission Line Project (AFD Credit NO. CKE6012:01, AFD Credit No. CKE 1068 01, AFD Credit No. CKE 1030.01.B, EIB Credit NO. 25.367/KE AND GOK) for the year ended 30 June 2021 - Kenya Electricity Transmission Company Limited

Kshs.2,558,971,379 as disclosed in Annex 2B to the financial statements with and amount of Kshs.2,891,791 acquired under review. The amount certified as payable amounted to Kshs.2,558,971,379 out of which Kshs.2,399,561,269 was paid leaving a balance of Kshs.159,410,110. Management has attributed failure to pay the amount due to lack of budgetary allocation from National Treasury and lengthy land valuation negotiations due to absentee land owners and various court injections on disputed court injections on disputed cases.

2. Delay in Project Deliverables

Review of project deliverables revealed that the project was behind schedule with respect to the completion of the Kimuka sub-station being at 97% and Malaa sub-station being at 79%. This was despite having the completion date reviewed twice from May, 2020 to June, 2021.

Consequently, delays in completion of the Project may result in escalation of projected costs or expiry and withdrawal of funding by project financiers.

3. Budgetary Performance and Control

The statement of comparison of budget and actual amounts reflect actual receipt of Kshs.3,158,479,998 against the budgeted amount of Kshs.3,100,000,000 resulting to an excess receipts of Kshs.58,479,998 or 102% of the budget. Similarly, the statement reflects final payments budget of Kshs.3,100,000,000 against the actual expenditure of Kshs.707,102,009 equivalent to 23% of the budget resulting to under expenditure of Kshs.2,392,897,991 or 77% of the budget.

The excess receipts of Kshs.58,479,998 were not explained while the under expenditure of 77% of the budget indicates that some of the planned activities were not implemented and may impact negatively on service delivery for the beneficiaries.

4. Pending Bills-Goods and Services

As reported in the previous year, the project management contracted works and services amounting to Kshs.11,878,582,124 as disclosed in Annex 2A. The amount certified as payable amounted to Kshs.9,957,388,960 out of which Kshs.9,763,055,030 was paid during the year leaving a balance of Kshs.194,333,931 as pending bills. The unpaid bills are likely to attract interest and penalties and or litigation and related legal expenses which are wasteful expenditure.

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

Other Information

“The Project Management are responsible for the other information, which comprises the statement of corporate governance, Management discussions and responsibilities, statement of corporate social responsibility and the statement of directors’ responsibilities.” The other information does not include the financial statements and my auditor’s report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Automation of the Financial Reporting Process

It was observed during the audit that financial reporting process continued to have significant manual intervention. Whilst the subledgers and ledgers are extracted from Intelligence Business reporting module, the completion of the trial balance and

financial statements is done manually on excel spread sheet. The manual intervention exposes the project reporting to a greater risk of errors.

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.

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 Financial Reporting Standards/International Public Sector Accounting Standards (Cash Basis/ Accrual 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 liquidate the Project or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Project financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence 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 to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 December, 2021

Kenya Electricity Transmission Company (KETRACO)
Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; 25367 KE)
Report and Financial Statements
For the Year Ended 30 June 2021

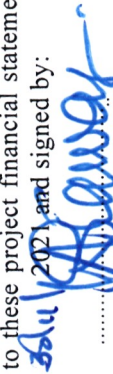
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020/2021			2019/2020			Cumulative to-date
		Receipts and payments controlled by the entity KShs	Payments made by third parties KShs	Total KShs	Receipts and payment controlled by the entity KShs	Payments made by third parties KShs	Total KShs	
RECEIPTS								
Receipts from government of Kenya	11.1	31,250,000	-	31,250,000	119,500,000	-	119,500,000	4,533,946,000
Loans from external development partners	11.2	3,000,000,000	105,635,908	3,105,635,908	-	189,664,594	189,664,594	14,488,400,556
Transfer from KETRACO	11.3	930,000	-	930,000	8,386,823	-	8,386,823	38,104,309
Miscellaneous receipts	11.4	20,664,090	-	20,664,090	2,084,668	-	2,084,668	60,187,047
TOTAL RECEIPTS		3,052,844,090	105,635,908	3,158,479,998	129,971,491	189,664,594	319,636,085	19,120,637,912
PAYMENTS								
Purchase of goods and services	11.5	37,069	-	37,069	15,121,050	-	15,121,050	566,015,467
Acquisition of non-financial assets	11.6	570,179,032	105,635,908	675,814,940	180,476,748	189,664,594	370,141,342	15,811,282,421
Transfer to KETRACO	11.7	31,250,000	-	31,250,000	-	-	-	31,250,000
TOTAL PAYMENTS		601,466,101	105,635,908	707,102,009	195,597,798	189,664,594	385,262,392	16,408,547,888
SURPLUS/(DEFICIT)		2,451,377,989	-	2,451,377,989	(65,626,307)	-	(65,626,307)	2,712,090,024

The accounting policies and explanatory notes to these project financial statements form an integral part of the project financial statements. The project financial statements were approved on 30 June 2021 and signed by:


Chief Executive Officer

FCPA Fernandes Barasa, OGW


Overall Project Coordinator

Antony Wamukota


General Manager-Finance

CPA Tom Imbo
ICPAK Member Number 7039

7. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2021

	NOTE	2020/2021 KShs	2019/2020 KShs
Cash and cash equivalents			
Bank balances	11.8	2,712,090,024	260,712,035
TOTAL FINANCIAL ASSETS		<u>2,712,090,024</u>	<u>260,712,035</u>
Represented by			
Fund Balance b/fwd		260,712,035	326,338,342
Surplus/(deficit) for the year		2,451,377,989	(65,626,307)
			-
NET FINANCIAL POSITION		<u>2,712,090,024</u>	<u>260,712,035</u>

The accounting policies and explanatory notes to these project financial statements form an integral part of the project financial statements. The project financial statements were approved on 30/11/2021 and signed by:



Chief Executive Officer
 FCPA Fernandes Barasa, OGW



Overall Project Coordinator
 Antony Wamukota




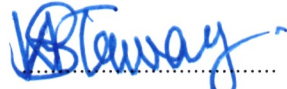
General Manager-Finance
 CPA Tom Imbo
 ICPAK Member Number 7039

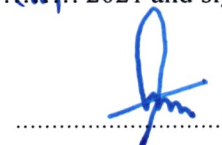
8. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	NOTES	2020/2021 KShs	2019/2020 KShs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts for operating income			
Transfers from Government entities	11.1	31,250,000	119,500,000
Transfer from KETRACO	11.3	930,000	8,386,823
Miscellaneous receipts	11.4	20,664,090	2,084,668
Payments for operating expenses			
Purchase of goods and services	11.5	(37,069)	(15,121,050)
Transfer to KETRACO	11.7	(31,250,000)	-
Net cash flows generated from operating activities		21,557,021	114,850,441
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of non-financial assets	11.6	(675,814,940)	(370,141,342)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from external development partners	11.2	3,105,635,908	189,664,594
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,451,377,989	(65,626,307)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		260,712,035	326,338,342
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		2,712,090,024	260,712,035

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


 Chief Executive Officer
 FCPA Fernandes Barasa, OGW


 Overall Project Coordinator
 Antony Wamukota



 General Manager-Finance
 CPA Tom Imbo
 ICPAK Member Number 7039


Kenya Electricity Transmission Company (KETRACO)
Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; 25367 KE)
Report and Financial Statements
For the Year Ended 30 June 2021


9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Budget Utilization difference	% of Utilization
	a KShs	b KShs	c KShs	d KShs	e=c-d KShs	f=d/c%
Receipts						
Transfer from Government entities	-	-	-	31,250,000	(31,250,000)	-
Transfer from KETRACO	-	-	-	930,000	(930,000)	-
Proceed from borrowings	-	3,100,000,000	3,100,000,000	3,105,635,908	(5,635,908)	100%
Miscellaneous receipts	-	-	-	20,664,090	(20,664,091)	-
Total receipts	-	3,100,000,000	3,100,000,000	3,158,479,998	(58,479,998)	102%
Payments						
Purchase of goods and services	-	37,069	37,069	37,069	-	100%
Acquisition of non-financial assets	-	3,099,962,931	3,099,962,931	675,814,940	2,424,147,991	22%
Transfer to KETRACO	-	-	-	31,250,000	(31,250,000)	-
Total payments	-	3,100,000,000	3,100,000,000	707,102,009	2,392,897,991	23%

The project financial statements were approved on 29 July 2021 and signed by:


Chief Executive Officer
FCPA Fernandes Barasa, OGW


Overall Project Coordinator
Antony Wamukota


General Manager-Finance
CPA Tom Imbo
ICPAK Member Number 7039

10. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

10.1 Basis of Preparation

10.2 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

10.3 Reporting entity

The financial statements are for the Nairobi Ring Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation Public Finance management Act 2012.

10.3.1 Reporting currency

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

10.4 Significant Accounting Policies

a) Recognition of receipts

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

- **Transfers from the Exchequer**

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

- **External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

Donations and grants

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

10. SIGNIFICANT ACCOUNTING POLICIES

10.4 Significant Accounting Policies (continued)

a) Recognition of receipts (continued)

- **External Assistance (continued)**

Proceeds from borrowing

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

Undrawn external assistance

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

- **Other receipts**

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

b) Recognition of payments

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

- **Purchase of goods and services**

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

- **Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

10. SIGNIFICANT ACCOUNTING POLICIES (continued)

10.4 Significant Accounting Policies (continued)

c) In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits

e) Accounts receivable

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

f) Pending bills

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

g) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and

10. SIGNIFICANT ACCOUNTING POLICIES (continued)

10.4 Significant Accounting Policies (continued)

g) Budget (continued)

National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year.

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

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

h) Third party payments

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

i) Exchange rate differences

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

j) Comparative figures

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

k) Subsequent events

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

l) Errors

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

11. NOTES TO THE FINANCIAL STATEMENTS

11.1 RECEIPTS FROM GOVERNMENT OF KENYA

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

	2020/2021	2019/2020	Cumulative to-date
	KShs	KShs	KShs
Counterpart funding through State Department of Energy			
Counterpart funds Quarter 1	31,250,000	25,750,000	1,976,312,986
Counterpart funds Quarter 2	-	62,500,000	1,001,275,682
Counterpart funds Quarter 3	-	31,250,000	1,126,677,455
Counterpart funds Quarter 4	-	-	429,679,877
Total	31,250,000	119,500,000	4,533,946,000

11.2 LOANS FROM EXTERNAL DEVELOPMENT PARTNERS

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

Name of Donor	Cumulative Amount received as at 30 June 2021	Amount in grants/loan currency	Grants/loan received in cash (Revenue)	Grants received as direct payment*	Total amount	
					2020/2021	2019/2020
	KShs	Euros	KShs	KShs	KShs	KShs
Grants/Loan Received from Multilateral Donors (International Organisations)						
AFD Credit No.CKE 1068 01N	8,826,736,465	78,500,000	8,826,736,465	-	-	-
AFD Credit No.CKE 6012 01G	1,240,000,000	11,555,046	-	1,240,000,000	-	-
EIB credit No.25367 KE	1,126,363,589	9,793,644	1,126,363,589	-	-	-
AFD Credit No.CKE 1030 01G	3,295,300,502	25,474,893	3,000,000,000	295,300,502	3,105,635,908	189,664,594
Total	14,488,400,556	125,323,583	12,953,100,054	1,535,300,502	3,105,635,908	189,664,594

11. NOTES TO THE FINANCIAL STATEMENTS (continued)

11.3 TRANSFER FROM KETRACO

	2020/2021		2019/2020	Cumulative to- date
	Receipts from KETRACO in cash	Total		
	KShs	KShs	KShs	KShs
Funding	930,000	930,000	8,386,823	38,104,309
Total	930,000	930,000	8,386,823	38,104,309

The amount relate to KETRACO funding in the financial year 2020/21.

11.4 MISCELLANEOUS RECEIPTS

	2020/2021			2019/2020	Cumulative to- date
	Receipts controlled by the entity in cash	Receipts controlled by third parties	Total receipts		
	KShs	KShs	KShs	KShs	KShs
Interest income	95,521	-	95,521	550,672	39,618,478
Realised gain in forex	-	20,568,569	20,568,569	1,533,996	20,568,569
Total	95,521	20,568,569	20,664,090	2,084,668	60,187,047

11.5 PURCHASE OF GOODS AND SERVICES

	2020/2021			2019/2020	Cumulative to- date
	Payments made by the entity in cash	Payments made by third parties	Total payments		
	KShs	KShs	KShs	KShs	KShs
Legal fees	-	-	-	-	55,058,296
Audit fees	-	-	-	-	696,000
Other project costs	37,069	-	37,069	11,481,868	415,353,989
Site travel expense and accommodation	-	-	-	3,639,182	94,907,182
Total	37,069	-	37,069	15,121,050	566,015,467

11 NOTES TO THE FINANCIAL STATEMENTS (continued)

11.6 ACQUISITION OF NON-FINANCIAL ASSETS

	2020/2021			2019/2020	Cumulative to-date
	Payments made by the entity in cash	Payments made by third parties	Total payments		
	KShs	KShs	KShs	KShs	KShs
Consultancy fees	930,000	-	930,000	107,000,810	1,256,302,536
Powerline (transmission equipment)	569,249,032	105,635,908	674,884,940	257,291,799	12,155,418,616
Wayleaves	-	-	-	5,848,733	2,399,561,269
Total	570,179,032	105,635,908	675,814,940	370,141,342	15,811,282,421

11.7 TRANSFER TO KETRACO

	2020/2021		2019/2020	Cumulative to-date
		Total		
	KShs	KShs	KShs	KShs
Refund to KETRACO	31,250,000	31,250,000	-	31,250,000
Total	31,250,000	31,250,000	-	31,250,000

The refund to KETRACO in 2020/2021 relates to funds received from KETRACO in 2018/2019 amounting to KShs 28,787,486 and KShs 2,462,514 in 2019/2020. The amount was refunded from the Government of Kenya funding to KETRACO in 2020/2021.

11.8 CASH AND CASH EQUIVALENTS

	2020/2021	2019/2020
	KShs	KShs
Bank accounts (Note 11.8A)	2,712,090,024	260,712,035
Total	2,712,090,024	260,712,035

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

11.8 A Bank Account

	2020/2021	2019/2020
	KShs	KShs
<u>Foreign Currency Accounts</u>		
NCBA Bank [A/c No:7612350038]	8,772,744	259,711,965
Total foreign currency balances	8,772,744	259,711,965
<u>Local Currency Accounts</u>		
Citi Bank [A/c No:0300092007]	966,987	1,000,070
Standard Chartered [A/c No:0104026386600]	2,702,350,293	-
Total local currency balances	2,703,317,280	1,000,070
Total bank account balances	2,712,090,024	260,712,035

12. OTHER IMPORTANT DISCLOSURES

12.1 PENDING ACCOUNTS PAYABLE (Annex 2A)

	Balance b/f 2020/2021	Adjustments	Additions for the period	Paid during the year	Balance c/f 2020/2021
Description	KShs	KShs	KShs	KShs	KShs
Supply of goods	434,099,484	(626,328)	280,912,490	532,592,778	181,792,868
Supply of services	47,728,955	-	108,034,270	143,222,162	12,541,063
Total	481,828,439	(626,328)	388,946,760	675,814,940	194,333,931

12.2 OTHER PENDING PAYABLES (Annex 2B)

	Balance b/f 2020/2021	Adjustments	Additions for the period	Paid during the year	Balance c/f 2020/2021
Description	KShs	KShs	KShs	KShs	KShs
Project Affected Persons parties	162,301,901	(2,891,791)		-	159,410,110
Total	162,301,901	(2,891,791)	-	-	159,410,110

13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

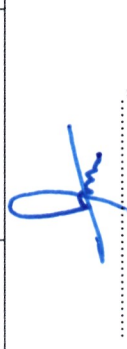
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue	Status:	Timeframe:
1. Pending Bills – Goods and Services	The project had pending accounts payable amounting to KShs.644,306,975 Management has not explained why the bills were not settled in the year under review.	The pending bills amounting to KShs. 423,464,502 were settled in the subsequent year under review. The balance of KShs 58.3 Million relate Jyoti for the completed Transmission Line, however Jyoti Structures limited was declared bankrupt. The legal proceedings to determine on the case is yet to be finalised. Pending wayleaves amounting to KShs. 159,410,110 has also not been settled due to insufficient budgetary allocations in previous years as well as long negotiations with the land owners.	Tom Imbo General Manager, Finance	Not Resolved	December 2021
2. Long Outstanding Wayleave Compensation	The expected compensation to landowners for wayleaves acquired since inception of the project amounts to KShs 2,561,863,170, as disclosed in Annex 2B. The amounts certified as payable amounted to KShs 2,561,863,170 of which KShs 2,399,561,269 was paid leaving unpaid balance of KShs. 162,301,901. Management has attributed failure to pay this amount to lack of budgetary allocation from National Treasury and long negotiations among the land owners.	The unpaid balance has been occasioned by insufficient budgetary allocations in previous years as well as long negotiations with the land owners. The management has requested for additional funding in FY 2021-2022 to cater for the pending bills.	Tom Imbo General Manager, Finance	Not Resolved	June 2022

Kenya Electricity Transmission Company (KETRACO)
 Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; 25367 KE)
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 For the Year Ended 30 June 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue	Status:	Timeframe:
3. Delay in project deliverables	The review of the project deliverables revealed that the project was behind schedule, particularly with respect to the completion of the Malaa Sub-station. Construction works at the substation were 64% complete as at year end. The project initially had a planned completion date of June 2018, but this was revised to May 2020 as at the end of FY 2019/20, and further pushed back to June 2021 in the current fiscal year. Consequently, the delays in completion of the projects could result in escalation of projected costs or expiry and withdrawal of funding by project donors	Delays in completion of Malaa substation were due to delayed site hand over for the substation in June 2018 as well as the disruptions of Covid-19 pandemic in year 2020. Management has ensured that the project is adequately funded, and the escalation of project costs is less probable since the project is currently on course.	Eng. Anthony Wamukota General Manager, Design & Construction	Not Resolved	December 2021


 Chief Executive Officer
 FCPA Fernandes Barasa, OGW


 Overall Project Coordinator
 Antony Wamukota


 General Manager-Finance
 CPA Tom Imbo
 ICPAK Member Number 7039

14. ANNEXES

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget a KShs	Actual on Comparable Basis b KShs	Budget Utilization Difference c=a-b KShs	% of Utilization d=b/a %	Comments on Variance
RECEIPTS DURING THE YEAR					
Transfer from Government entities	-	31,250,000	(31,250,000)	--	(i)
Transfer from KETRACO	-	930,000	(930,000)	--	
Proceed from borrowings	3,100,000,000	3,105,635,908	(5,635,908)	100%	
Miscellaneous receipts	-	20,664,090	(20,664,090)	--	(ii)
Total receipts	3,100,000,000	3,158,479,998	(58,479,998)	102%	
PAYMENTS DURING THE YEAR					
Purchase of goods and services	37,069	37,069	-	100%	
Acquisition of non-financial assets	3,099,962,931	675,814,940	2,424,147,991	22%	(iii)
Transfer to KETRACO	-	31,250,000	(31,250,000)	--	(iv)
Total payments	3,100,000,000	707,102,009	2,392,897,991	23%	

Explanation

- (i) The actual Government of Kenya receipts as at 30 June 2021 were KShs.31,250,000 for the fourth quarter financial year 2019/20 was received on 6 July 2020.
- (ii) The movements in miscellaneous receipts relates to the interest income and unrealised gains in foreign exchange difference from the bank balance held in financial institutions. This balance was not budgeted.
- (iii) Slowed project activities due to delayed procurement as a result of COVID 19 disruptions. This has been majorly due to the closure of factories in India from where we were procuring several switchgear supports and transmission line tower materials
- (iv) The transfer to KETRACO in 2020/2021 relate to funds received from KETRACO in 2018/2019 amounting to KShs.28,787,486 and KShs.2,462,514 in 2019/2020. The amount was refunded from the Government of Kenya funding to KETRACO in 2020/2021.

**NAIROBI RING POWER PROJECT (1068 01N; 6012 01G; 25367 KE)
KENYA ELECTRICITY TRANSMISSION COMPANY (KETRACO)
FOR THE YEAR ENDED 30 JUNE 2021**

ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount for Certified Work To-Date	Amount Paid To-Date	Outstanding Balance		Comments
					2020/2021	2019/2020	
	a	b	c	d	e=c-d		
	KShs	KShs	KShs	KShs	KShs	KShs	
Supply of goods							
Jyoti Structures	3,705,981,079	29 October 2012	3,133,373,577	3,075,009,640	58,363,937	58,363,937	(i)
Iberdrola Lot A and B	3,605,653,333	03 May 2013	3,554,263,049	3,554,263,049	-	272,225,654	
Consolidated Power projects	3,676,659,394	13 December 2016	2,606,132,438	2,482,703,507	123,428,931	103,509,894	Paid in July 2021
Sub-Total	10,988,293,806		9,293,769,064	9,111,976,196	181,792,868	434,099,485	
Supply of services							
AF Consult/Colenco	512,846,567	13 July 2017	333,046,507	320,505,445	12,541,063	-	Paid in July 2021
Terna Cesi	376,511,751	22 March 2016	329,643,389	329,643,389	-	46,798,955	
Wairegi Gatetua & Associates Advocates	230,000	16 October 2019	230,000	230,000	-	230,000	
Munga Kibanga & Co. Advocates	700,000	13 September 2018	700,000	700,000	-	700,000	
Sub-Total	890,288,318		663,619,896	651,078,834	12,541,063	47,728,955	
Grand Total	11,878,582,124		9,957,388,960	9,763,055,030	194,333,931	481,828,440	

(i) The contractor went under receivership immediately after Isinya Suswa project was completed awaiting details on where to make the payments

**NAIROBI RING POWER PROJECT (1068 01N; 6012 01G; 25367 KE)
KENYA ELECTRICITY TRANSMISSION COMPANY (KETRACO)
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ANNEX 2B - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount of Certified Work To-Date	Amount Paid To-Date	Outstanding Balance FY 2020/21	Outstanding Balance FY 2019/20	Comments
		a	b	c	d	e=c-d		
Amounts due to Third Parties		KShs		KShs	KShs	KShs	KShs	
Project Affected Persons	Wayleaves compensation	2,558,971,379	2012-2020	2,558,971,379	2,399,561,269	159,410,110	162,301,901	(i)
Total		2,558,971,379		2,558,971,379	2,399,561,269	159,410,110	162,301,901	

(i) The pending wayleaves amount is yet to be paid due to lack of budgetary allocation in 2020/2021 as well as lack of sufficient documentation for compensation from land owners.

ANNEX 2C – SUMMARY OF FIXED ASSET REGISTER

Asset class	*Purchases/Additions in the Year		**Disposals in the Year	
	Opening Cost 2020/2021	2020/2021	2020/2021	Closing Cost 2020/2021
	(a)	(b)	(c)	(d) = (a) + (b) - (c)
	KShs	KShs	KShs	KShs
Powerline (Transmission Equipment)	15,135,467,481	675,814,940	-	15,811,282,421
Total	15,135,467,481	675,814,940	-	15,811,282,421

Notes

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

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