

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

DATE: 23 MAR 2023

DAY:

THURSDAY

TABLED

BY:

OF

CLERK-AT
THE-TABLE:

MAJORITY LEADER

THE AUDITOR-GENERAL

ON

**PETROLEUM DEVELOPMENT
LEVY FUND**

**FOR THE YEAR ENDED
30 JUNE, 2022**

**MINISTRY OF PETROLEUM
AND MINING**



**MINISTRY OF PETROLEUM AND MINING
STATE DEPARTMENT FOR PETROLEUM
PETROLEUM DEVELOPMENT LEVY FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED**

30TH JUNE, 2022

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



PETROLEUM DEVELOPMENT LEVY FUND ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE 2022

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Ministry of Petroleum and Mining was created in 2021 through Executive Order No. 1 of February, 2021. Initially, the State Department was created in 2018 through Executive Order No. 1 of June, 2018 and before this the State Department for Petroleum fell under the Ministry of Energy and Petroleum. Before then, pricing was under the Ministry of Finance which represented the Government interests in the Kenya Petroleum Refineries Limited.

Under the Executive Order No. 1 of June, 2018 on the Organization of the Government of the Republic of Kenya, the Ministry was split into two State Department with each drawing its mandate from the Executive Order. At the Cabinet level, the Ministry is headed by the Cabinet Secretary, Hon John K. Munyes, EGH who is responsible for general policy and strategic direction of the Ministry.

(b) Key Management

The Ministry of Petroleum & Minings day-to-day management is under the following key organs:

No.	Designation	Name
1.	Cabinet Secretary	Amb. (Dr) Monica K. Juma (Oxon), EGH
2.	Principal Secretary	Mr. Andrew N. Kamau, CBS
3.	Secretary Administration	Mr. M. B. Mohamed OGW
4.	Secretary Petroleum	Mr. James Ng'ang'a
5.	Director HRM&D	Ms. Agnes Muthuo
6.	Chief Finance Officer	CPA Matthew Musyoka
7.	Director Planning	Ms. Electine Nanzala
8.	Deputy Accountant General	CPA Charles Liyayi Shidzugane
9.	Deputy Director SCMO	Ms. Chepkemoi Kerich






**Amb. (Dr) Monica K. Juma
(Oxon), EGH
Ag. Cabinet Secretary
Ministry of Petroleum and
Mining**

Amb. (Dr) Monica K. Juma (Oxon), EGH was appointed Ag. Cabinet Secretary for Ministry of Petroleum and Mining by President Uhuru Kenyatta in February 2022. She currently serves as Cabinet Secretary, Ministry of Energy and Petroleum. She previously served as the Cabinet Secretary for Ministry of Defence of the Republic of Kenya and Cabinet Secretary for Foreign Affairs. She is a distinguished diplomat, with grounded expertise in strategic management, policy making and analysis in international affairs, defense, peace, security and governance. She combines in-depth expertise with experience drawn from public, diplomatic service, research and academia, accumulated over three decades from across the world. As a person, she is a consensus builder, who is known for building fit-for purpose institutions and for creating teams around their strategic visions. She conducts her private public affairs with integrity and utmost professionalism.




Amb. (Dr.) Juma was appointed to the Ministry of Defence from the Ministry of Foreign affairs, where she served first as Principal Secretary (2016-2018) and then as Cabinet Secretary (2018-2020). During her tenure, Kenya became a demonstrative thought leader and championed numerous agenda that brought like-minded countries and regions together. She led Kenya in championing and convening on critical global agenda such as environment, terrorism, and blue economy to mention a few. She also led efforts in deepening Kenya's Pan-African and global south engagements. She served as Chair of the Commonwealth Ministerial Action Group (2018-2020). Before serving at the helm of Kenya's diplomacy, Dr Juma served as Principal Secretary in the security triad of government. In the Ministry of Interior and Coordination of National Government (2014-2015) she championed national security and administrative reforms. Prior to this, Dr. Juma was the Principal Secretary in the Ministry of Defence (2013-2014) where she was instrumental in strengthening the business process systems within the Ministry, clarifying the defence strategic orientation and bolstering the professional stature of the Kenya Defence Forces.

Previously, Amb. Dr. Juma was Ambassador Extra-Ordinary and



ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE 2022

	<p>Plenipotentiary of Kenya to Ethiopia and Djibouti, and Permanent Representative of Kenya to the African Union, the Inter-Governmental Authority on Development (IGAD) and United Nations Commission for Africa (UNECA), (2010-2013). She Forged consensus around complex issues facing the continent and the United Nations at the time, such as the Arab Spring, Rise of fundamentalism, terrorism, international migration, political fragility and state formation.</p>
 <p>Mr. Andrew N. Kamau, CBS Principal Secretary</p>	<p>Mr. Andrew Ng'ang'a Kamau has wide experience in Petroleum energy gained from several years in leadership positions in the private sector. Prior to his appointment as Principal Secretary for Petroleum, he was the Chief Executive Officer of Bracewell Energy which has interests in mining, energy and natural resources. As PS, he steers the Petroleum docket at the Ministry where he will oversee implementation of Petroleum projects. He holds a Bachelor of Science degree in Chemistry from the University of Nairobi.</p>
 <p>Mr. James Nganga Secretary Petroleum</p>	<p>Mr. James Ng'ang'a was appointed Ag. Secretary, Petroleum in February 2019. He has been instrumental in oil and gas exploration in the country leading to the first oil discovery in Kenya in March, 2012, implementation of the early oil project as well as the review of the Petroleum policy, legal, regulatory and contractual framework for oil and gas. He holds an MSc.a Bsc and PGDip.</p>
 <p>Mr. M. B. Mohamed OGW Secretary Administration</p>	<p>Mr. Mohamed Birik Mohamed, OGW, assumed the position of Secretary Administration in the Ministry of Petroleum and Mining in June 2022. He joined the Public Service in 1993 as a District Officer and rose through the ranks to become District Commissioner, County Commissioner and a Regional Commissioner.</p> <p>He is currently in charge of General Policy Co-ordination and provision of Support Services in the Ministry and has 29 years' experience in Public</p>

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	<p>Service Co-ordination and Management. He is a peace champion having been trained on Peace and Conflict Resolutions. He holds a Bachelor's degree in Education, majoring in Economics from the University of Nairobi and Advanced Public Administration course from Kenya Institute of Administration (K.I.A).</p>
 <p>CPA Mathew K. Musyoka Chief Finance Officer</p>	<p>CPA Mathew K. Musyoka assumed the position of Head of Finance Unit in November 2018. He is in charge of budget preparation and implementation. He holds an MA (Economics) from Kenyatta University and Bachelor of Arts (economics) from University of Nairobi. He is a CPA (K), and also a member of the ICPAK</p>
 <p>Ms. Electine M. Nanzala Director Macro Planning</p>	<p>Ms. Electine M. Nanzala assumed the position of the Head of CPPMU in May, 2016. She is in charge of Economic planning function which involves planning and analysis of economic policy; undertaking economic analysis, evaluation and monitoring of development projects and programmes; co-ordination of strategic planning and performance contracting; and performance review of economic activities to inform policy and budgetary processes. She holds a Masters in Economics and a Bachelor of Arts Degree from Kenyatta University.</p>
 <p>Ms. Agnes Muthuo, Director/HRM&D</p>	<p>Ms. Agnes Muthuo assumed the position of Head, Human Resource Management and Development in January, 2017. She is in charge of managing the HR function in the Department including Training and Development for effective service delivery. She holds a Master of Science degree in Human Resource Development from the Jomo Kenyatta University of Science and Technology and a Bachelor of Arts degree in Anthropology from the University of Nairobi. She is a Member of IHRM.</p>

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2022

 <p>CPA Charles Liyayi Shidzugane Deputy Accountant General</p>	<p>CPA Charles Liyayi Shidzugane assumed the position of Head of Accounting Unit in December 2018. He is in charge of Accounting and Financial Reporting as well as designing, implementing and monitoring internal controls relevant to the preparation and for presentation of financial reports in line with the relevant International Public Sector Accounting Standards (IPSAS). He holds an MSc (Finance Option) from The KCA University and Bachelor of Commerce (Finance) from Catholic University of Eastern Africa. He is a CPA (K), and also a member of the ICPAK.</p>
 <p>Ms. Chepkemoi Kerich Deputy Director Supply Chain Management</p>	<p>Ms Chepkemoi Kerich assumed the position of Head of Supply Chain Management Unit in January 2019. She is in-charge of Procurement of goods and services and Overseeing implementation of the Department's Procurement Plan. She holds a Masters Degree and Bachelor's Degree in Economics from Nairobi University. She is also a member of KISM and CIPS</p>

(c) Ministry of Petroleum and Mining, Headquarters

P.O. Box 30582 – 00100
Nyayo House Building
Kenyatta Avenue
NAIROBI, KENYA

(d) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P. O. Box 30084
GPO 00100
NAIROBI, KENYA

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE
2022

(e) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya
E-mail: info@ag.go.ke
Tel: 2542227461.
Website: www.ag.go.ke

(f) Ministry of Petroleum and Mining Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. BOX 60000
NAIROBI, KENYA

II. STATEMENT OF RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the *Ministry of Petroleum and Mining* is responsible for the preparation and presentation of the Ministry of Petroleum and Mining financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements 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 entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

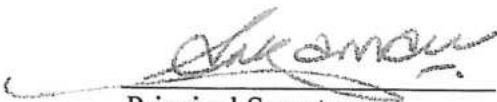
The Accounting Officer in charge of the *Ministry of Petroleum and Mining*) accepts responsibility for the Ministry of Petroleum and Mining financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *Ministry of Petroleum and Mining* financial statements give a true and fair view of the state of Ministry of Petroleum and Mining transactions during the financial year ended June 30, 2021, and of the Ministry of Petroleum and Mining financial position as at that date. The Accounting Officer in charge of the *Ministry of Petroleum and Mining* further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the Ministry of Petroleum and Mining financial statements as well as the adequacy of the systems of internal financial control.

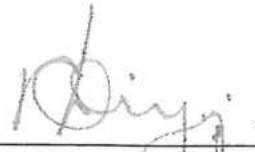
The Accounting Officer in charge of the *Ministry of Petroleum and Mining* confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the Ministry of Petroleum and Mining funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the Ministry of Petroleum and Mining financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE
2022

Approval of the financial statements

The State Department for Petroleum's financial statements were approved and signed by the Accounting Officer on 30.9.22 and signed by


Principal Secretary
Andrew N. Kamau, CBS


Deputy Accountant General
CPA Charles Liyayi Shidzugane
ICPAK Number 5068

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON PETROLEUM DEVELOPMENT LEVY FUND FOR THE YEAR ENDED 30 JUNE, 2022 - MINISTRY OF PETROLEUM AND MINING

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Petroleum Development Levy Fund set out on pages 1 to 12, which comprise of the statement of financial assets as at

30 June, 2022, 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 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Petroleum Development Levy Fund as at 30 June, 2022, 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 Public Finance Management Act, 2012 and the Petroleum Development Fund Act.

Basis for Qualified Opinion

Unaccounted for Expenditure and Transfers to Other Government Entities

The statement of receipts and payments and Note 3 to the financial statements reflects an amount of Kshs.23,572,772,102 being transfer to other Government entities. The balance includes an amount of Kshs.220,000,000 and Kshs.200,000,000 transferred to National Oil Corporation of Kenya (NOCK) and Energy and Petroleum Regulatory Authority (EPRA) respectively. However, the budget, the work plans and cost statements for oil and gas exploration activities, oil exploration and monitoring reports to support the transfers were not provided for audit. In addition, no documentation including the framework agreement for the transfer was provided in support of this expenditure.

Further, the Fund transferred a total of Kshs.23,152,125,774 to the Ministry of Petroleum and Mining during the year. However, no supporting evidence was provided for audit verification to demonstrate that the transferred funds were used in accordance with Section 4(4) of the Petroleum Development Act, 1991 states that; "there shall be paid out of the Fund such monies as necessary for development of common facilities for distribution or leasing of oil products and for matters relating to development of oil industry as the Minister may direct." Further, the Petroleum Development Levy Order No.124 issued on 10 July, 2020 provided that the levy should be used for matters relating to development of the oil industry including stabilization of local petroleum pump prices.

In the circumstances, it was not possible to confirm how the amount/expenditure of Kshs.23,572,772,102 was accounted for.

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

Key Audit Matters

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

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 procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and for assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing Fund's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund 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 preparing and presenting the financial statements described above, 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 Fund'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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not

reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Fund to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund not to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


09 December, 2022

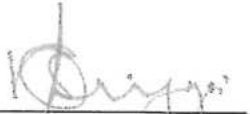
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH
JUNE 2022

**III STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED
30TH JUNE, 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
RECEIPTS			
Fines, penalties and levies	1	1,663,528,571.00	1,622,000,000.00
Subsidies	2	22,112,877,759.25	1,600,000,000.00
Total revenue		23,776,406,330.25	3,222,000,000.00
Expenses			
Transfers to other Government Entities	3	23,572,772,102.25	2,921,677,803.55
Total expenses		23,572,772,102.25	2,921,677,803.55
Surplus		203,634,228.00	300,322,197.45

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30.09.2022 and signed by:


Principal Secretary
Andrew N. Kamau CBS



Deputy Accountant General
CPA Charles Liyayi Shidzugane
ICPAK Number: 5068

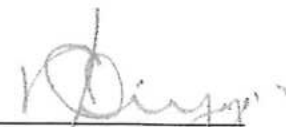
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH
JUNE 2022

IV. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE, 2022

	Note	2021-2022	2020-2021
Financial Assets			
Current assets			
Bank balances	4	203,634,228.00	300,322,197.45
Total financial assets		203,634,228.00	300,322,197.45
Represented by			
Fund balance b/fwd	5	300,322,197.45	625,202,017.50
Refund to National Treasury/Adjustment	5	(300,322,197.45)	(625,202,017.50)
Surplus for the year		203,634,228.00	300,322,197.45
Net financial position		203,634,228.00	300,322,197.45

The Accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30.9.2022 and signed by:


Principal Secretary
Andrew N. Kamau CBS



Deputy Accountant General
CPA Charles Liyayi Shidzugane
ICPAK Number: 5068


ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE 2022

V STATEMENT OF CASH FLOWS FOR THE PERIOD 30TH JUNE, 2022

	Note	2021-2022	2020-2021
Cash flows from operating activities			
Receipts for operating activities			
Receipts from the National Treasury	1	23,776,406,330.25	3,222,000,000
Total Receipts		23,776,406,330.25	3,222,000,000
Payments for operating activities			
Grants and subsidies		23,572,772,102.25	2,921,677,803
Adjusted for;			
Refund to National Treasury/Adjustment	5	(300,322,197.45)	(625,202,017.50)
Net cash flows from operating activities		(96,687,969.45)	(324,879,820.50)
Net increase/(decrease) in cash and cash equivalents		(96,687,969.45)	(324,879,820.50)
Cash and cash equivalents at the beginning	5	300,322,197.45	625,202,017.50
Cash and cash equivalents at end of 30 June 2022	4	203,634,228.00	300,322,197.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30.9.2022 and signed by:


Principal Secretary
Andrew N. Kamau, CBS

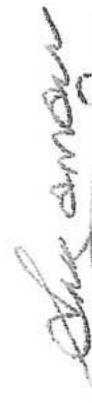

Deputy Accountant General
CPA Charles Liyayi Shidzugane
ICPAK Number: 5068


ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE 2022

VII. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Revenue/Expense Item	Original Budget	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	A	c=a+b	D	e=c-d	f=d/c %
RECEIPTS					
Tax Receipts	1,663,528,571.00	1,663,528,571.00	1,663,528,571.00	-	100
Subsidies	-	22,112,877,759.25	22,112,877,759.25	-	100
Total Receipts	1,663,528,571.00	23,776,406,330	23,776,406,330.25	-	100
PAYMENTS					
Transfers to other Government Entities	420,000,000	420,000,000	420,000,000.00	-	-
Transfer to Ministry of Petroleum and Mining	1,243,528,571.00	1,243,528,571.00	1,041,646,328.05	201,882,242.95	83.77
Subsidies	-	22,112,877,759.25	22,111,125,774.20	1,751,985.05	99.99
Grand Total	1,663,528,571.00	23,776,406,330	23,572,772,102.25	203,634,228.00	88.46

NOTE: Budget utilization difference of **Kshs. 201,882,242.95** was on account of non-expenditure on purchase of specialized equipment where Data Centre based at National Oil Corporation of Kenya (NOCK) was to be equipped but delay in provision of specifications from NOCK occasioned non-procurement of data centre equipment. Further, lack of procurement of smart metres which was a component in procurement of LPG cylinders occasioned non-expenditure on procurement of specialized plant because of non-responsiveness of the tender which was floated. The Ministry was unable to procure LPG Cylinders without a component of smart metres.


Principal Secretary
Andrew N. Kamau, CBS


Deputy Accountant General
CPA Charles Lijayi Shidzugane
ICPAK Number: 5068

PETROLEUM DEVELOPMENT LEVY FUND ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE 2022

VII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (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.

2. Reporting Entity

The financial statements are for the State department for petroleum. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012

3. Reporting Currency

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

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

a) Recognition of Receipts

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

Tax Receipts

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received. (Check if this policy is applicable to entity)

Transfers from the Exchequer

Transfers from the exchequer are 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.

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE 2022

External Assistance

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

Grants and loans 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/loan 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. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30th June 2022, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

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 Entity recognises all payments when the event occurs, and the related cash has been paid out by the Entity.

Compensation of Employees

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

Use of Goods and Services

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

Interest on Borrowing

Borrowing costs that include interest are recognized as payment in the period in which they are paid for.

Repayment of Borrowing (Principal Amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

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 financial statements.

5. In-kind contributions

In-kind contributions are donations that are made to the Entity 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 Entity 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.

6. Third Party Payments

Included in the receipts and payments, are payments made on its behalf 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 in the statement of receipts and payments as proceeds from foreign borrowings.

7. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

8. 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 are 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.

9. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

10. Pending Bills

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

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2020 for the period 1st July 2021 to 30th June 2022 as required by Law and there were one supplementary adjustment to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

Government 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.

12. Comparative Figures

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

13. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2020.

14. Errors

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

During the year, errors that have been corrected are disclosed under note 26 explaining the nature and amounts.

15. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

VII. NOTES TO THE FINANCIAL STATEMENTS

1. Fines, penalties and levies

Description	2021-2022	2020-2021
	Kshs	Kshs
Petroleum Development Levy (Appropriations In Aid)	1,663,528,571.00	1,622,000,000.00
Total	1,663,528,571.00	1,622,000,000.00

2. Subsidies received for fuel

Description	2021-2022	2020-2021
	Kshs	Kshs
Fuel Subsidies	22,112,877,759.25	1,600,000,000.00
Total	22,112,877,759.25	1,600,000,000.00

3. Transfers to other Government Entities

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfer to NOCK	220,000,000.00	250,000,000.00
Transfer to EPRA	200,000,000.00	-
Transfer to Ministry of Petroleum and Mining (Development Account)	1,041,646,328.05	1,071,677,803.55
Transfer to Ministry of Petroleum and Mining-Fuel Subsidy (Recurrent Account)	22,111,125,774.20	1,600,000,000
Total	23,572,772,102.25	2,921,677,803.55

4. Cash and cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank balance	203,634,228.00	300,322,197.45
Total	203,634,228.00	300,322,197.45

Detailed analysis of Cash and Cash Equivalents are as follows:

		2021-2022	2020-2021
Financial institution	Account number	Kshs	Kshs
Current Account			
Central Bank of Kenya	1000513497	203,634,228.00	300,322,197.45
Sub- total		203,634,228.00	300,322,197.45

5. Refund to National Treasury/Adjustment

Description	2021-2022	2020-2021
	Kshs	Kshs
Fund balance b/fwd	300,322,197.45	625,202,017.50
Total	300,322,197.45	625,202,017.50

6. Related party balances

Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

- a) Ministry of Petroleum and Mining
- b) National Oil Corporation of Kenya (NOCK)
- c) Energy and Petroleum Regulatory Authority (EPRA)

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfer to NOCK	220,000,000.00	250,000,000.00
Transfer to EPRA	200,000,000.00	-
Transfer to Ministry of Petroleum and mining (Development Account)	1,041,646,328.05	1,071,677,803.55
Transfer to Ministry of Petroleum and mining –Fuel Subsidy (Recurrent Account)	22,111,12,774.20	1,600,000,000
Total	23,572,772,102.25	2,921,677,803.55

8. PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITOR'S 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.

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	BUDGET CONTROL AND PERFORMANCE	ITS BEING HANDLED	HAU	NOT RESOLVED	4 WEEKS
	UNACCOUNTED FOR EXPENDITURE AND TRANSFERS TO OTHER GOVERNMENT ENTITIES	ITS BEING HANDLED	HAU	NOT RESOLVED	4 WEEKS

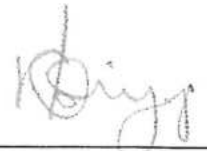
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE
2022

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



Principal Secretary
Andrew Kamau, CBS



Deputy Accountant General
Charles Liyayi Shidzugane
ICPAK Member Number: 5068

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE
2022

MINISTRY OF PETROLEUM AND MINING TRIAL BALANCE FOR THE PERIOD 30TH
JUNE, 2022

Description	2021-2022	
	Dr. Kshs	Cr. Kshs
Bank Balance	203,634,228.00	
Transfer to NOCK	220,000,000.00	
Transfer to EPRA	200,000,000.00	
Transfer to Ministry of Petroleum and mining (Development Account)	1,041,646,328.05	
Transfer to Ministry of Petroleum and mining-Fuel Subsidies (Recurrent Account)	22,111,125,774.20	
Tax Receipts		23,776,406,330.25
Total	23,776,406,330.25	23,776,406,330.25

