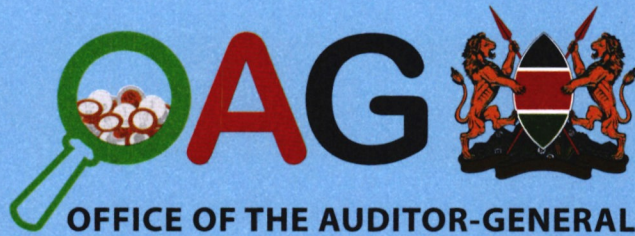
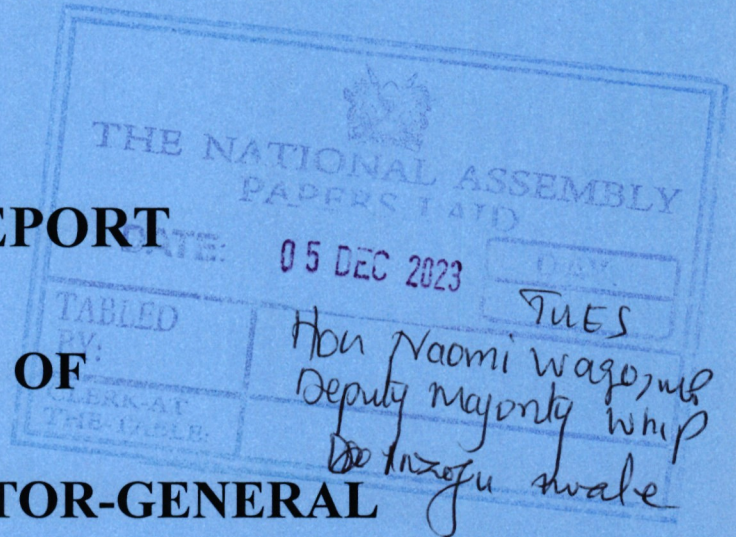


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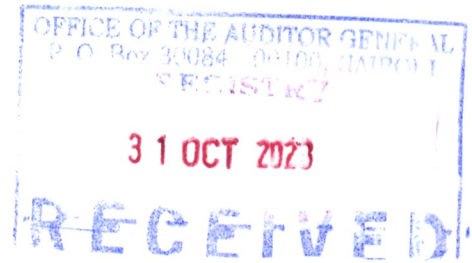
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ON

**NAIROBI RING TRANSMISSION LINE
PROJECT (AFD CREDIT NO. CKE 6012.01,
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, 2023**

**KENYA ELECTRICITY TRANSMISSION
COMPANY LIMITED**



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 2023**

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

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**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; 25367 KE)
Annual Report and Financial Statements
For the Financial Year for the Year Ended 30 June 2023**

1. ACRONYMS AND GLOSSARY OF TERMS

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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**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; 25367 KE)
Annual Report and Financial Statements
For the Financial Year for the Year Ended 30 June 2023**

2. PROJECT INFORMATION AND OVERALL PERFORMANCE

2.1 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

2.2 Project Information

Project start date:	The project start date is October 2012
Project end date:	The project end date is 30 November 2023
Project manager:	The project manager is Engineer Anthony Musyoka
Project sponsor:	The project sponsor is Government of Kenya

2.3 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.

**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; 25367 KE)
Annual Report and Financial Statements
For the Financial Year for the Year Ended 30 June 2023**

2. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.3 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 30 November 2022.

2.4 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

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; 25367 KE)
Annual Report and Financial Statements
For the Financial Year for the Year Ended 30 June 2023

2. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.5 Auditors

Principal Auditor: Auditor General
Office of the Auditor-General
Anniversary Towers, University Way
P. O. Box 30084 - 00100
Nairobi.

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Dr (Eng) John Mativo,CE	Managing Director	Doctorate (PhD) degree in Civil Engineering from Tokyo Metropolitan University (Japan), a Master's degree in Structural Engineering from Tongji University (China), and a Bachelor's degree in Civil Engineering from the University of Nairobi.	Accounting Officer for KETRACO
CPA Tom Imbo	General Manager, Finance	Master's in Business Administration (Finance, Economics) Certified Public Accountant with ICPAK , Member Services Committee.	Head of Finance Department in KETRACO
Engineer Ruth Mburu	Project Manager	Bachelor of Science (Civil Engineering), Professional Engineer with Engineers Board of Kenya, Corporate Member Institution of Engineers of Kenya	Project Coordinator
Johnson Muthoka	Senior Manager Wayleaves	Bachelor of Arts Land Economics (Honors), Masters in Urban and Regional Planning (University of Nairobi), full member of Institute of Surveyors Kenya, registered and licensed land economist	Wayleaves acquisition (land economists, land surveyors, social economists, environmental experts)
David Matolo	Senior Project Accountant	Masters of Business Administration, Bachelor of Commerce(Finance) Certified Public Accountant with ICPAK	Preparation of project financial reports

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2. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.7 Funding Summary

The Project financing is for a duration of 11 years from 2012 to 2023 with an approved budget of AFD funding amounting to Euro 78,500,000 and additional AFD savings of Euro 11,555,046; Euro 25,474,893 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 1,185,305 from GOK and KETRACO respectively as highlighted in the table below:

A. Sources of Funds

Source of funds	Donor Commitment-		Amount received as at: – (30.06.2023)		Undrawn balance as at: (30.06.2023)	
	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	25,474,893	3,295,300,502	-	-
(ii) Counterpart funds						
Government of Kenya		4,533,946,000		4,533,946,000		
Ketraco		12,892,901		12,892,901		
Total	125,323,583	19,035,239,456	125,323,583	19,035,239,456	-	-

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2. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.7 Funding Summary (continued)

B. Application of Funds

Source of funds	Amount received to date – (30 June 2023)		Cumulative Amount paid to date – (30 June 2023)		Unutilised balance to date – (30 June 2023)	
	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	14,988,048	2,095,907,719	10,486,845	1,199,392,782
(ii) Counterpart funds						
Government of Kenya		4,533,946,000		4,533,946,000	-	-
Ketraco		12,892,901		12,892,901	-	-
Total	125,323,583	19,035,239,456	114,836,738	17,835,846,674	10,486,845	1,199,392,782



Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; 25367 KE)
Annual Report and Financial Statements
For the Financial Year for the Year Ended 30 June 2023

2. PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)

2.8 Summary of Overall Project Performance:

2.8.1 Budget Performance Against Actual Amounts

During the year under review, the project received nil amount against a nil final budget. Similarly, the project incurred total payments of KShs 916,618,945 during the year, against a nil final budget. The project's cumulative receipts and payments to-date amounts to KShs 19,142,839,027 and KShs 17,942,069,968 respectively.

2.8.2 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 30 November 2023. Malaa (Komarock) Substation is expected to be completed on 30 November 2023. 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.		
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.		
Kimuka Substation	Manufacturing/Shipment	wt. =30%	99%
	Civil Works/Construction	wt. =40%	99%
	Outdoor Installation	wt. =15%	100%
	Indoor Installation	wt. =15%	100%
	Overall Completion	wt. =100%	99%
	The completion date is expected to be in November 2022.		
Malaa Substation	Manufacturing/Shipment	wt. =30%	90%
	Civil Works/Construction	wt. =40%	97%
	Outdoor Installation	wt. =15%	87%
	Indoor Installation	wt. =15%	75%
	Overall Completion	wt. =100%	90%
	The completion date is expected to be in November 2023.		

**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; 25367 KE)
Annual Report and Financial Statements
For the Financial Year for the Year Ended 30 June 2023**

2. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.8.3 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.

2.8.2 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%
2021/2022	44%
2022/2023	*

* In the financial year 2022/2023, the project didn't receive allocation from the National Treasury.

2.8.5 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 shortage of containers globally delaying supply of equipment and material to the substations. The contractor is also under business rescue as such they are unable to fully keep up with the project cashflow requirements required to keep the pace of works required. As such they are highly reliant on the progress payments received from KETRACO to maintain their cashflows. KETRACO is fast-tracking payments in order to minimize delays due to insufficient cashflow.

2.9 Summary of Project Compliance:

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

**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; 25367 KE)
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3. 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.

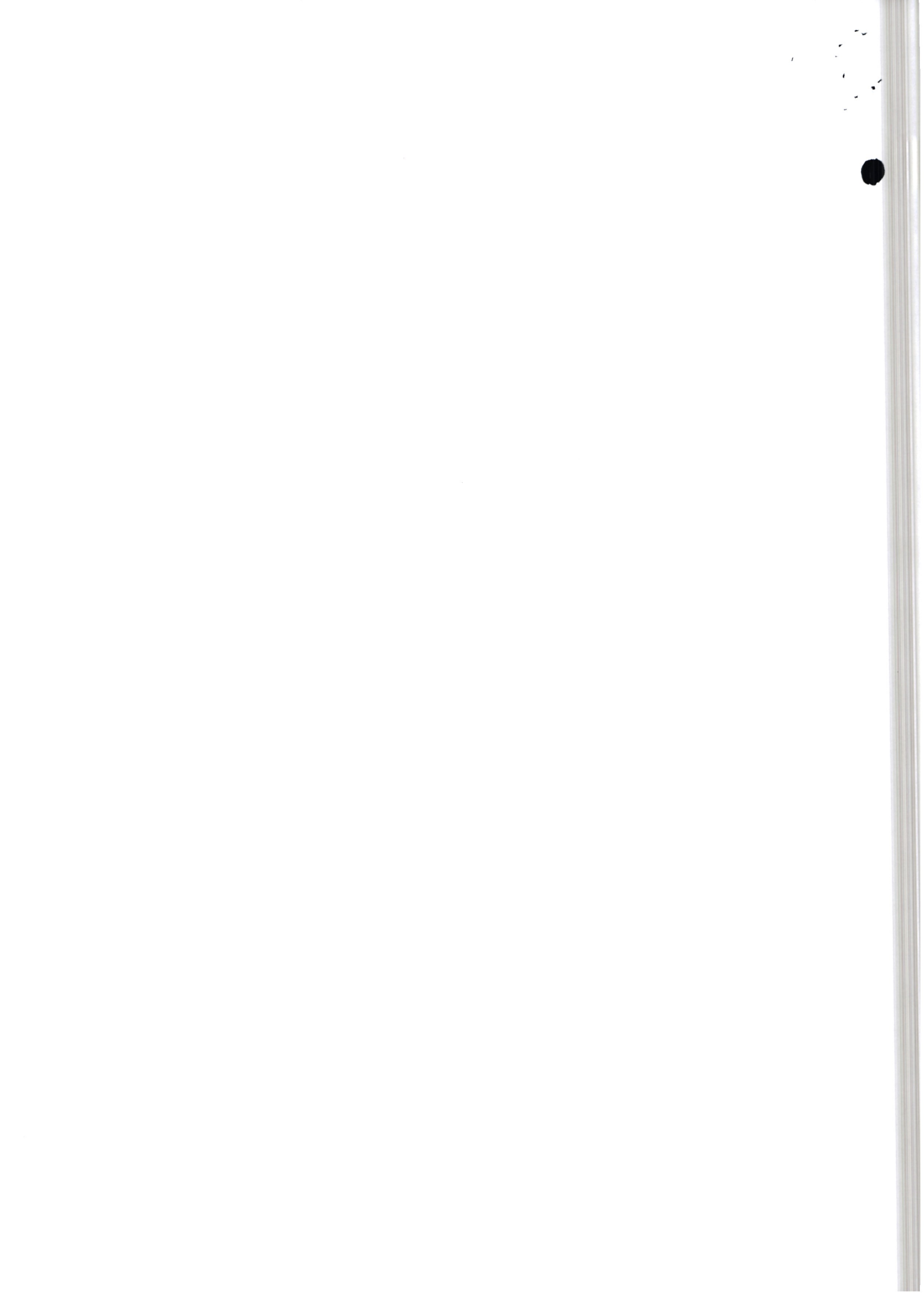
The key development objectives of the projects are to:

- 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 22/23 we increased system stability and power transfer capacity by progressing works at Malaa substation which is at 90%



4. ENVIROMENTAL AND 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.

Below is an outline of the organisation's policies and activities that promote sustainability.

1. Sustainability strategy and profile

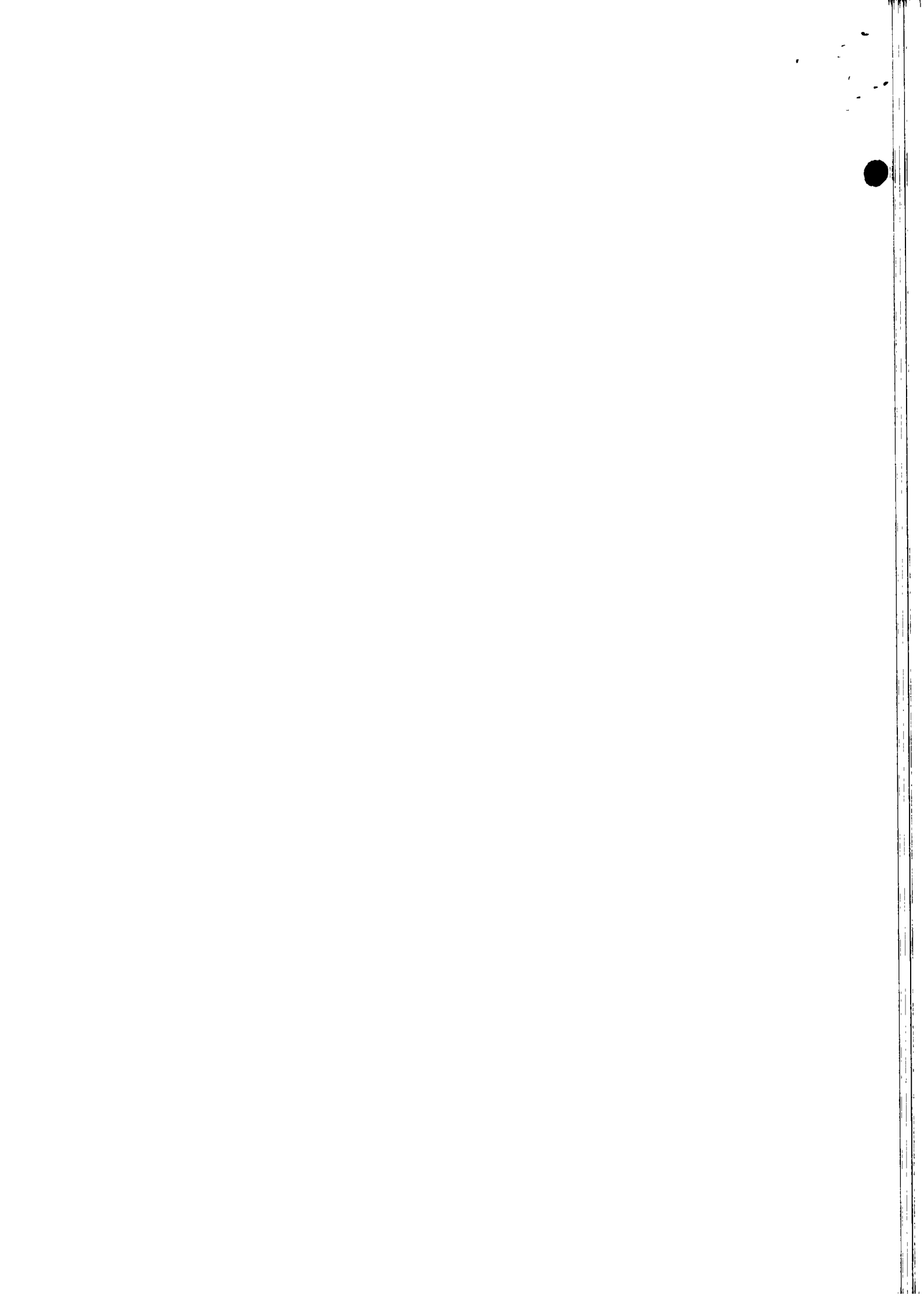
KETRACO ensured that its operations were carried out professionally and in humane manner, considering that construction of transmission projects involves acquisition of land for substations and wayleaves access for the lines. This necessitates compensation and at times resettlement of the Projects Affected 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:

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



4. ENVIROMENTAL/SUSTAINABILITY REPORTING (Continued)

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

During the period, KETRACO undertook a skill gap analysis exercise and submitted a report detailing priority training needs to the Human Resource Advisory Committee for consideration. Several staff members were trained in various identified areas.

In addition, the Company achieved the following in regard to employee welfare;

1. KETRACO deployed Azure Multifactor Authentication to all users in the organisation to mitigate against technological hazards. This is to provide an extra layer of security to minimize unauthorised log-ins in KETRACO network. 110 Critical Infrastructure Protection Unit (CIPU) officers were deployed on various substations.
2. A nine-member gender mainstreaming committee was reconstituted and trained in the year. The gender policy was finalized and submitted to the Ministry of Energy and State Department for Gender for review, and later circulated to staff. Staff were also sensitized on gender mainstreaming.
3. KETRACO staff attended an online sensitization on disability mainstreaming conducted by National Council for Persons with Disability (NCPWD). National Council for Persons with Disability (NCPWD) undertook an accessibility and usability audit of KETRACO HQ offices.
4. In the year, an alcohol and drug abuse policy was developed, approved by the Board of Directors and circulated to staff. About 100 Employees were sensitized online on the findings of a baseline survey that was undertaken in the previous financial year by the Alcohol and Drug Abuse prevention committee. In addition, 7 committee members were trained on workplace-based prevention measures
5. The company drafted a road safety policy and circulated it to all staff. Road safety committee was reconstituted with the appointment of 10 members. In addition, 20 drivers were trained on defensive driving by the AA of Kenya.

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.

4. ENVIROMENTAL/SUSTAINABILITY REPORTING (Continued)

4.) Market place practices (Continued)

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.

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.

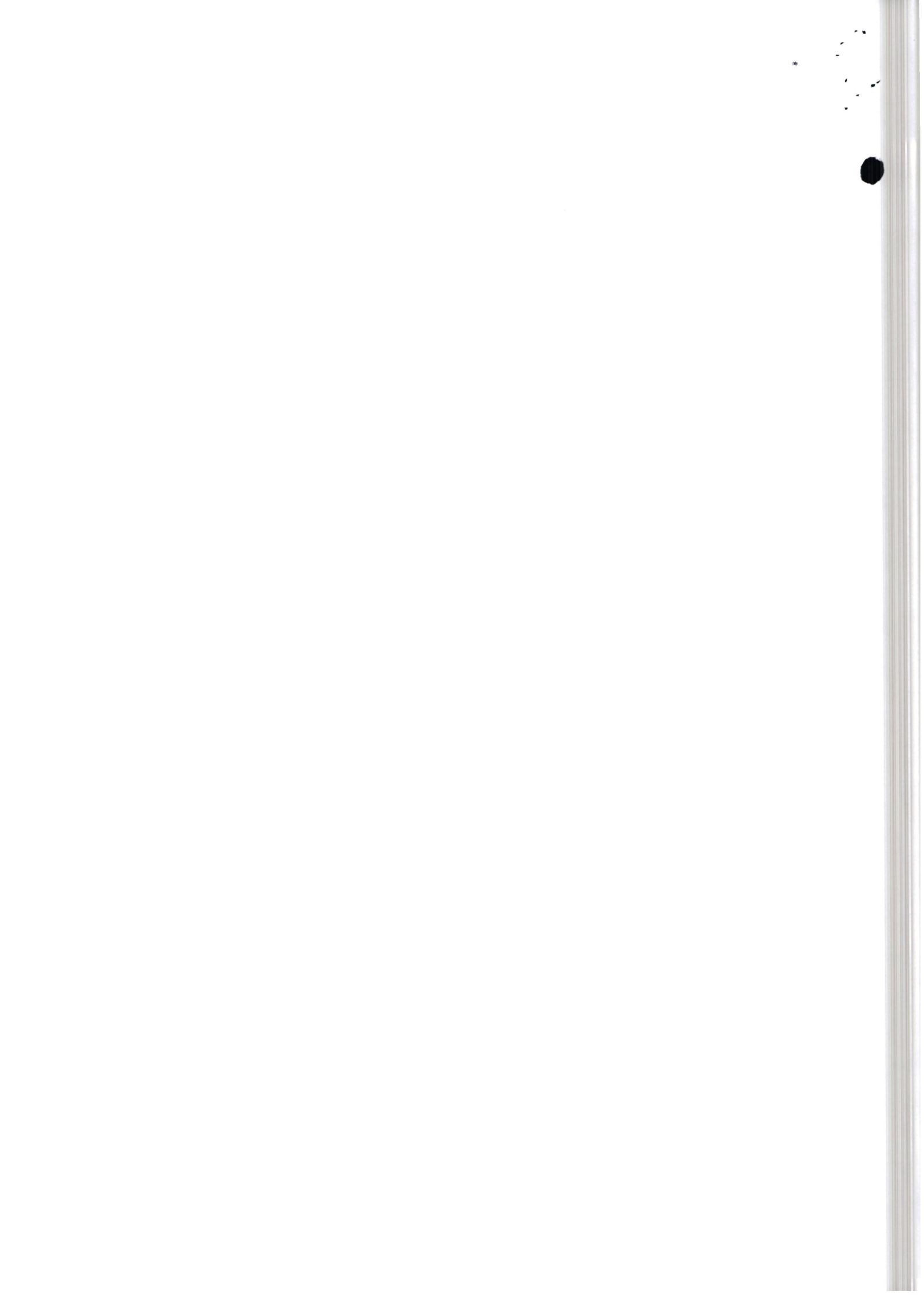
On a continuous basis the corruption reporting channels remain operational for use by all. They include a dedicated email address and phone number all uploaded in the company website. The company has also installed corruption reporting boxes on each floor at its headquarters in KAWI House.

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.

2. 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.



5. 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 2023. 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 2023, 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.

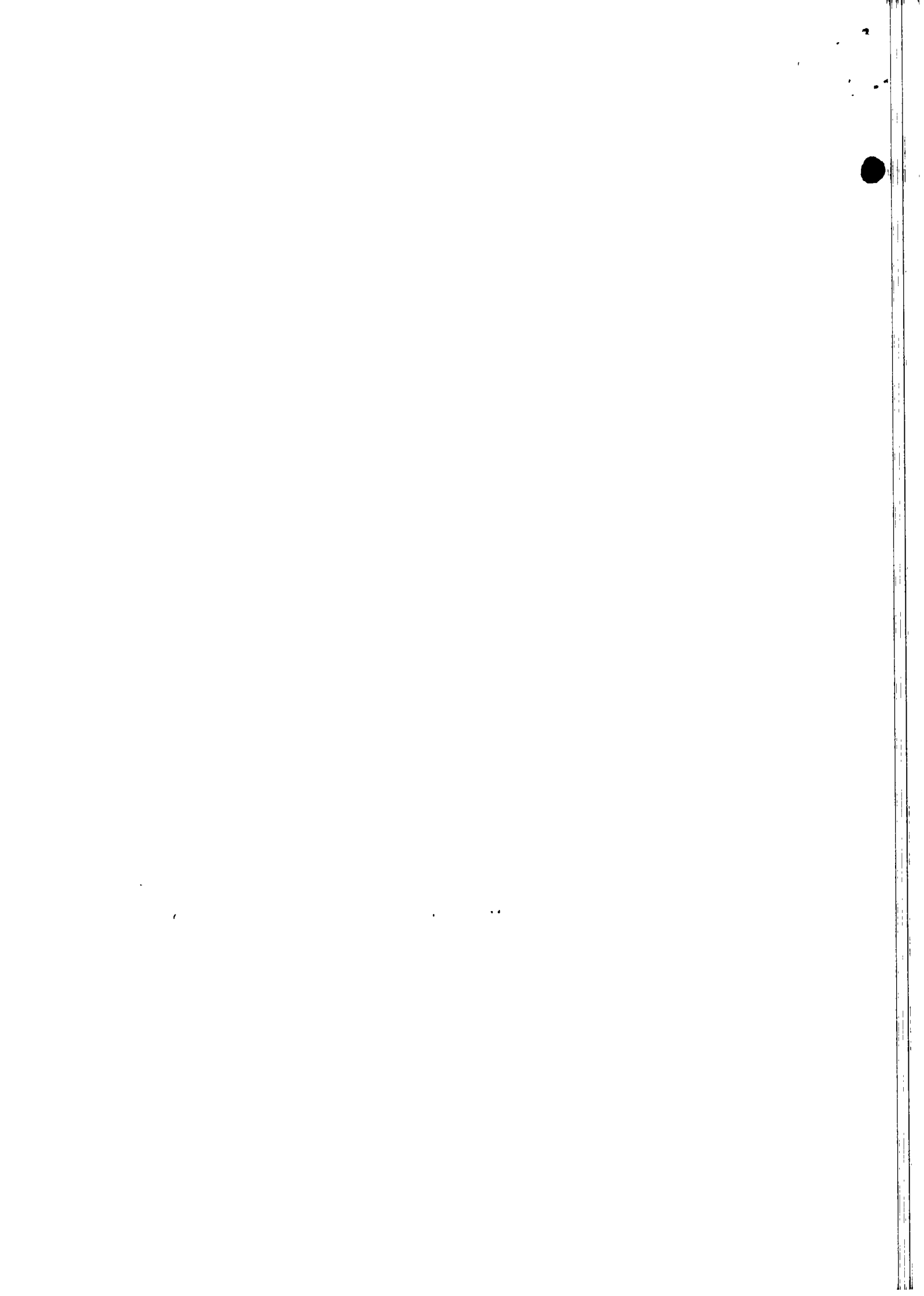
Approval of the Project financial statements

The Project financial statements were approved by Chief Executive Officer of KETRACO and the Project Coordinator for the Nairobi Ring Transmission Line Project on..... 30.6.2023 and signed by them.


.....
Chief Executive Officer
Dr (Eng) John Mativo, CE

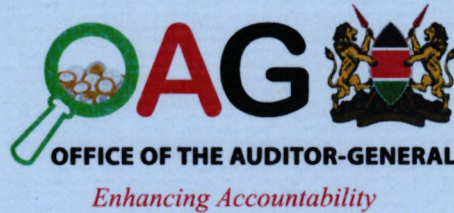

.....
Overall Project Coordinator
Eng.(CPA) Antony
Wamukota-OGW


.....
General Manager-Finance
CPA Tom Imbo
ICPAK Member Number 7039



REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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. CKE 6012.01, 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, 2023 - 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, gazette 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 the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, 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 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,

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, 2023 - Kenya Electricity Transmission Company Limited

EIB Credit No. 25.367/KE and GOK) set out on pages 1 to 16, which comprise of the statement of financial assets and liabilities as at 30 June, 2023, 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, 2023, 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 the Nairobi Ring Transmission Line Project Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Matter

1. Idle Bank Balances

The statement of financial position reflects bank balance of Kshs.1,200,697,059 as at 30 June, 2023. However, out of the opening bank balance of Kshs.2,105,417,426 only Kshs.904,648,367 was utilized during the year under review to finance project activities leaving a balance of Kshs.1,200,697,059 as idle bank balance. This is an indication that the project secretariat may not have the capacity to utilize loan revenue.

In the circumstances the Government of Kenya incurred commitment fee and loan interest on idle bank balances.

2. Pending Bills - Goods and Services

As reported in the previous year, the Project Management contracted works and services at a contract sum of Kshs.11,088,185,255 and as disclosed in Annex 2A. The amount certified as payable amounted to Kshs.9,923,753,556 out of which Kshs.9,775,516,837 has been cumulatively paid leaving a balance of Kshs.148,236,719 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 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, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Irregularities in Acquisition of Non-Financial Assets

The statement of receipts and payments reflects acquisition of non-financial assets amount of Kshs.744,818,368 as disclosed in Note 12.6 to the financial statements. However, the following unsatisfactory matters were noted:

1.1. Lack of Value for Money on Repair Works at a Substation

The amount of Kshs.744,818,368 includes Kshs.21,999,721, being the repair cost of two transformers that, as explained by Management, were acquired in the year 2012 by a contractor whose contract was terminated before installing them. The transformers were then taken over by Kenya Electricity Transmission Company Limited (KETRACO) which

stored them for ten (10) years before transferring them to a new contractor who installed them at a Sub-station. However, when the transformers were tested after installation, they were found to be defective despite the fact that they had not been used, necessitating their repairs which were done by the new contractor through Variation Order Number 8. Further, no explanation was provided on why KETRACO waited for ten (10) years before procuring a new contractor after termination of the first contract.

In the circumstances, value for money of the expenditure of Kshs.21,999,721 on repair cost of the two transformers could not be confirmed.

1.2. Unjustified Variation of an Earthing System

The amount of Kshs.744,818,368 includes a contract variation amounting to Kshs.10,781,072 that was spent on installation of Earthing System at a Power Station. However, Management did not provide satisfactory reason why the earthing system which is an integral part in the construction of a power station, was not provided for in the original bill of quantities, necessitating Variation Order Number 8.

In the circumstances, value for money of the expenditure of Kshs.10,781,072 spent on installation earthing system could not be confirmed.

1.3 Delay in Project Implementation

Project Implementation report indicated that the project was behind schedule with respect to the completion of two Sub-Stations being at 99% and 90% respectively. This was despite having the completion date reviewed three times from May, 2020 to November, 2022.

In the circumstances, the delays in completion of the Project may result in escalation of project costs and withdrawal of funding by financiers.

2. 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 Kshs.2,524,757,331 as disclosed in Annex 2B to the financial statements. However, out of the balance, Kshs.2,408,253,991 has been paid leaving an outstanding balance of Kshs.116,503,340 remaining unpaid. 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 injunctions on disputed court cases.

In the circumstances, it is not clear when way leave acquisitions shall be completed to facilitate the project implementation to its successful completion.

3. Failure to Approve Budget

The statement of comparison of budget and actual amounts shows that during the year under review, the Project receive Kshs.11,970,578 and spent Kshs.916,618,945, without

receipt and expenditure budgets. This was contrary to Regulation 76(3) of the Public Finance Management (National Government) Regulations, 2015, which requires every payment or instruction for payment out of the project account to be strictly on the basis of the approved estimates of budget and financing agreement.

In the circumstances, the regularity of the expenditure of Kshs.916,618,945 could not be confirmed and Management was in breach of the law.

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 else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Failure to Automate the Financial Reporting Process

It was observed during the audit that financial reporting process continued to have significant manual intervention. While the sub ledgers 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) 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 controls, risk management and governance.

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

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

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

Those charged with governance are responsible for overseeing the Project financial reporting process, reviewing the effectiveness of how the Management 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.


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

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

06 November, 2023

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; 25367 KE)
Annual Report and Financial Statements
for the Financial Year for the Year Ended 30 June 2023

7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Note	FY 2022/23			FY 2021/22			Cumulative to-date
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payments controlled by the entity	Payments made by third parties	Total	
RECEIPTS		KShs	KShs	KShs	KShs	KShs	KShs	KShs
Transfer from Government entities	12.1	-	-	-	-	-	-	4,533,946,000
Transfer from Ketraco	12.2	11,707,595.80	-	11,707,595.80	2,279,500	-	2,279,500	52,091,405
Loans from external development partners	12.3	-	-	-	-	-	-	14,488,400,556
Miscellaneous receipts	12.4	262,983	-	262,983	7,951,037	-	7,951,037	68,401,067
TOTAL RECEIPTS		11,970,578	-	11,970,578	10,230,537	-	10,230,537	19,142,839,027
PAYMENTS								
Purchase of goods and services	12.5	577	-	577	77,223	-	77,223	566,093,267
Acquisition of non-financial assets	12.6	744,818,368	-	744,818,368	608,877,408	-	608,877,408	17,164,978,197
Transfer to Ketraco	12.7	-	-	-	7,948,504	-	7,948,504	39,198,504
Transfer to EEHP	12.8	171,800,000	-	171,800,000	-	-	-	171,800,000
TOTAL PAYMENTS		916,618,945	-	916,618,945	616,903,135	-	616,903,135	17,942,069,968
DEFICIT		(904,648,367)	-	(904,648,367)	(606,672,598)	-	(606,672,598)	1,200,769,059

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 30.6.2023 and signed by:

Chief Executive Officer
Dr(Eng) John Mativo,CE

Overall Project Coordinator
Eng.(CPA)Antony Wamukota, OGW

General Manager-Finance
CPA Tom Imbo

ICPAK Member Number 7039

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Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; 25367 KE)
Annual Report and Financial Statements
for the Financial Year for the Year Ended 30 June 2023


8. STATEMENT OF FINANCIAL ASSETS AS AT 30 June 2023

	NOTE	FY 2022/23 Kshs	FY 2021/22 Kshs
Cash and cash equivalents			
Bank Balances	12.8	1,200,769,059	2,105,417,426
TOTAL FINANCIAL ASSETS		1,200,769,059	2,105,417,426
Represented by			
Cash and cash equivalents b/fwd		2,105,417,426	2,712,090,024
Surplus/Deficit for the year		(904,648,367)	(606,672,598)
NET FINANCIAL POSITION		1,200,769,059	2,105,417,426

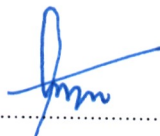
The accounting policies and explanatory notes to these project financial statements form an integral part of the project financial statements. The project financial statements were approved on 30.12.2023 and signed by:



Chief Executive Officer
Dr. (Eng.) John Mativo, CE



Overall Project Coordinator
Eng.(CPA)Antony Wamukota,
OGW



General Manager-Finance
CPA Tom Imbo
ICPAK Member Number 7039



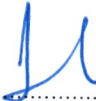
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Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; 25367 KE)
Annual Report and Financial Statements
for the Financial Year for the Year Ended 30 June 2023


9. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	NOTES	FY 2022/23 Kshs	FY 2021/2022 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts for operating income			
Transfers from Government entities	12.1	-	-
Transfer from Ketraco	12.2	11,707,596	2,279,500
Miscellaneous receipts	12.4	262,983	7,951,037
Payments for operating expenses			
Purchase of goods and services	12.5	(577)	(77,223)
Transfer to Ketraco	12.7	-	(7,948,504)
Transfer to EEHP		(171,800,000)	
Net cash flows generated from operating activities		(159,829,999)	2,204,810
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of non-financial assets	12.6	(744,818,368)	(608,877,408)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from external development partners	12.3	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(904,648,367)	(606,672,598)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		2,105,417,426	2,712,090,024
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	11.8	<u>1,200,769,059</u>	<u>2,105,417,426</u>

The project financial statements were approved on 30/6/2023 and signed by:


 Chief Executive Officer
 Dr. (Eng.) John Mativo,CE


 Overall Project Coordinator
 Eng. Anthony Wamukota


 General Manager-Finance
 CPA Tom Imbo
 ICPAK Member Number 7039

12/12/12



12/12/12

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; 25367 KE)

Annual Report and Financial Statements

for the Financial Year for the Year Ended 30 June 2023

10. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2023

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on	Budget Utilization	% of
	a Kshs	b Kshs	c Kshs	Comparable basis d Kshs	difference e=c-d Kshs	Utilization f=d/c%
Receipts						
Transfer from KETRACO	-	-	-	11,707,596	(11,707,596)	--
Miscellaneous receipts	-	-	-	262,983	(262,983)	--
Total receipts	-	-	-	11,970,578	(11,970,578)	--
Payments						
Purchase of goods and services	-	-	-	577	(577)	--
Acquisition of non-financial assets	-	-	-	744,818,368	(744,818,368)	--
Transfer to EEHP	-	-	-	171,800,000	(171,800,000)	--
Total payments	-	-	-	916,618,945	(916,618,945)	--

The project financial statements were approved on 2023 and signed by:



Chief Executive Officer
Dr.(Eng) John Mativo-CE



Project Coordinator
Eng(CPA). Antony Wamukota, OGW



General Manager-Finance
CPA Tom Imbo
ICPAK Member Number 7039

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Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; 25367 KE)
Annual Report and Financial Statements
for the Financial Year for the Year Ended 30 June 2023

11. SIGNIFICANT ACCOUNTING POLICIES

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

11.1 Statement of compliance and basis of preparation

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

11.2 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.

11.3 Reporting currency

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

11.4 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.

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**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; 25367 KE)
Annual Report and Financial Statements
for the Financial Year for the Year Ended 30 June 2023**

11. SIGNIFICANT ACCOUNTING POLICIES(Continued)

11.4 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.

11.5 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.

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**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; 25367 KE)
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11. SIGNIFICANT ACCOUNTING POLICIES (continued)

11.6 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.

11.7 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.

11.8 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

11.9 Imprests and Advances

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.

11.10 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.

11.11 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

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11. SIGNIFICANT ACCOUNTING POLICIES (continued)

11.13 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.

10.10 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.

10.11 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.

10.12 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.

10.13 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 2023.

10.14 Errors

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

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12 NOTES TO THE FINANCIAL STATEMENTS

12.1 TRANSFER FROM GOVERNMENT OF KENYA

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

	FY 2022/23	FY 2021/22	Cumulative to-date
	Kshs	Kshs	Kshs
Counterpart funding through State Department of Energy			
Counterpart funds Quarter 1			1,976,312,986
Counterpart funds Quarter 2			1,001,275,682
Counterpart funds Quarter 3			1,126,677,455
Counterpart funds Quarter 4			429,679,877
Total	-	-	4,533,946,000

12.2 TRANSFER FROM KETRACO

	FY 2022/23		FY 2021/22	Cumulative to-date
	Receipts from Ketraco in cash	Total		
	Kshs	Kshs	Kshs	Kshs
Funding	11,707,596	11,707,596	2,279,500	52,091,405
Total	11,707,596	11,707,596	2,279,500	52,091,405

The amounts relate to KETRACO funding in the financial year 2022/23 as well as cumulative to date.

12.3 LOANS FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2023 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	Date Received	Amount in grants/Loan currency	Grants/Loan received in cash(Revenue)	Grants received as direct payment*	Total amount in Kshs	
					FY 2021/2022	FY 2020/2021
	Kshs	Euros	Kshs	Kshs	Kshs	Kshs
Grants/Loan Received from Multilateral Donors (International Organisations)						
AFD Credit No.CKE 1030 01G	01.07.2022-30.06.2023	-	-	-	-	3,105,635,908
Total	-	-	-	-	-	3,105,635,908

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12. NOTES TO THE FINANCIAL STATEMENTS (continued)

12.4 MISCELLANEOUS RECEIPTS

	FY 2022/23			FY 2021/22	Cumulative to-date
	Receipts controlled by the entity in cash	Receipts controlled by third parties	Total receipts		
	Kshs	Kshs	Kshs	Kshs	Kshs
Interest income	2,585	-	2,585	2,533	39,623,595.50
Unrealised gain in forex	260,398	-	260,398	-	20,828,967.15
Receipts from other parties				7,948,504	7,948,504.00
Total	262,983	-	262,983	7,951,037	68,401,066.65

*The receipts from other parties relate to funds refunded from deposits made to firms that offered consultancy to the project in regard to arbitration and right of way matters.

12.5 PURCHASE OF GOODS AND SERVICES

	FY 2022/23			FY 2021/22	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	577	-	577	77,223	415,431,789
Site travel expense and accommodation	-	-	-	0	94,907,182
Total	577	-	577	77,223	566,093,267

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12 NOTES TO THE FINANCIAL STATEMENTS (continued)

12.6 ACQUISITION OF NON-FINANCIAL ASSETS

	FY 2022/23			FY 2021/22	Cumulative to-date
	Payments made by the entity in cash	Payments made by third parties	Total payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Consultancy fees	154,480,522		154,480,522	-	1,410,783,048
Powerline (transmission equipment)	583,924,623		583,924,623	606,597,908	13,345,941,147
Wayleaves	6,413,222		6,413,222	2,279,500	2,408,253,991
Total	744,818,368	-	744,818,368	608,877,408	17,164,978,197

12.7 TRANSFER TO KETRACO

	2022/2023		2021/2022	Cumulative to-date
		Total		
	KShs	KShs	KShs	KShs
Refund to KETRACO		-	7,948,504	39,198,504
Total	-	-	7,948,504	39,198,504

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12 NOTES TO THE FINANCIAL STATEMENTS (continued)

12.8 CASH AND CASH EQUIVALENTS

	FY 2022/23	FY 2021/22
	Kshs	Kshs
Bank accounts balances	1,200,769,059	2,105,417,426
Total	1,200,769,059	2,105,417,426

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

12.8 A. Bank Account

	FY 2022/23	FY 2021/22
	Kshs	Kshs
<u>Foreign Currency Accounts</u>		
CBA Bank[A/c No:7612350038]	1,376,277	1,113,872
Total foreign currency balances	1,376,277	1,113,872
<u>Local Currency Accounts</u>		
Citi Bank [A/c No:0300092007]	-	-
Standard Chartered [A/c No:0104026386600]	1,199,392,782	2,104,303,554
Total local currency balances	1,199,392,782	2,104,303,554
Total bank account balances	1,200,769,059	2,105,417,426

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12. OTHER IMPORTANT DISCLOSURES

12.9 PENDING ACCOUNTS PAYABLE (Annex 2A)

	Balance b/f FY 2021/2022	Adjustments	Additions for the period	Paid during the year	Balance c/f FY 2022/2023
Description	Kshs	Kshs		Kshs	Kshs
Supply of goods	120,617,721		594,205,947	583,924,623	130,899,044
Supply of services	9,714,830		156,808,993	149,186,149	17,337,674
Total	130,332,550	-	751,014,940	733,110,772	148,236,718

12.10 OTHER PENDING PAYABLES (Annex 2B)

	Balance b/f FY 2021/2022	Adjustments	Additions for the period	Paid during the year	Balance c/f FY 2022/2023
Description	Kshs	Kshs	Kshs	Kshs	Kshs
Project Affected Persons parties	122,908,136	8,426		6,413,222	116,503,340
Total	122,908,136	8,426	-	6,413,222	116,503,340

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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 to 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. 122,908,136 as at 30 th June 2022 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	Partially Resolved	June 2023
2. Long Outstanding Wayleave Compensation	The expected compensation to landowners for wayleaves acquired since inception of the project amounts to KShs 2,558,971,379 as disclosed in Annex 2B. The amounts certified as payable amounted to KShs 2,558,971,379 of which KShs 2,399,561,269 was paid leaving unpaid balance of KShs. 159,410,110. Management has attributed failure to pay this amount to lack of budgetary allocation from National Treasury and lengthy land 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 2022-2023 to cater for the pending bills.	Tom Imbo General Manager, Finance	Not Resolved	June 2023
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 Kimuka substation at 97% and Malaa Sub-station at 79%.	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	Eng. Justin Muna Ag.General Manager, Design & Construction	Not Resolved	June 2023



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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue	Status:	Timeframe:
	This was despite having completion date reviewed to June 2021. Consequently, the delays in completion of the projects could result in escalation of projected costs or expiry and withdrawal of funding by project donors	Covid-19 pandemic in year 2020. Currently Malaa substation is at 90% and is due for completion in November 2022. Kimuka substation is at 99% and is due for completion in November 2022. 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.			
4. Pending Bills – Goods and Services	The project management contracted works and services amounting to Kes. 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 Ksh 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 the bills during the year in which it relate will distort the financial statements and adversely affects the budgetary provisions in subsequent years.	The pending bills amounting to KShs. 135,969,994 were settled in the subsequent year under review. The balance of KShs 58.3 Million relate to 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. Management has ensured that the project is adequately funded hence litigations and legal expenses and penalties is less probable.	Tom Imbo General Manager, Finance	Partially Resolved	June 2022
5. 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 Ksh. 3,100,000,000 resulting to excess receipts of Kshs. 58,479,998 or 102% of the budget. Similarly the statement of final payment budget of Ksh. 3,100,000,000 against an actual expenditure of Ksh. 707,102,009 equivalent to 23% of the budget resulting to an under expenditure of Kshs. 2,392,897,991 of 77% of the budget.	The excess receipts of KShs. 58,479,998 were as a result of: -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. -The movement in miscellaneous receipts relates to the interest income and revaluation of the foreign currency bank balance gains in foreign exchange	Tom Imbo General Manager, Finance	Resolved	June 2022

9 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100



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Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Focal person to resolve the issue	Status:	Timeframe:
	The excess receipts of Kes.58,479,998 were not explained while the 77% under absorption indicates the planned activities were not implemented.	for KShs.20,664,090. This balance was not budgeted. -KETRACO receipts amounting to KShs.930,000 and KShs.5,635,908 relates to amounts in settlement of direct payments as a result of timing difference. The under absorption of 77% was as a result of 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			



Chief Executive Officer
 Dr(Eng) John Mativo,CE



Overall Project Coordinator
 Eng. Anthony Wamukota, OGW



General Manager-Finance
 CPA Tom Imbo
 ICPAK Member Number 7039

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14. ANNEXES

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
RECEIPTS DURING THE YEAR/PERIOD					
Ketraco	-	11,707,596	(11,707,596)	--	(i)
Miscellaneous receipts	-	262,983	(262,983)	--	(ii)
Total receipts	-	11,970,578	(11,970,578)	--	
PAYMENTS DURING THE YEAR/PERIOD					
Purchase of goods and services	-	577	(577)	--	(iii)
Acquisition of non-financial assets	-	744,818,368	(744,818,368)	--	(iv)
Transfer to EEHP		171,800,000	(171,800,000)		
Total payments	-	916,618,945	(916,618,945)	--	

Explanation

- (i) There were no Proceeds from borrowings in 2021/2022.
- (ii) The movement in miscellaneous receipts relates to the interest income from the bank balance held in financial institutions amounting to Kes.2,533 and Kes.7,948,504 being receipts from other parties refunded from deposits made to firms that offered consultancy to the project in regard to arbitration and right of way matters
- (iii) Slowed project activities due to delayed procurement as a result of COVID 19 disruptions. This has been majorly due to the shortage of containers globally delaying supply of equipment and material to the substations



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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 FY 2022/23	Outstanding Balance FY 2021/22	Comments
	a	b	c	d	e=c-d	e=c-d	
	KES	KES		KES	KES	KES	
Supply of goods							
Jyoti Structures	3,705,981,079	29-Oct-12	3,133,373,577	3,075,009,640	58,363,937	58,363,937	(i)
Consolidated Power projects	4,099,621,095	13-Dec-16	3,574,251,345	3,574,251,345	-	62,253,783	(ii)
Siemens	2,630,178,876	25.10.2013	2,630,124,673	2,557,589,566	72,535,107	-	
Sub-Total	10,435,781,050		9,337,749,595	9,206,850,551	130,899,044	120,617,721	
Supply of services							
AF Consult/Colenco	652,404,205	2017	586,003,960	568,666,286	17,337,674	9,714,830	Paid July 2023
Sub-Total	652,404,205		586,003,960	568,666,286	17,337,674	9,714,830	
Grand Total	11,088,185,255		9,923,753,556	9,775,516,837	148,236,719	130,332,550	

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



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ANNEX ZB - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contract	Amount of Certified Work To-Date	Amount Paid To-Date	Outstanding Balance FY 2022/23	Outstanding Balance FY 2021/22	Comments
Amounts due to Third Parties		a	b	c	d	e=c-d		
		Kshs		Kshs	Kshs	Kshs	Kshs	
Project Affected Persons	Wayleaves compensation	2,524,757,331	2012-2020	2,524,757,331	2,408,253,991	116,503,340	122,908,136	
Total		2,524,757,331		2,524,757,331	2,408,253,991	116,503,340	122,908,136	

(i) The pending wayleaves amount is yet to be paid due to lack of budgetary allocation in 2022/2023 as well as lack of sufficient documentation for compensation from land owners.

ANNEX 2C – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) FY 2022/2023	*Purchases/Additions in the Year (KShs) FY 2022/2023		**Disposals in the Year (KShs) FY 2022/2023	Closing Cost (KShs) FY 2022/2023 (d)=(a)+(b)-(c)
		(a)	(b)		
Powerline (Transmission Equipment)	16,420,159,829		744,818,368		17,164,978,197
Total	16,420,159,829		744,818,368	-	17,164,978,197

Notes

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



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