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**REPORT**

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**THE AUDITOR-GENERAL**

Lom

Perpetual Mwig

**ON**

**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)**

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

**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**

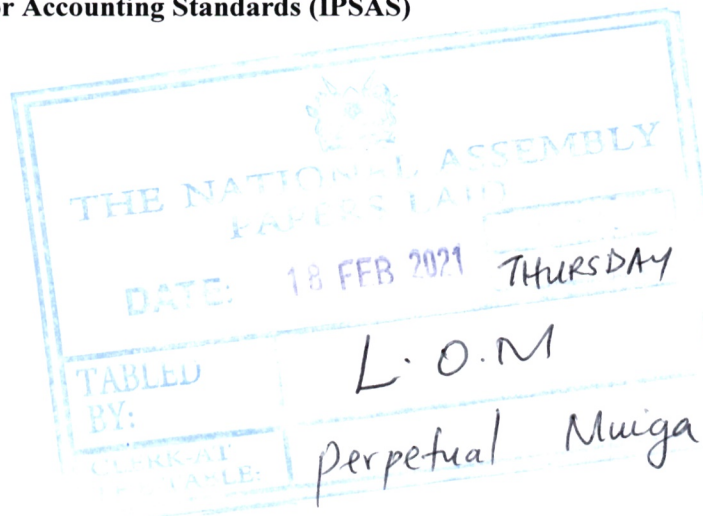
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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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**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

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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](mailto:info@ketraco.co.ke)

Website: [www.ketraco.co.ke](http://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 June 2021
Project Manager:	The project manager is Eng. 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"> <li>(i) Improve quality and reliability of electricity supply throughout the country;</li> <li>(ii) Transmit electricity to areas that are currently not supplied from the national grid;</li> <li>(iii) Evacuate power from planned generation plants; and</li> <li>(iv) Provide a link with the neighbouring countries in order to facilitate power exchange and develop electricity trade in the region.</li> </ul> <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 June 2021.

**1.4 Bankers**

The following are the bankers for the current year:

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

Commercial Bank of Africa  
 Upper Hill  
 P. O. Box 30437 - 00100  
 Nairobi.

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

**1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.5 Auditors**

Delegated Auditor: Deloitte & Touche  
 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**

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Eng. Anthony Musyoka	Project Manager	MSc Power Systems, MBA, BSC Electrical Engineering	Project Coordinator
Johnson Muthoka	Senior Manager Wayleaves	BA Land Econ (Hons), MA (Urban and Regional Planning (UON), full member of ISK, registered and licensed land economist	Wayleaves acquisition (land economists, land surveyors, social economists, environmental experts)
Mildred Mwhaki	Project Accountant	MBA, Bachelor of Commerce (Finance), CPA(K)	Preparation of project financial reports

**1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.7 Funding Summary**

The Project financing is for a duration of 9 years from 2012 to 2020 with an approved budget of AFD funding amounting to Euro. 78,500,000 and additional savings of Euro. 11,555,046 and Euro 13,500,000 and Euro 9,793,644 for EIB loan no.25367 for Nairobi Ring project respectively.

The counterpart funding is KShs 4,502,696,000 and KShs 37,174,309 from GOK and KETRACO respectively as highlighted in the table below:

Source of funds	Donor Commitment-		Amount received as at: – (30.06.2020)		Undrawn balance as at:	
	<i>EURO</i>	<i>Kshs Equivalent</i>	<i>EURO</i>	<i>Kshs Equivalent</i>	<i>(30.06. 2020)</i>	
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
<b>(i) Grant/Loan</b>						
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	13,500,000	1,621,890,000	1,730,099	189,664,594	11,769,901	1,432,225,406
<b>(ii) Counterpart funds</b>						
Government of Kenya		4,502,696,000		4,502,696,000	-	-
KETRACO		37,174,309		37,174,309	-	-
<b>Total</b>	<b>113,348,690</b>	<b>17,354,860,363</b>	<b>101,578,789</b>	<b>15,922,634,957</b>	<b>11,769,901</b>	<b>1,432,225,406</b>

## 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 319,636,085 against a final budget of KShs 316,000,000, representing 101% of the budget. Similarly, the project incurred total expenditure of KShs 385,262,392 during the year, against a final budget of KShs 316,000,000, representing 122%. The project's cumulative receipts and payments to-date amounts to KShs 15,962,157,914 and KShs 15,701,445,879 respectively.

#### 1.8.2 Physical Progress and Achievements of the Project

- 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 19th June 2019.
- Kimuka (Ngong) substation is expected to be completed in April 2021. Malaa (Komarock) Substation was expected to be completed in April 2021. 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%
	<b>Overall Completion</b>	<b>wt. =100%</b>	<b>100%</b>
	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%
	<b>Overall Completion</b>	<b>wt. =100%</b>	<b>100%</b>
	Physical completion was on 19 June 2019. Energization planned for April 2021.		
Kimuka Substation	Manufacturing/Shipment	wt. =30%	95%
	Civil Works/Construction	wt. =40%	92%
	Outdoor Installation	wt. =15%	96%
	Indoor Installation	wt. =15%	95%
	<b>Overall Completion</b>	<b>wt. =100%</b>	<b>96%</b>
	The completion date expected to be on April 2021. Energization planned for June 2021.		
Malaa Substation	Manufacturing/Shipment	wt. =30%	85%
	Civil Works/Construction	wt. =40%	60%
	Outdoor Installation	wt. =15%	0%
	Indoor Installation	wt. =15%	0%
	<b>Overall Completion</b>	<b>wt. =100%</b>	<b>64%</b>
	The completion date expected to be on April 2021. Energization planned for June 2021.		

**1. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.8.3 Implementation Challenges and Way Forward**

Delayed site hand over for Malaa substation in June 2018 as well as the disruptions of COVID-19 pandemic hence the new completion date is June 2021.

**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	No. of substations and transmission lines complete.	In FY 19/20 we increased system stability and power transfer capacity by completing and Energizing Isinya substation.

### **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. Environment 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*

During the year ended 30 June 2020, the Company procured Strathmore University to undertake Skill Gap Analysis among staff, in order to develop a plan that can improve employee performance. The Company also paid professional fees to professional bodies and facilitated trainings and conferences for staff members. Further, Knowledge Management Gap Analysis conducted by Kenyatta University and staff performance appraisal was undertaken. This has been of great importance in improvement of KETRACO project's work execution.

*Safety and security measures*

During the year ended 30 June 2020, the Company organized for safety and security awareness sensitization sessions for craftsmen and technicians deployed at various projects and substations across the country. In addition, the company procured services of security providers and deployed them at all KETRACO project substations to ensure safety of company's infrastructure projects. Further, Internal audit of the Information Security Management System (ISMS) and backups for the data centre were also undertaken in the period.

**4. Market place practices**

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

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

**4 Market place practices (continued)**

In addition, contractors/suppliers were sensitised on SAP Ariba Sourcing Strategy & Access to e-government procurement opportunities. Through the SAP Ariba Developer portal procurement processes have been eased.

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

**5. Community engagements**

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

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

During the year, KETRACO developed a customer relationship management system on Integrated Location Intelligence System (ILIS) platform, which is aimed at enhancing handling of customer complaints and access to information by various stakeholders especially in wayleave acquisition grievance recording and resolution.

#### 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 2020. This responsibility includes maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; safeguarding the assets of the Project; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.


The Chief Executive Officer of KETRACO and the Project Coordinator for the 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 2020, 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.

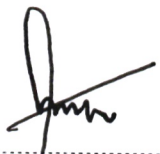
The Chief Executive Officer of KETRACO and the Project Coordinator for the Nairobi Ring Transmission Line Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year 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 6<sup>th</sup> January 2021 and signed by them.

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

  
.....  
Overall Project Coordinator  
Antony Wamukota

  
.....  
Ag. 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 15 to 32 which comprise the statement of financial assets as at 30 June 2020, and the statement of receipts and payments, statement of cash flows, and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of Nairobi Ring Transmission Line Project as at 30 June 2020, and of its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) financial reporting framework under the cash basis of accounting.

#### Basis for Opinion

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

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

#### Other Information

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

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

## **5. REPORT OF THE INDEPENDENT AUDITORS ON THE 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.



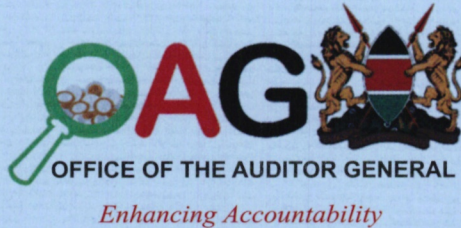
**Certified Public Accountants (Kenya)  
Nairobi**

*7 January* 2021

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

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-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. CKE6012.01, AFD CREDIT NO. CKE1068 01, AFD CREDIT NO. CKE1030.01.B, EIB CREDIT NO.25.367/KE AND GOK) FOR THE YEAR ENDED 30 JUNE, 2020 – KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED**

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### 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 15 to 28, which comprise the statement of financial assets as at 30 June, 2020, 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 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 the Nairobi Ring Transmission Line Project as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreements No. CKE 6012.01 dated 3 April, 2009, Credit No. CKE1068 01 N dated 13 December, 2012 and Credit No. CKE1030.01.B dated 29 March, 2018 between Agence Francaise De Development and Credit No.25.367/KE dated 21 December, 2009 with 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 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

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*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. CKE1030.01.B, EIB Credit No.25.367/KE and GOK) for the year ended 30 June, 2020 – Kenya Electricity Transmission Company Limited*

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. Pending Bills**

According to Note 11.1 and 11.2 to the financial statements, the Project had pending accounts payables totalling Kshs.644,130,340 (2019: Kshs.249,150,226) as at 30 June, 2020. During the year under review, the Project Management made payments totalling Kshs.264,795,402 while accumulating bills totalling Kshs.652,752,780. Management has not explained why the bills were not settled during the year in which they occurred. The Project is at risk of incurring significant interest costs and penalties with their continued delay in payment.

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

#### **2. Long Outstanding Wayleave Compensation**

As reported in the previous year, the expected compensation to landowners for wayleaves acquired since inception of the Project in October 2012, amounted to Kshs.2,561,863,170, as disclosed in Annex 2B. The amounts certified as payable amounted to Kshs.2,561,863,170, out of which Kshs.2,399,561,269 was paid leaving an unpaid balance of Kshs.162,301,901. The Management has attributed failure to pay the amount due to lack of budgetary allocation from The National Treasury and lengthy land valuation negotiations due to absentee land owners and various court injunctions on disputed cases.

#### **3. Delay in Project Deliverables**

Review of the Project deliverables revealed that the Project was behind schedule, with respect to the completion of the Malaa Sub-Station. Construction works at the Sub-Station were 64% complete by the end of the year under review. This was despite having the completion date revised twice to May 2020 and 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.

#### **4. Budgetary Performance and Control**

The statement of comparative budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.316,000,000 and Kshs.319,636,085. This has resulted to an over utilization of Kshs.3,636,085 or 1% of the budget. Further, actual expenditure for the year amounted to Kshs.385,262,392 against the final expenditure budget of Kshs.316,000,000 unapproved leading to over expenditure of Kshs.69,262,392.

#### **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 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 comply, 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(s) 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 governance were not effective.

##### **Basis for Conclusion**

##### **Automation of the Financial Reporting Process**

Review of the financial reporting process for the Project revealed significant manual interventions. Although the sub-ledgers are extracted from the SAP system through the Business Intelligence Reporting Module, the processing of the trial balance and financial statements is done manually on excel worksheets.

Consequently, the manual interventions may result to errors in the Project financial statements.

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 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 Public Sector Accounting Standards (Cash Basis), and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements which are free from material misstatement, whether due to fraud or error, and for assessment of the effectiveness of the internal control, risk management and 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 cease operations.

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

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

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of Management's systems for monitoring 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 which includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Project's ability to continue sustaining its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



**Nancy Gathungu**  
**AUDITOR-GENERAL**


**Nairobi**

**31 December, 2020**


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

	Note	FY 2019/20			FY 2018/19			Cumulative to-date
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	
		KShs	KShs	KShs	KShs	KShs	KShs	
<b>Receipts</b>								
Transfer from Government entities	10.3	119,500,000	-	119,500,000	77,250,000	-	77,250,000	
Loans from external development partners	10.4		189,664,594	189,664,594	2,296,372,540	-	2,296,372,540	
Transfer from KETRACO	10.5	8,386,823	-	8,386,823	28,787,486	-	28,787,486	
Miscellaneous receipts	10.6	2,084,668	-	2,084,668	854,099	-	854,099	
<b>Total Receipts</b>		<b>129,971,491</b>	<b>189,664,594</b>	<b>319,636,085</b>	<b>2,403,264,125</b>	<b>-</b>	<b>2,403,264,125</b>	
<b>Payments</b>								
Purchase of goods and services	10.7	15,121,050	-	15,121,050	250,903,603	-	250,903,603	
Acquisition of non-financial assets	10.8	180,476,748	189,664,594	370,141,342	2,611,250,789	-	2,611,250,789	
<b>Total Payments</b>		<b>195,597,798</b>	<b>189,664,594</b>	<b>385,262,392</b>	<b>2,862,154,392</b>	<b>-</b>	<b>2,862,154,392</b>	
<b>(Deficit)/Surplus</b>		<b>(65,626,307)</b>	<b>-</b>	<b>(65,626,307)</b>	<b>(458,890,267)</b>	<b>-</b>	<b>(458,890,267)</b>	

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 6<sup>th</sup> January 2020 and signed by:

  
 Chief Executive Officer  
 FCPA Fernandes Barasa, OGW


  
 Overall Project Coordinator  
 Antony Wamukota


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


7. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2020

	Notes	FY 2019/20 Kshs	FY 2018/19 Kshs
<b>Financial Assets</b>			
<b>Cash and cash equivalents</b>			
Bank Balances	10.10	260,712,035	326,338,342
<b>Total Financial Assets</b>		<b>260,712,035</b>	<b>326,338,342</b>
<b>Represented By:</b>			
Fund Balance b/fwd		326,338,342	864,177,704
Deficit for the year		(65,626,307)	(458,890,267)
Prior Year Adjustments	10.9	-	(78,949,095)
<b>Net Financial Position</b>		<b>260,712,035</b>	<b>326,338,342</b>

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 6th January 2021 and signed by:

  
 Chief Executive Officer  
 FCPA Fernandes Barasa, OGW


  
 Overall Project Coordinator  
 Antony Wamukota

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


**8. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	FY 2019/20 Kshs	FY 2018/19 Kshs
<b>Cash Flows from Operating Activities</b>			
<b>Receipts for operating income</b>			
Transfers from Government entities	10.3	119,500,000	77,250,000
Transfer from KETRACO	10.5	8,386,823	28,787,486
Miscellaneous receipts	10.6	2,084,668	854,099
<b>Payments for operating expenses</b>			
Purchase of goods and services	10.7	(15,121,050)	(250,903,603)
Prior year adjustments	10.9	-	(78,949,095)
<b>Net cash flows generated from/(used in) operating activities</b>		<b>114,850,441</b>	<b>(222,961,113)</b>
<b>Cash Flows from Investing Activities</b>			
Acquisition of non-financial assets	10.8	(370,141,342)	(2,611,250,789)
<b>Cash Flows from Borrowing Activities</b>			
Loan from external development partners	10.4	189,664,594	2,296,372,540
<b>Net Decrease in Cash and Cash Equivalents</b>		<b>(65,626,307)</b>	<b>(537,839,362)</b>
Cash and Cash Equivalents at Beginning of the Year		326,338,342	864,177,704
<b>Cash and Cash Equivalents at End of the Year</b>	10.10	<b>260,712,035</b>	<b>326,338,342</b>

The project financial statements were approved on 5th January 2021 and signed by:

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


  
 .....  
 Overall Project Coordinator  
 Antony Wamukota

  
 .....  
 Ag. General Manager – Finance  
 CPA Tom Imbo  
 ICPAK Member Number 7039

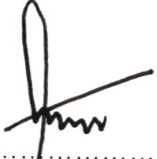
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget a Kshs	Adjustments b Kshs	Final Budget c Kshs	Actual on Comparable basis d Kshs	Budget Utilization difference e=c-d Kshs	% of Utilization f=d/c%
Transfer from Government entities	125,000,000		125,000,000	119,500,000	5,500,000	96%
Transfer from KETRACO	-	-	-	8,386,823	(8,386,823)	--
Proceed from borrowings	2,439,000,000	(2,248,000,000)	191,000,000	189,664,594	1,335,406	99%
Miscellaneous receipts	-	-	-	2,084,668	(2,084,668)	--
<b>Total receipts</b>	<b>2,564,000,000</b>	<b>(2,248,000,000)</b>	<b>316,000,000</b>	<b>319,636,085</b>	<b>(3,636,085)</b>	<b>101%</b>
<b>Payments</b>						
Purchase of goods and services	(15,121,050)	-	(15,121,050)	(15,121,050)	-	100%
Acquisition of non-financial assets	(2,548,878,950)	2,248,000,000	(300,878,950)	(370,141,342)	69,262,392	123%
<b>Total payments</b>	<b>(2,564,000,000)</b>	<b>2,248,000,000</b>	<b>(316,000,000)</b>	<b>(385,262,392)</b>	<b>69,262,392</b>	<b>122%</b>

The project financial statements were approved on 6th January 2021 and signed by:

  
 Chief Executive Officer  
 FCPA Fernandes Barasa, OGW

  
 Overall Project Coordinator  
 Antony Wamukota

  
 Ag. General Manager – Finance  
 CPA Tom Imbo  
 ICPAK Member Number 7039

## 10. NOTES TO THE FINANCIAL STATEMENTS

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

### 10.1 BASIS OF PREPARATION

#### 10.1.1 Statement of compliance and basis of preparation

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

#### 10.1.2 Reporting entity

The financial statements are for the 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.

#### 10.1.3 Reporting currency

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

## 10.2 SIGNIFICANT ACCOUNTING POLICIES

### a) Recognition of receipts

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

- **Transfers from the Exchequer**

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

- **External Assistance**

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

***Donations and grants***

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

**10. NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a) Recognition of receipts (continued)**

- **External Assistance (continued)**

*Proceeds from borrowing*

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

*Undrawn external assistance*

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

- **Other receipts**

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

**b) Recognition of payments**

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

- **Purchase of goods and services**

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

- **Acquisition of fixed assets**

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

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

**10. NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c) In-kind donations**

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

**d) Cash and cash equivalents**

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

*Restriction on cash*

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

**e) Accounts receivable**

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

**f) Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they 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. NOTES TO THE FINANCIAL STATEMENTS (continued)**

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

**i) Exchange rate differences**

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

**j) Comparative figures**

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

**k) Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30.6. 2020.

**l) Errors**

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

**10. NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10.3 RECEIPTS FROM GOVERNMENT OF KENYA**

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

	<b>FY 2019/20</b>	<b>FY 2018/19</b>	<b>Cumulative to-date</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Counterpart funding through State Department of Energy			
Counterpart funds Quarter 1	25,750,000	25,750,000	1,945,062,986
Counterpart funds Quarter 2	62,500,000	25,750,000	1,001,275,682
Counterpart funds Quarter 3	31,250,000	25,750,000	1,126,677,455
Counterpart funds Quarter 4			429,679,877
<b>Total</b>	<b>119,500,000</b>	<b>77,250,000</b>	<b>4,502,696,000</b>

\* Quarter 4 disbursement of KShs 31,250,000 for FY 2019/20 was received in July 2020 and hence not included in this report.

**10.4 LOANS FROM EXTERNAL DEVELOPMENT PARTNERS**

During the 12 months to 30 June 2020 we 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 30.06.20	Amount in Loan currency	Loan received in cash (Revenue)	Loan received as direct payment*	Total amount in Kshs	
					FY 2019/20	FY 2018/19
	Kshs	Euros	Kshs	Kshs	Kshs	Kshs
Loan Received from Multilateral Donors (International Organisations)						
AFD Credit No.CKE 1068 01N	8,826,736,465	78,500,000	8,826,736,465			2,296,372,540
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	189,664,594	1,730,099		189,664,594	189,664,594	
<b>Total</b>	<b>11,382,764,648</b>	<b>101,578,789</b>	<b>9,953,100,054</b>	<b>1,429,664,594</b>	<b>189,664,594</b>	<b>2,296,372,540</b>

**10. NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10.5 TRANSFER FROM KETRACO**

	FY 2019/20	FY 2018/19	Cumulative to- date
	Kshs	Kshs	Kshs
Funding from KETRACO	8,386,823	28,787,486	37,174,309
<b>Total</b>	<b>8,386,823</b>	<b>28,787,486</b>	<b>37,174,309</b>

**10.6 MISCELLANEOUS RECEIPTS**

	FY 2019/20			FY 2018/19	Cumulative to- date
	Receipts controlled by the entity in cash	Receipts controlled by third parties	Total receipts		
	Kshs	Kshs	Kshs	Kshs	Kshs
Interest income	550,672	-	550,672	854,099	37,988,961
Realised gain in forex	1,533,996	-	1,533,996	-	1,533,996
<b>Total</b>	<b>2,084,668</b>	<b>-</b>	<b>2,084,668</b>	<b>854,099</b>	<b>39,522,957</b>

**10.7 PURCHASE OF GOODS AND SERVICES**

	FY 2019/20			FY 2018/19	Cumulative to- date
	Payments made by the entity in cash	Payments made by third parties	Total payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Legal fees	-	-	-	-	55,058,296
Audit fees	-	-	-	-	696,000
Other project costs	11,481,868	-	11,481,868	247,076,181	415,316,920
Site travel expense and accommodation	3,639,182	-	3,639,182	3,827,422	94,907,182
<b>Total</b>	<b>15,121,050</b>	<b>-</b>	<b>15,121,050</b>	<b>250,903,603</b>	<b>565,978,398</b>

**10. NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10.8 ACQUISITION OF NON-FINANCIAL ASSETS**

	FY 2019/20			FY 2018/19	Cumulative to-date
	Payments made by the entity in cash	Payments made by third parties	Total payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Consultancy fees	107,000,810	-	107,000,810	74,467,192	1,255,372,536
Powerline (transmission equipment)	67,627,205	189,664,594	257,291,799	2,517,340,856	11,480,533,676
Wayleaves	5,848,733	-	5,848,733	19,442,741	2,399,561,269
<b>Total</b>	<b>180,476,748</b>	<b>189,664,594</b>	<b>370,141,342</b>	<b>2,611,250,789</b>	<b>15,135,467,481</b>

**10.9 PRIOR YEAR ADJUSTMENTS**

	FY 2019/20		FY 2018/19	Cumulative to-date
		Total		
	Kshs	Kshs	Kshs	Kshs
Prior Year Adjustment	-	-	78,949,095	78,949,095
<b>Total</b>	<b>-</b>	<b>-</b>	<b>78,949,095</b>	<b>78,949,095</b>

The prior year adjustment in FY 2018/19 related to payments erroneously made from the GOK Fund for AFD related suppliers and subsequently recognised as income for the respective years. The amount was refunded from the AFD account to GOK account in FY 2018/19.

**10.10 BANK AND CASH BALANCES**

	FY 2019/20	FY 2018/19
	Kshs	Kshs
Bank accounts balances	260,712,035	326,338,342
<b>Total</b>	<b>260,712,035</b>	<b>326,338,342</b>

**10. NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10.10 BANK AND CASH BALANCES (continued)**

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

	FY 2019/20	FY 2018/19
	Kshs	Kshs
<b><u>Foreign Currency Accounts</u></b>		
CBA Bank [A/c No:7612350038]	259,711,965	325,267,544
<b>Total foreign currency balances</b>	<b>259,711,965</b>	<b>325,267,544</b>
<b><u>Local Currency Accounts</u></b>		
Citi Bank [A/c No:0300092007]	1,000,070	1,070,798
<b>Total local currency balances</b>	<b>1,000,070</b>	<b>1,070,798</b>
<b>Total bank account balances</b>	<b>260,712,035</b>	<b>326,338,342</b>

**10.11 CURRENCY**

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

**11. OTHER IMPORTANT DISCLOSURES**

**11.1 PENDING ACCOUNTS PAYABLE (Annex 2A)**

	Balance b/f FY 2019/2020	Adjustments	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs	Kshs		Kshs	Kshs
Supply of goods	69,792,551	(199,404)	604,382,076	(239,875,739)	434,099,484
Supply of services	19,070,930	-	47,728,955	(19,070,930)	47,728,955
<b>Total</b>	<b>88,863,481</b>	<b>(199,404)</b>	<b>652,111,031</b>	<b>(258,946,669)</b>	<b>481,828,439</b>


**11.2 OTHER PENDING PAYABLES (Annex 2B)**


	Balance b/f FY 2019/2020	Adjustments	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs		Kshs	Kshs	Kshs
Project Affected Persons parties	160,286,745	1,446,430	6,417,459	(5,848,733)	162,301,901
<b>Total</b>	<b>160,286,745</b>	<b>1,446,431</b>	<b>6,417,459</b>	<b>(5,848,733)</b>	<b>162,301,901</b>

**12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
1. Pending Bills – Goods and Services	The project has incurred cost on works and received services with a cost of Kshs. 14,169,783,209, as disclosed in Annex 2A. The amounts certified as payable amounted to Kshs. 11,530,940,453 of which Kshs. 11,442,076,953 was paid leaving unpaid pending bill balance of Kshs. 88,863,482. Consequently, it is not clear why the management has failed to clear the pending bills.	The pending bills were settled in the year under review.	Tom Imbo Ag. General Manager, Finance	Resolved	December 2020
2. Long Outstanding Wayleave Compensation	The expected compensation to landowners for wayleaves acquired since inception of the project amounts to Kshs 2,553,999,281, as disclosed in Annex 2B. The amounts certified as payable amounted to Kshs 2,553,999,281 of which Kshs 2,393,712,536 was paid leaving unpaid balance of Kshs. 160,286,745. 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	Tom Imbo Ag. General Manager, Finance	Not Resolved	June 2021

  
 Chief Executive Officer  
 FCPA Fernandes Barasa, OGW  
 6/1/2021  
 Date

  
 Overall Project Coordinator  
 Antony Wamukota  
 06/01/2021  
 Date

**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 %	
	Kshs	Kshs	Kshs	Kshs	
<b>RECEIPTS DURING THE YEAR/PERIOD</b>					
Government of Kenya	125,000,000	119,500,000	5,500,000	96%	(i)
Transfer from KETRACO	-	8,386,823	(8,386,823)	-	(ii)
Loans from external development partners	191,000,000	189,664,594	1,335,406	99%	
Miscellaneous receipts	-	2,084,668	(2,084,668)	-	(iii)
<b>Total receipts</b>	<b>316,000,000</b>	<b>319,636,085</b>	<b>(3,636,085)</b>	<b>101%</b>	
<b>PAYMENTS DURING THE YEAR/PERIOD</b>					
Purchase of goods and services	(15,121,050)	(15,121,050)	-	100%	
Acquisition of non-financial assets	(300,878,950)	(370,141,342)	69,262,392	123%	(iv)
<b>Total payments</b>	<b>(316,000,000)</b>	<b>(385,262,392)</b>	<b>69,262,392</b>	<b>122%</b>	

**Explanation**

- (i) The actual GOK receipts as at 30.6.2020 were Ksh.119,500,000. However, Kshs.31,250,000 for the 4<sup>th</sup> quarter was received on 6<sup>th</sup> July 2020 and hence not included in this report.
- (ii) This relate to receipts from KETRACO to cater for urgent project commitments awaiting the disbursement of 4<sup>th</sup> quarter GOK funding.
- (iii) The movements in miscellaneous receipts relates to the interest income and unrealised gains in FOREX from the bank balance held in financial institutions. This balance was not budgeted.
- (iv) Payables for financial year 2018/19 were paid in the subsequent year.

**NAIROBI RING POWER PROJECT (1068 01N; 6012 01G; 25367 KE)  
KENYA ELECTRICITY TRANSMISSION COMPANY (KETRACO)  
FOR THE YEAR ENDED 30 JUNE 2020**

**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	Outstanding Balance
					FY 2019/20	FY 2018/19
	a	b	c	d	e=c-d	
	Kshs		KShs	KShs	KShs	KShs
<b>Supply of goods</b>						
Jyoti Structures	3,705,981,079	29.10.2012	3,133,373,577	3,075,009,640	58,363,937	58,363,937
Iberdrola Lot A & B	3,605,653,333	03.05.2013	3,563,037,357	3,290,811,704	272,225,653	-
Siemens	2,557,643,768	25.10.2013	2,557,589,566	2,557,589,566	-	11,428,614
Consolidated Power projects	3,676,659,394	2016	2,325,219,948	2,221,710,054	103,509,894	-
CG Power and Industrial solutions Ltd	43,437,664	2019	43,437,664	43,437,664	-	-
<b>Sub-Total</b>	<b>13,589,375,238</b>		<b>11,622,658,112</b>	<b>11,188,558,628</b>	<b>434,099,484</b>	<b>69,792,551</b>
<b>Supply of services</b>						
AF Consult	266,375,118	2017	247,496,272	247,496,272	-	19,070,931
Terna Cesi	309,225,127	2016	307,159,355	260,360,400	46,798,955	-
Wairegi Gatetua & Associates Advocates	230,000	2020	230,000	-	230,000	-
Munga Kibanga & Co. Advocates	700,000	2020	700,000	-	700,000	-
<b>Sub-Total</b>	<b>576,530,245</b>		<b>555,585,627</b>	<b>507,856,672</b>	<b>47,728,955</b>	<b>19,070,931</b>
<b>Grand Total</b>	<b>14,165,905,483</b>		<b>12,178,243,739</b>	<b>11,696,415,300</b>	<b>481,828,439</b>	<b>88,863,481</b>

NAIROBI RING POWER PROJECT (1068 01N; 6012 01G; 25367 KE)  
 KENYA ELECTRICITY TRANSMISSION COMPANY (KETRACO)  
 FOR THE YEAR ENDED 30 JUNE 2020

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	Outstanding Balance
						FY 2019/20	FY 2018/19
		a	b	c	d	e=c-d	
		Kshs		Kshs	Kshs	Kshs	Kshs
<b>Amounts due to third parties</b>							
Project Affected Persons	Wayleaves compensation	2,561,863,170	2012-2020	2,561,863,170	2,399,561,269	162,301,901	160,286,745
<b>Total</b>		<b>2,561,863,170</b>		<b>2,561,863,170</b>	<b>2,399,561,269</b>	<b>162,301,901</b>	<b>160,286,745</b>



NAIROBI RING POWER PROJECT (1068 01N; 6012 01G; 25367 KE)  
KENYA ELECTRICITY TRANSMISSION COMPANY (KETRACO)  
FOR THE YEAR ENDED 30 JUNE 2020

ANNEX 2C – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2020	*Purchases/Additions in the Year (KShs) 2020	**Disposals in the Year (KShs) 2020	Closing Cost (KShs) 2020
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Powerline (Transmission Equipment)	14,765,326,139	370,141,342	-	15,135,467,481
<b>Total</b>	<b>14,765,326,139</b>	<b>370,141,342</b>	<b>-</b>	<b>15,135,467,481</b>

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.

