

REPUBLIC OF KENYA



*Enhancing Accountability*



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**NAIROBI RING TRANSMISSION LINE PROJECT  
(AFD CREDIT NO. CKE 1068 01 N, AFD CREDIT  
NO. CKE6012.01, AFD CREDIT NO. CKE 1030 01B,  
EIB CREDIT NO. 25.367/KE AND GOK)**

**FOR THE YEAR ENDED  
30 JUNE, 2024**

**KENYA ELECTRICITY TRANSMISSION  
COMPANY LIMITED**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 14 NOV 2024	DAY: Thursday
TABLED BY:	Hon. Silvanus Ocaro (Majority Party Whip)
CLERK-AT THE TABLE:	Anastacia



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
MACHAKOS HUB.  
29 OCT 2024  
**RECEIVED**



**KETRACO**

**THE NAIROBI RING TRANSMISSION LINE PROJECT**

**KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED (KETRACO)**

**CREDIT NUMBER: AFD LOAN NO: CKE 1068 01N; CKE 6012 01G, CKE 1030.01B & EIB  
CREDIT NO. 25367 KE**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2024**

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



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**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)  
Annual Report and Financial Statements for the Year Ended 30 June 2024**

**1. ACRONYMS AND DEFINATION 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

**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)  
Annual Report and Financial Statements for the Year Ended 30 June 2024**

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

Website: [www.ketraco.co.ke](http://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 December 2024
Project manager:	The project manager is Engineer Ruth Mburu
Project sponsor:	The project sponsor is Government of Kenya

**2.3 Project Overview**

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.

## 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"> <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 30 December 2024.

### 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.

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

**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)  
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**2. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**2.5 Auditors**

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
Eng.(CPA)Antony Wamukota-OGW.	Overall Project Coordinator	Bachelors Degree in Civil Engineering, CPA Final. He is registered by the Engineers Board of Kenya as a Professional Engineer. Member of the Institution of Engineers of Kenya (IEK)	Head of Design and Construction 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



2. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.7 Funding Summary

The Project financing is for a duration of 12 years from 2012 to 2024 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 Equivalent of Total Ksh 19,081,846,556 for Nairobi Ring project. The counterpart funding is KShs 4,593,446,000 from GOK as highlighted in the table below:

A. Sources of Funds

Source of funds	Donor Commitment-		Amount received as at: – (30.06.2024)		Undrawn balance as at:	
	Donor Currency EURO	Kshs	Donor Currency EURO	Kshs	Donor Currency EURO	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<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	25,474,893	3,295,300,502	25,474,893	3,295,300,502	-	-
<b>(ii) Counterpart funds</b>						
Government of Kenya		4,593,446,000		4,593,446,000	-	-
<b>Total</b>	<b>125,323,583</b>	<b>19,081,846,556</b>	<b>114,836,738</b>	<b>17,882,453,774</b>	<b>-</b>	<b>-</b>

Note:

2. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

2.7 Funding Summary (continued)

B. Application of Funds

Application of Funds	Amount received to date – (30 June 2024)		Cumulative Amount paid to date – (30 June 2024)		Unutilised balance to date – (30 June 2024)	
	<i>Donor Currency EURO</i>	<i>KShs</i>	<i>Donor Currency EURO</i>	<i>KShs</i>	<i>Donor Currency EURO</i>	<i>KShs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<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	25,474,893	3,295,300,502	21,111,841	2,693,853,725	4,363,052	601,446,776
<b>(ii) Counterpart funds</b>						
Government of Kenya		4,593,446,000		4,593,446,000	-	-
Ketraco					-	-
<b>Total</b>	<b>125,323,583</b>	<b>19,081,846,556</b>	<b>120,960,531</b>	<b>18,480,399,780</b>	<b>4,363,052</b>	<b>601,446,776</b>

**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)  
Annual Report and Financial Statements for the Year Ended 30 June 2024**

**2. PROJECT INFORMATION AND OVERALL PERFORMANCE (continued)**

**2.8 Summary of Overall Project Performance:**

**i) Budget Performance Against Actual Amounts for the current year and for cumulative to-date**

During the year under review, the project received Ksh 59,500,000 amount against a Ksh 119,000,000 final budget. Similarly, the project incurred total payments of KShs 657,347,828 during the year, against total receipts of Ksh 59,539,105 during the year. The project's cumulative receipts and payments to-date amounts to KShs 19,202,378,133 and KShs 18,599,417,796 respectively.

**ii) Physical Progress Based on Outputs and Outcomes since the Project commencement**

- 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 was completed and commission in March 2024. Malaa (Komarock) Substation is expected to be completed on December 2024. 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.		
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>
	Substation is physically completed on 19 June 2019.		
Kimuka 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>
	The completion date is expected to be in November 2022.		
Malaa Substation	Manufacturing/Shipment	wt. =30%	90%
	Civil Works/Construction	wt. =40%	99%
	Outdoor Installation	wt. =15%	87%
	Indoor Installation	wt. =15%	75%
	<b>Overall Completion</b>	<b>wt. =100%</b>	<b>91%</b>
	The completion date is expected to be in December 2024.		

2. PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

iii) 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	*
2023/2024	50%

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

iv) 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.

### 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 23/24 we increased system stability and power transfer capacity by progressing works at Malaa substation which is at 90% and Commissioned Kimuka Substation

#### **4. ENVIROMENTAL AND SUSTAINABILITY REPORTING**

Kenya Electricity Transmission Company Limited (KETRACO) is mandated 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: -**

##### **i) 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 to transfer skills and future career preparation.

##### **ii) Environmental and Social Sustainability**

##### **Environmental and Social Compliance**

KETRACO is committed to sustainable operations in alignment with relevant legislation, including the Environmental Management and Coordination Act (EMCA) 1999, the Climate Change Act 2016, the Sustainable Waste Management Act 2021, and the Land Act 2012. To ensure adherence to these laws and promote responsible environmental stewardship, the company has undertaken the following initiatives.

#### **4. ENVIROMENTAL AND SUSTAINABILITY REPORTING (Continued)**

Between July 2023 and June 2024, KETRACO completed twelve (12) ESIA's, ensuring that new projects meet environmental and social requirements.

The company conducted 20 Environmental and Social Management Plan monitoring activities and four (4) environmental audits to track compliance and assess the effectiveness of its sustainability measures.

##### **Development of an operational framework**

KETRACO has developed and reviewed its Environmental and Social Management Framework to enhance its sustainability practices and compliance with current regulations.

##### **Wayleave Compensation Regulations development**

The company contributed to the development and review of the Draft Public Rights of Way Compensation Regulations 2023, aiming to address land-related concerns in project implementation.

##### **Integration of Environmental and Social Considerations**

Environmental and social considerations have been integrated into several studies, including the proposed transmission lines for Meru-Maua, Musaga-Webuye-Kitale, Sotik Kilgoris, Juja Ruaraka, and Kieni Chogoria.

##### **Community Sensitization and Awareness**

The company recognizes the importance of community engagement in promoting environmental awareness. A total of 105 community sensitization meetings were held across various projects, fostering greater understanding and involvement of local communities in environmental issues.

##### **Climate Change Mainstreaming**

KETRACO is actively involved in climate change mitigation and adaptation efforts through several key initiatives:

**Tree Planting Activities:** The company has participated in the National Tree Planting and Restoration Program in collaboration with the State Department for Forestry. Notably, 211,000 seedlings were planted across Kabunda Forest, Mt. Elgon, Ontulili Meru County, Kibwezi Forest, Aberdare Forest, and Bungoma. Additionally, 3,000 seedlings were distributed to staff for home planting.

**Land Allocation for Tree Growing:** 330 hectares of land were allocated within Londiani Forest for the growth of 330,000 indigenous trees, contributing to reforestation and habitat restoration efforts.

**Climate Workshops and Training:** KETRACO took part in the Climate Adaptation for Infrastructure Development workshop at the Wangari Maathai Institute and a multi-agency workshop on Carbon Markets convened by NETFUND.

#### **4. ENVIROMENTAL AND SUSTAINABILITY REPORTING (Continued)**

##### **Corporate Social Responsibility (CSR) Integration**

The company has integrated Corporate Social Responsibility (CSR) into the conceptualization of the KTNIP projects. This includes:

- Offering scholarships for Technical and Vocational Education and Training (TVET) to potential students from project areas, thereby supporting local education and skill development.
- Incorporating tree-growing initiatives into project plans (at least 9,000 trees), with contractors required to implement these plans and KETRACO providing oversight and supervision to ensure successful execution.



**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 2024. 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 2024, 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..... 15/10/2024 and signed by them.



.....  
**Chief Executive Officer**  
**Dr ( Eng) John Mativo, MBS.**



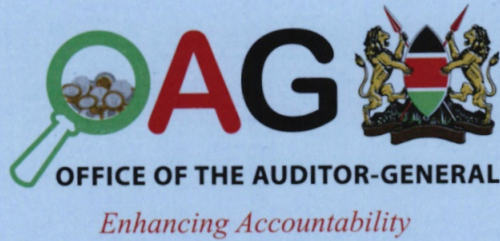
.....  
**Overall Project Coordinator**  
**Eng.(CPA) Antony**  
**Wamukota-OGW**



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

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON NAIROBI RING TRANSMISSION LINE PROJECT (AFD CREDIT NO. CKE 1068 01 N, AFD CREDIT NO. CKE6012.01, AFD CREDIT NO. CKE 1030 01 B, EIB CREDIT NO. 25.367/KE AND GOK) FOR THE YEAR ENDED 30 JUNE, 2024-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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### **Opinion**

I have audited the accompanying financial statements of Nairobi Ring Transmission Line Project set out on pages 1 to 17, which comprise of the statement of financial assets and

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*Report of the Auditor-General on Nairobi Ring Transmission Line Project (AFD Credit No. CKE 1068 01 N, AFD Credit No. CKE 6012.01, AFD Credit No. CKE 1030 01 B, EIB Credit No. 25.367/KE and GOK) for the year ended 30 June, 2024-Kenya Electricity Transmission Company Limited*

liabilities as at 30 June, 2024 and the statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

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, 2024 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. CKE6012.01 dated 3 April, 2009, Credit No. CKE 1068 01 N dated 8 June, 2012 and Credit No. CKE 1030 01 B dated 16 December, 2013 between Agence Francaise De Developpement 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 the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Nairobi Ring Transmission Line Project Management in accordance with ISSAI 130 on the 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.

### **Emphasis of Matter**

#### **1. Budgetary Control and Performance**

The statement of Comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.119,000,000 and Kshs.59,539,105 respectively resulting to an underfunding of Kshs.59,460,895 or 50% of the budget.

The under-funding affected the planned activities of the Project and may have impacted negatively on service delivery to the public.

#### **2. Pending Bills**

Annex 2A to the financial statements reflects pending bills balance of Kshs.71,898,306 owed to various suppliers that had not been paid at the close of the year. Management has not indicated the reason for non-payment of the bills.

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

My opinion is however not modified in respect of the above matters.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, 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**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, several paragraphs were raised. However, Management has not resolved all the prior year matters as prescribed in the reporting requirements set by the Public Sector Accounting Standards Board. Management has not provided satisfactory explanation for the delay in resolving the issues.

## **Other Information**

The Management is responsible for the other information, set out on page iii to xiv which comprises Project Information and Overall Performance, Statement of Performance Against Project's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Project Management Responsibilities.

The Other Information does not include the financial statements and my audit report thereon. My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit on the Nairobi Ring Transmission Line Project (AFD Credit No. CKE 1068 01 N, AFD Credit No. CKE 6012 01, AFD Credit No. CKE 1030 01B and EIB Credit No. 25.367/KE) financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution and 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. Delay in Project Implementation**

Review of contract documents revealed that the site for the Malaa Sub-station was handed over to the Contractor on 12 July 2018 and it was to be commissioned on 30 November 2024. However, during the audit carried out in the month of October 2024, the project had stalled and the contractor was not on site and the progress report indicated that the work was 90.6 % complete. This was despite having the completion date of 30 November 2024.

In the circumstances, the delays in completion of the Project may result in escalation of project costs and value for money obtained from the project could not be confirmed.

### **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 The National Treasury and lack of sufficient documentation for compensation from land owners.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

### **Basis for Conclusion**

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Conclusion

As required by Financing Agreements (AFD Credit No, CKE 1068 01 N, AFD Credit No. CKE6012.01, AFD Credit No. CKE 1030 01 B and EIB Credit No.25.367/KE), I report based on my audit that I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit. In my opinion:

- i. Information given in the Management report on pages iii to xiv is consistent with the financial statements; and
- ii. Project's financial statements are in agreement with the accounting records and returns.

### Basis for Conclusion

The Financing Agreements AFD Credit No, CKE 1068 01 N, AFD Credit No. CKE6012.01, AFD Credit No. CKE 1030 01 B and EIB Credit No.25.367/KE requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### Responsibilities of the Management and those Charged with Governance

The 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 controls as the 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, the Management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to cease operations.

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply 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 how 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**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP 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.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I also consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**25 October, 2024**

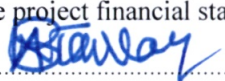
Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)  
Annual Report and Financial Statements for the Year Ended 30 June 2024


7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2024

	Note	FY 2023/2024			FY 2022/2023			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	
		KShs	KShs	KShs	KShs	KShs	KShs	KShs
<b>RECEIPTS</b>								
Transfer from Government entities	1	59,500,000	-	59,500,000	-	-	-	4,593,446,000
Transfer from Ketraco	2		-	-	11,707,596	-	11,707,596	52,091,405
Loans from external development partners	3		-	-		-	-	14,488,400,556
Miscellaneous receipts	4	39,105	-	39,105	262,983	-	262,983	68,440,172
<b>TOTAL RECEIPTS</b>		<b>59,539,105</b>	<b>-</b>	<b>59,539,105</b>	<b>11,970,578</b>	<b>-</b>	<b>11,970,578</b>	<b>19,202,378,133</b>
<b>PAYMENTS</b>								
Purchase of goods and services	5	5,900,490	-	5,900,490	577	-	577	571,993,758
Acquisition of non-financial assets	6	445,188,468		445,188,468	744,818,368		744,818,368	17,610,166,665
Transfer to Ketraco	7	52,091,405		52,091,405	-		-	91,289,909
Transfer to EEHP	8	154,167,465		154,167,465	171,800,000		171,800,000	325,967,465
<b>TOTAL PAYMENTS</b>		<b>657,347,828</b>	<b>-</b>	<b>657,347,828</b>	<b>916,618,945</b>	<b>-</b>	<b>916,618,945</b>	<b>18,599,417,796</b>
<b>SURPLUS / (DEFICIT)</b>		<b>(597,808,723)</b>	<b>-</b>	<b>(597,808,723)</b>	<b>(904,648,367)</b>	<b>-</b>	<b>(904,648,367)</b>	<b>602,960,337</b>

The accounting policies and explanatory notes to these project financial statements form an integral part of the project financial statements.

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

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

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



Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)  
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8. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30 JUNE 2024

DESCRIPTION	NOTE	FY 2023/24 Kshs	FY 2022/23 Kshs
Financial Assets			
Cash and cash equivalents	9	602,960,337	1,200,769,059
<b>TOTAL FINANCIAL ASSETS</b>		<b>602,960,337</b>	<b>1,200,769,059</b>
Represented by			
Fund Balance b/fwd		1,200,769,059	2,105,417,426
Surplus/(Deficit) for the year		(597,808,723)	(904,648,367)
<b>NET FINANCIAL ASSETS</b>		<b>602,960,337</b>	<b>1,200,769,059</b>

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

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

General Manager-Finance  
CPA Tom Imbo  
ICPAK Member Number 7039

**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)  
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**9. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024**

DESCRIPTION	NOTES	FY 2023/2024 Kshs	FY 2022/2023 Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Transfers from Government entities	1	59,500,000	-
Transfer from Ketraco	2	-	11,707,596
Miscellaneous receipts	4	39,105	262,983
<b>Total Receipts</b>		<b>59,539,105</b>	<b>11,970,578</b>
<b>Payments for operating expenses</b>			
Purchase of goods and services	5	(5,900,490)	(577)
Transfer to Ketraco	7	(52,091,405)	-
Transfer to EEHP	8	(154,167,465)	(171,800,000)
<b>Total Payment</b>		<b>(212,159,360)</b>	<b>(171,800,577)</b>
<b>Net Receipt /(Payment)</b>		<b>(152,620,255)</b>	<b>(159,829,999)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of non-financial assets	6	(445,188,468)	(744,818,368)
<b>Net Cashflow from Investing Activities</b>		<b>(445,188,468)</b>	<b>(744,818,368)</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan from external development partners	3	-	-
<b>Net Cashflow from Investing Activities</b>		<b>-</b>	<b>-</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(597,808,723)</b>	<b>(904,648,367)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>1,200,769,059</b>	<b>2,105,417,426</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>602,960,337</b>	<b>1,200,769,059</b>

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)  
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10. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2024

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Budget Utilization difference	% of Utilization
	a	b	c	d	e=c-d	f=d/c%
<b>Receipts</b>	Kshs	Kshs	Kshs	Kshs	Kshs	
Transfer from KETRACO	119,000,000		119,000,000	59,500,000	59,500,000	50%
Miscellaneous receipts	-		-	39,105	(39,105)	--
<b>Total receipts</b>	<b>119,000,000</b>		<b>119,000,000</b>	<b>59,539,105</b>	<b>59,460,895</b>	50%
<b>Payments</b>						
Purchase of goods and services	119,000,000		119,000,000	5,900,490	113,099,510	5%
Transfer to KETRACO.				52,091,405	(52,091,405)	--
Acquisition of non-financial assets	-		-	445,188,468	(445,188,468)	--
Transfer to EEHP	-		-	154,167,465	(154,167,465)	--
<b>Total payments</b>	<b>119,000,000</b>		<b>119,000,000</b>	<b>657,347,828</b>	<b>(538,347,827.68)</b>	--

## 11. SIGNIFICANT ACCOUNTING POLICIES

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

### a) 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.

### b) 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.

### c) 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.

### d) 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.

#### i) 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.

#### ii) External Assistance

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

#### iii) 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.

#### iv) 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.

**11. SIGNIFICANT ACCOUNTING POLICIES(Continued)**

**d) Recognition of receipts (continued)**

**External Assistance (continued)**

**v) 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.

**vi) 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.

**e) Recognition of payments**

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

**i) 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.

**ii) 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.

**f) 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.

**g) 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

**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)  
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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.

**h) 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

**i) 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.

**j) 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.

**k) Budget**

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year.

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

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

**l) 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.

**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)  
Annual Report and Financial Statements for the Year Ended 30 June 2024**

**m) 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.

**n) 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.

**o) 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 2024.

**p) 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.

**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)  
Annual Report and Financial Statements for the Year Ended 30 June 2024**

**12 NOTES TO THE FINANCIAL STATEMENTS**

**1 TRANSFER FROM GOVERNMENT OF KENYA**

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

	<b>FY 2023/24</b>	<b>FY 2022/23</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	9,500,000		1,985,812,986
Counterpart funds Quarter 2			1,001,275,682
Counterpart funds Quarter 3	50,000,000		1,176,677,455
Counterpart funds Quarter 4			429,679,877
<b>Total</b>	<b>59,500,000</b>	<b>-</b>	<b>4,593,446,000</b>

**Note :** The receipts of Ksh 50 Million is Local AIA and Ksh 9.5 Million is GOK Counterpart funding,

**2 TRANSFER FROM KETRACO**

	<b>FY 2023/24</b>		<b>FY 2022/23</b>	<b>Cumulative to- date</b>
	<b>Receipts from Ketraco in cash</b>	<b>Total</b>		
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Funding			11,707,596	91,289,909
<b>Total</b>				

The amounts Ksh 52,091,405, that had been received from KETRACO to the project in previous years was charged first from the disbursement from GOK in the financial year 2023/2024, the reason the cumulative balance is nil.

**3 LOANS FROM EXTERNAL DEVELOPMENT PARTNERS**

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	
					<b>FY 2023/2024</b>	<b>FY 2022/2023</b>
	<b>Kshs</b>	<b>Euros</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Grants/Loan Received from Multilateral Donors (International Organisations)</b>						
AFD Credit No.CKE 1030 01G		-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



12. NOTES TO THE FINANCIAL STATEMENTS (continued)

4 MISCELLANEOUS RECEIPTS

	FY 2023/2024			FY 2022/2023	Cumulative to- date
	Receipts controlled by the entity in cash	Receipts controlled by third parties	Total receipts		
	Kshs	Kshs	Kshs	Kshs	Kshs
Interest income	3,989	0	3,989	2,585	39,627,584
Realised gain in forex	35,116	0	35,116	260,398	20,864,084
Receipts from other parties					7,948,504
<b>Total</b>	<b>39,105</b>		<b>39,105</b>	<b>262,983</b>	<b>68,440,172</b>

Note:

The miscellaneous income is interest realised and realised gain in NCBA Account.

5 PURCHASE OF GOODS AND SERVICES

	FY 2023/2024			FY 2022/2023	Cumulative to- date
	Payments made by the entity in cash	Payments made by third parties	Total payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Legal fees	1,252,381		1,252,381		56,310,677
Audit fees					696,000
Other project costs	4,425,088		4,425,088	577	419,856,878
Site travel expense and accommodation	223,021		223,021		95,130,203
<b>Total</b>	<b>5,900,490</b>		<b>5,900,490</b>	<b>577</b>	<b>571,993,758</b>

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)  
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12 NOTES TO THE FINANCIAL STATEMENTS (continued)

6 ACQUISITION OF NON-FINANCIAL ASSETS

Description	FY 2023/2024			FY 2022/2023	Cumulative to- date
	Payments made by the entity in cash	Payments made by third parties	Total payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Consultancy fees	23,348,713		23,348,713	154,480,522	1,434,131,761
Powerline (transmission equipment)	421,839,755		421,839,755	583,924,623	13,767,780,902
Wayleaves			-	6,413,222	2,408,253,991
<b>Total</b>	<b>445,188,468</b>	<b>-</b>	<b>445,188,468</b>	<b>744,818,368</b>	<b>17,610,166,654</b>

**Note:**

The amount of Powerline (Transmission Equipment) for the year under review was reported as Ksh 421,839,755 included Ksh 195,431,425 paid to the contractor Conco, and Ksh 113,624,606.72 paid to Colenco and Ksh 74,138,896 paid to Siemens . The consultancy fee of Ksh 23,348,713 is paid to Terna Cesi for consultancy works.

7 TRANSFER TO KETRACO

	2023/2024		2022/2023	Cumulative to- date
		Total		
	KShs	KShs	KShs	KShs
Refund to KETRACO	52,091,405	52,091,405	0	91,289,909
<b>Total</b>	<b>52,091,405</b>	<b>52,091,405</b>	<b>0</b>	<b>91,289,909</b>

The amount of Ksh 52,091,405 was spend in previous financial years and was refunded to KETRACO upon receipt from Government of Kenya disbursements.

8. TRANSFER TO EASTERN ELECTRICITY HIGHWAY PROJECT (EEHP)

	2023/2024		2022/2023	Cumulative to- date
		Total		
	KShs	KShs	KShs	KShs
Transfer to EEHP	154,167,465	154,167,465	171,800,000	325,967,465
<b>Total</b>	<b>154,167,465</b>	<b>154,167,465</b>	<b>171,800,000</b>	<b>325,967,465</b>

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)  
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12 NOTES TO THE FINANCIAL STATEMENTS (continued)

9 CASH AND CASH EQUIVALENTS

DESCRIPTION	FY 2023/24	FY 2022/23
	Kshs	Kshs
Bank accounts (Note 9A)	602,960,337	1,200,769,059
<b>Total</b>	<b>602,960,337</b>	<b>1,200,769,059</b>

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

9 A. Bank Account

	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
<b><u>Foreign Currency Accounts</u></b>		
CBA Bank[A/c No:7612350038]		1,376,277
<b>Total foreign currency balances</b>		<b>1,376,277</b>
<b><u>Local Currency Accounts</u></b>		
Standard Chartered [A/c No:0104026386600]	601,446,777	1,199,392,782
KCB	1,513,560	
<b>Total local currency balances</b>	<b>602,960,337</b>	<b>1,199,392,782</b>
<b>Total bank account balances</b>	<b>602,960,337</b>	<b>1,200,769,059</b>

Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)  
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12. OTHER IMPORTANT DISCLOSURES

10 PENDING ACCOUNTS PAYABLE (Annex 2A)

	Balance b/f FY 2022/2023	Additions for the period	Paid during the year	Balance c/f FY 2023/2024
Description	Kshs		Kshs	Kshs
Supply of goods	130,899,044		72,535,107	58,363,937
Supply of services	17,337,674	13,534,369	17,337,674	13,534,369
<b>Total</b>	<b>148,236,718</b>	<b>13,534,369</b>	<b>89,872,781</b>	<b>71,898,306</b>

11 OTHER PENDING PAYABLES (Annex 2B)

	Balance b/f FY 2022/2023	Additions for the period	Paid during the year	Balance c/f FY 2023/2024
Description	Kshs	Kshs	Kshs	Kshs
Project Affected Persons parties	116,503,340	0	0	116,503,340
<b>Total</b>	<b>116,503,340</b>	<b>0</b>	<b>0</b>	<b>116,503,340</b>

**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)  
Annual Report and Financial Statements for the Year Ended 30 June 2024**

**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 Point person to resolve the issue	Status:	Timeframe:
1. Idle Bank Balances	The statement of financial position reflects bank balance of Ksh 1,200,697,059 as at 30 <sup>th</sup> June 2023, However, out of the opening balance of Ksh 2,105,417,426 only Ksh 904,648,367 was utilised during the year under review to finance project activities, leaving a balance of Ksh 1,200,697,059 as idle bank balance, this is an indication that the project secretariate may not have the capacity to utilise loan revenue. In the circumstances the government of Kenya incurred commitment fee and loan interest on idle bank balances.	Nairobi Ring Project is funded from advance draw down which was made at the expiry of the finance agreement, this draw down was done against a budget of FY 2019/2020. Appendix 3 - budget)  The advance drawdown was for the balance of the financing to complete Eastern Electricity Highway Project & Nairobi Ring project.  These funds were to be utilized over a period of more than one financial year.	Tom Imbo General Manager, Finance	Partially Resolve d	June 2023
2. Pending Bills – Goods and Services	As reported in the previous year, the Project Management contracted works and services amounting to Kshs.11,088,185,255 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 to distorts the financial statements and adversely affects the budgetary provisions in the subsequent years as they form a first charge.	Out of the amount pending, Ksh 58,363,937 is payable to Jyoti Structures Limited, the company which was terminated in 2017 and is yet to finalize the bankruptcy proceedings. The amount Ksh 72,535,107.35 was settled to Siemens SAS, early during the year The balance of Ksh 17,337,674 was an amount due to consultant Colenco which has also since been settled ( Appendix 4 - Payment Voucher). The invoices due to Siemens and Colenco were in process as at the close of the financial year.	Tom Imbo General Manager, Finance	Closed	August 2023

**Nairobi Ring Transmission Line Project (1068 01N; 6012 01G; CKE 1030.01B, 25.367/KE)  
Annual Report and Financial Statements for the Year Ended 30 June 2024**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
3. Acquisition of Non-Financial Assets	<p>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:</p> <p>Lack of value for money on repair works at a substation.</p> <p>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 the Athi River 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.</p> <p>In the circumstances, value for money of the expenditure of Kshs.21,999,721 for the year ended 30 June 2023 could not be confirmed.</p>	<p>The contract document which contains the original bill of quantities was provided to the Auditors, see attached copy. (Appendix 5)</p> <p>The project implementation commenced in 2012 and the completion of the project as a brownfield project was undertaken by M\$. Conco. Prior to commencement of completion works, the project assets had been handed over to KETRACO by the previous contractor. Whereas most of the equipment were procured by a previous contractor whose contract was terminated, the installation and commissioning was done by the new Contractor, CONCO. On termination.</p> <p>The transformers were procured in 2012 and the manufacturer's warranty was 5 years. At the time of manufacture the transformers were tested and found to be satisfactory with no defects. The transformers have, however, been at site for almost 10years and as such normal wear and tear is expected. Given the life span of the transformer, the repair was necessary for efficient utilization and installation of the transformer.</p> <p>As such the contractor purchased the spares and deployed an expert from the manufacturer to repair the transformer for a period of six weeks.</p>	Tom Imbo General Manager, Finance	Not Resolved	June 2023

Nairobi Ring Transmission Line Project (1008 01N; 6012 01G; CKE 1030.01B, 25.367/KE)

Annual Report and Financial Statements for the Year Ended 30 June 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
Unjustified Variation- Earthing System at Kimuka Substation	<p>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 Kimuka Power Station. However, Management did provide satisfactory reason why the earthing system, 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.</p> <p>In the circumstances, value for money of the expenditure of Kshs.10,781,072 for the year ended 30 June 2023 could not be confirmed.</p>	<p>Procurement of the 95mm<sup>2</sup> Bare Copper Earth Wire (BCEW) for Kimuka 220/66kV substation was done by the previous contractor, Iberdrola, and as per the appendix no. 16 of contract, it was delivered at the KETRACO stores upon termination of the Iberdrola contract. CONCO carried out an audit at the stores to determine the equipment and materials available for Nairobi Ring projects in 2018/2019. As per the signed inventory list (list of all equipment/materials available at warehouses), it was found that the 95mm<sup>2</sup> BCEW was required and therefore needed to be procured as it is the main earth grid of Kimuka substation.</p> <p>Conco procured 11.275km of 95mm<sup>2</sup> BCEW conductor for the main earth grid for Kimuka substation as per the approved variation for Kimuka substation. (Appendix 6)</p>	Eng. Justin Muna Ag.General Manager, Design & Construction	Not Resolved	June 2023
4. Pending Bills – Goods and Services	<p>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 Ksh194,333,931 as pending bills. The unpaid bills are likely to attract interest and penalties and or litigation and related legal expenses which are wasteful expenditure.</p>	<p>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.</p>	Tom Imbo General Manager, Finance	Partially Resolved	June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	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.	Management has ensured that the project is adequately funded hence litigations and legal expenses and penalties is less probable.			
5. Budgetary performance and control	<p>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.</p> <p>The excess receipts of Kes.58,479,998 were not explained while the 77% under absorption indicates the planned activities were not implemented.</p>	<p><b>The excess receipts of KShs.58,479,998 were as a result of :</b></p> <ul style="list-style-type: none"> <li>-The actual Government of Kenya receipts as at 30June 2021 were KShs.31,250,000 for the fourth quarter financial year 2019/20 was received on 6 July 2020.</li> <li>-The movement in miscellaneous receipts relates to the interest income and revaluation of the foreign currency bank balance gains in foreign exchange for KShs.20,664,090. This balance was not budgeted.</li> <li>-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.</li> </ul> <p><b>The under absorption of 77%</b> 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</p>	Tom Imbo General Manager, Finance	Resolved	June 2022



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



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 %	
<b>RECEIPTS DURING THE YEAR/PERIOD</b>					
Ketraco	119,000,000.00	59,500,000	59,500,000	50%	(i)
Miscellaneous receipts	-	39,105	(39,105)	--	
<b>Total receipts</b>	<b>119,000,000.00</b>	<b>59,539,105</b>	<b>59,460,895</b>	50%	
<b>PAYMENTS DURING THE YEAR/PERIOD</b>					
Purchase of goods and services	119,000,000.00	5,900,490	113,099,510	5%	
Transfer to KETRACO		52,091,405	(52,091,405)	--	(ii)
Acquisition of non-financial assets	-	445,188,468	(445,188,468)	--	
Transfer to EEHP		154,167,465	(154,167,465)	--	
<b>Total payments</b>	<b>119,000,000.00</b>	<b>657,347,828</b>	<b>(538,347,828)</b>	--	

**Explanation**

- (i) The Proceeds from GOK was Ksh 59,500,000 in 2023/2024.
- (ii) An amount of Ksh 52,091,405 was first charged from the receipts as funds received from KETRACO in the previous periods

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 2023/24	Outstanding Balance FY 2022/23	Comments
	a	b	c	d	e=c-d	e=c-d	
	KES	KES		KES	KES	KES	
<b>Supply of goods</b>							
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	3,775,803,625	3,775,803,625			(ii)
Siemens	2,630,178,876	25.10.2013	2,704,263,569	2,704,263,569	-	72,535,107	
<b>Sub-Total</b>	<b>10,435,781,050</b>		<b>9,613,440,771</b>	<b>9,555,076,834</b>	<b>58,363,937</b>	<b>130,899,044</b>	
<b>Supply of services</b>							
AF Consult/Colenco	652,404,205	13-Jul-17	744,276,981	713,404,938	13,534,369	17,337,674	
Terna Cesi	376,511,751	22-Mar-16	352,992,102	352,992,102			
<b>Sub-Total</b>	<b>1,028,915,956</b>		<b>1,097,269,083</b>	<b>1,066,397,040</b>	<b>13,534,369</b>	<b>17,337,674</b>	
<b>Grand Total</b>	<b>11,464,697,006</b>		<b>10,710,709,854</b>	<b>10,621,473,874</b>	<b>71,898,306</b>	<b>148,236,718</b>	

- (i) The contractor went under receivership immediately after Isinya Suswa project was completed, The contractors has not completed the process of resolving the receivership, therefore the payment remains pending.

**ANNEX 2B - ANALYSIS OF OTHER PENDING PAYABLES**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount of Certified Work To-Date	Amount Paid To-Date	Outstanding Balance FY 2023/24	Outstanding Balance FY 2022/23	Comments
		a	b	c	d	e=c-d		
<b>Amounts due to Third Parties</b>		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	116,503,340	
<b>Total</b>		<b>2,524,757,331</b>		<b>2,524,757,331</b>	<b>2,408,253,991</b>	<b>116,503,340</b>	<b>116,503,340</b>	

- (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 landowners.

**ANNEX 2C – SUMMARY OF FIXED ASSET REGISTER**

Asset class	Opening Cost (KShs) FY 2023/2024	*Purchases/Additions in the Year (KShs) FY 2023/2024	**Disposals in the Year (KShs) FY 2023/2024	Closing Cost (KShs) FY 2023/2024
		(a)	(b)	
				(d)= (a)+ (b)-(c)
Powerline (Transmission Equipment)	17,164,978,197	445,188,468		17,610,166,665
<b>Total</b>	<b>17,164,978,197</b>	<b>445,188,468</b>	-	<b>17,610,166,665</b>

