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REPUBLIC OF KENYA

THIRTEENTH PARLIAMENT – FIFTH SESSION (2026)

THE NATIONAL ASSEMBLY

SPECIAL FUNDS ACCOUNTS COMMITTEE

NINETEENTH REPORT

OF

THE SPECIAL FUNDS ACCOUNTS COMMITTEE ON EXAMINATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF SELECTED FUNDS

APRIL, 2026

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Directorate of Audit, Appropriations & General-Purpose Committees
The National Assembly
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NAIROBI

THE NATIONAL ASSEMBLY
PAPERS LAID
DAY. Wednesday
DATE: 15 APR 2026
TABLED BY: Hon. Fatuma Mohammed (Chairperson, Special Funds Accounts Committee)
CLERK-AT THE-TABLE: Anastacia

NATIONAL ASSEMBLY
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LIST OF ABBREVIATIONS AND ACRONYMS

AG	-	Attorney General
AIA	-	Appropriation-In-Aid
CoK	-	Constitution of Kenya, 2010
DAAD	-	Akademischer Austausch Dienst (German Academic Exchange Service- *English translation*)
EPRA	-	Energy and Petroleum Regulatory Authority
ERP	-	Enterprise Resource Planning System
FY	-	Financial Year
GHRIS	-	Government Human Resource Information System
GOK	-	Government of Kenya
IOCs	-	International Oil Companies
IPSAS	-	International Public Sector Accounting Standards
LLCOP	-	Lokichar – Lamu Crude Oil Pipeline
LPG	-	Liquefied Petroleum Gas
MDAs	-	Ministries, Departments and Agencies
NALM	-	National Assets and Liability Management
NOCK	-	National Oil Corporation of Kenya
NUPAC	-	National Upstream Petroleum Advisory Committee
OAG	-	Office of the Auditor-General
PFM	-	Public Finance Management
PSASB	-	Public Sector Accounting Standards Board
PSCs	-	Production Sharing Contracts
SAGA	-	Semi- Autonomous Government Agency
SRC	-	Salaries and Remuneration Commission
ST& I Act	-	Science, Technology and Innovation Act

CHAIRPERSON'S FOREWORD

The Special Funds Accounts Committee (hereinafter referred to as "the Committee" is one of the six 'Watchdog Committees' which was established in the Fifth Session of the Eleventh Parliament following the review of the National Assembly's Standing Orders. The Committee is established pursuant to Standing Order 205A to examine the audited accounts of Funds established by Statute or by subsidiary legislation, the Equalization Fund, the Equalization Fund Advisory Board, and the Political Parties Fund. This ensures the implementation of Article 229(8) of the Constitution of Kenya, 2010, regarding reports laid before the House by the Auditor-General.
In examining the Auditor General's accounts, the Committee invited Accounting Officers of the various funds under review to adduce evidence before it.

The report contains observations, findings and recommendations arising from examination of the reports of the Auditor General for the Equalization Fund, Fish Levy Trust Fund and Public Service Superannuation Fund for the Financial Years 2021/2022 and 2022/2023, State Officers and Public Officers Motor Car Loan Scheme Fund for the Financial Years 2019/2020 to 2021/2022, National Research Fund for the Financial Year 2022/2023 to 2024/2025, Petroleum Development Levy Fund for Financial Years 2018/2019 to 2021/2022 and the Petroleum Training Levy Funds for The Financial Years 2021/2022 to 2023/2024. The report is structured as follows:

(i) Audit queries identified by the Auditor General in the audit reports of each Fund;
(ii) Management response to each of the queries;
(iii) Committee observation on each query; and
(iv) Recommendation of the Committee to each query raised.

The Committee appreciates the Offices of the Speaker and the Clerk of the National Assembly for the support accorded to it in enabling it to fulfil its mandate. The Committee further extends its appreciation to the Office of the Auditor General for the services it provided to the Committee throughout the period, as well as to the Accounting Officers who complied with audit timelines and provided satisfactory responses to queries raised.

I also extend my appreciation to my fellow Members of the Committee and the Secretariat, whose immense contributions and dedication to duty have enabled the Committee to examine the audit queries and produce this report.

On behalf of the Special Funds Accounts Committee and pursuant to Standing Order 199 (6), it is my pleasant duty and honour to present to the House the 19th report of the Committee on the audited Financial Statements for seven (7) Funds.

HON. FATUMA ZAINAB MOHAMMED, CBS, M.P.
CHAIRPERSON, SPECIAL FUNDS ACCOUNTS COMMITTEE

1.0 PREFACE

1.1 Establishment and Mandate of Special Funds Accounts Committee

1. The Special Funds Accounts Committee is one of the six Watchdog Committees of the National Assembly established under Standing Order 205. It is mandated to examine the reports of the Auditor General on the following:

i. Funds established by statute or by subsidiary legislation, except Funds under Standing Order 205B (Decentralized Funds Accounts Committee)
ii. The Equalization Fund;
iii. The Equalization Fund Advisory Board;
iv. The Political Parties Fund; and
v. Other funds as may be communicated by the Honorable Speaker

1.2 Committee Membership

The Committee comprises the following members:

S/N	NAME	CONSTITUENCY	PARTY
1	Hon. Fatuma Zainab Mohammed, CBS, MP (**Chairperson**)	Migori (CWR)	Independent
2	Hon. Dawood Abdul Rahim, CBS, HSC, MP (**Vice Chairperson**)	North Imenti	Independent
3	Hon. Charles Ngusya Nguna	Mwingi West	Wiper
4	Hon. Dr. Christine Ombaka Oduor, MP	Siaya (CWR)	ODM
5	Hon. Erastus Kivasu Nzioka, MP	Mbooni	Wiper
6	Hon. Eve Akinyi Obara, MP	Kabondo Kasipul	ODM
7	Hon. Mary Amaase Otucho, MP	Teso South	UDA
8	Hon. Joseph Majimbo Kalasinga, MP	Kabuchai	FORD-K
9	Hon. Tom Mboya Odege, MP	Nyatike	ODM
10	Hon. Catherine Nakhabi Omanyo, MP	Busia (CWR)	ODM
11	Hon. Cecilia Asinyen Ngitit, MP	Turkana (CWR)	UDA
12	Hon. Erick Wamumbi, MP	Mathira	UDA
13	Hon. Joseph Kimutai Cherorot, MP	Kipkelion East	UDA
14	Hon. Onchoke Charles Mamwacha, MP	Bonchari	UPA
15	Hon. Leah Soipato Sankaire, MP	Kajiado	UDA

1.3 Committee Secretariat

The Secretariat facilitating the Committee comprises the following staff:

S/N	NAME	DESIGNATION
1.	Ms. Ella Kendi	Clerk Assistant I
2.	Ms. Kathleen Nanzala	Clerk Assistant III
3.	Mr. Nimrod Mate	Clerk Assistant III
4.	Mr. Robert Ngetich	Fiscal Analyst II
5.	Ms. Judith Kanyoko	Legal Counsel II
6.	Ms. Bevaline Mosoti	Research Officer III
7.	Ms. Maryan Gabow	Public Communications Officer III
8.	Ms. Ivy Maritim	Media Relations Officer III
9.	Mr. Mark Mbuthia	Audio Officer III
10.	Mr. Joshua Lenambet	Serjeant At Arms

2.0 EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR THE EQUALIZATION FUND FOR THE FINANCIAL YEARS 2021/22 AND 2022/23

4. Mr. Guyo Boru, the Chief Executive Officer, Equalization Fund appeared before the Committee on **Tuesday 15th October 2024** to adduce evidence on the audited financial statements for the, Equalization Fund for the Financial Years 2021/22 and 2022/23. During the meeting, the Accounting Officer was accompanied by:
    i. Ms. Emily Muema - Equalisation Fund, Secretariat
    ii. Mr. Igadwa Victor - Equalisation Fund, Secretariat

2.1 Examination of the audited financial statements for the Equalization Fund for the Financial Year 2021/22.

1. Non-Compliance with the Constitution.

5. Article 204(1) of the Constitution requires that, one half per cent (0.5%) of all the revenue collected by the National Government each year, calculated on the basis of the most recent audited accounts of revenue received as approved by the National Assembly, be paid into the Equalization Fund.
6. A review of the financial statements for the Equalization Fund for the year ended 30 June, 2022 revealed that, only an amount of Kshs. 12,400,000,000 out of the expected Kshs. 441,586,214,050 of the total entitlement from the financial years 2011/2012 to 2022/2023 had been transferred to the Equalization Fund Account as tabulated below:

Financial Year	Approved Audited Revenues (Kshs.)	Amount of Equalisation Fund Entitlement (Kshs.)	Amount Transferred to the Fund(Kshs.)
2011/2012	468,151,970,000	2,340,759,850	-
2012/2013	529,300,000,000	2,646,500,000	-
2013/2014	529,300,000,000	2,646,500,000	-
2014/2015	776,900,000,000	3,884,500,000	6,400,000,000
2015/2016	776,900,000,000	3,884,500,000	-
2016/2017	776,900,000,000	3,884,500,000	6,000,000,000
2017/2018	776,900,000,000	3,884,500,000	-
2018/2019	776,900,000,000	3,884,500,000	-
2019/2020	776,900,000,000	3,884,500,000	-
2020/2021	1,357,698,000,000	6,788,490,000	
2021/2022	1,357,689,000,000	6,788,490,000	
Total	10,317,233,810,000	44,517,739,850	12,400,000,000

7. The National Treasury had not remitted the outstanding balance of Kshs.32,117,739,850 to the Fund as at 30 June, 2022. Further, it is not clear if the Fund will receive the accrued share of revenue tabulated above. Lack of disbursements casts doubt on the realization of the Fund's intended objective of providing basic services to the marginalised areas. Management has, however, indicated that the Equalisation Fund Appropriation Bill, 2022 was prepared and submitted to the National Assembly to authorise the disbursements of funds due to the Equalisation Fund, including the allocation for the 2021/2022 and 2022/2023 financial years, but the Bill had not been passed at the time of the audit. In the circumstances, the National Treasury was in breach of the law.

Submissions of the Accounting Officer

8. The Accounting officer submitted that the Cabinet Secretary. The National Treasury and Economic Planning resolved the issue raised by the Auditor General vide letter Ref No. TNT /ZZ/81/014/E (74) dated 19th May, 2023 to the Clerk to the Senate. During his submission on the County Allocation Revenue Bills before the standing committee on the Finance and Budget, He proposed how to appropriate the Equalization Fund arrears by allocating **Kshs 9,976,766,000** each financial year (FY) from FY 2024/25 to FY 2027/28, which will amount to **Kshs 39,907,064,000** as shown by the table below:

Proposed Plan on Appropriation of Equalization Fund Arrears

Financial Year (A)	Budget Estimates (B)	Equalization Fund Arrears (C)
2023/24	8,368,574,000	
2024/25	8,368,574,000	9,976,766,000
2025/26	9,590,000,000	9,976,766,000
2026/27	10,960,000,000	9,976,766,000
2027/28	14,393,000,000	9,976,766,000
Grand Total	51,680,148,000	39,907,064,000

Observations of the Committee

9. The Committee observed that—

(i) The National Treasury had not remitted the outstanding balance of Kshs. 32,117,739,850 to the Fund as at 30th June, 2022; and

(ii) The National Treasury was in breach of Article 204 of the Constitution; and

(iii)The Matter is unresolved.

Recommendations of the Committee

10. **The Committee recommends that, within six months of the adoption of this report, the National Treasury remit the outstanding balance of Kshs. 32,117,739,850 to the Fund.**
    (i) **The Accounting Officer provides a status report of the disbursed fund arrears to the Auditor General for audit verification within three months of the adoption of this report**

2.2 Examination of the audited financial statements for the Equalization Fund for the Financial Year 2022/23.

1. Non-Compliance with the Constitution.

11. Article 204(1) of the Constitution requires that, one half per cent (0.5%) of all the revenue collected by the National Government each year, calculated on the basis of the most recent audited accounts of revenue received as approved by the National Assembly, be paid into the Equalization Fund.

12. A review of the financial statements for the Equalization Fund for the year ended 30 June, 2023 revealed that, only an amount of Kshs. 12,400,000,000 out of the expected Kshs. 51,586,214,050 of the total entitlement from the financial years 2011/2012 to 2022/2023 had been transferred to the Equalization Fund Account as tabulated below:

Financial Year	Approved Audited Revenues (Kshs.)	Amount of Equalisation Fund Entitlement (Kshs.)	Amount Transferred to the Fund (Kshs.)
2011/2012	468,151,970,000	2,340,759,850	-
2012/2013	529,300,000,000	2,646,500,000	-
2013/2014	529,300,000,000	2,646,500,000	-
2014/2015	776,900,000,000	3,884,500,000	6,400,000,000
2015/2016	776,900,000,000	3,884,500,000	-
2016/2017	776,900,000,000	3,884,500,000	6,000,000,000
2017/2018	776,900,000,000	3,884,500,000	-
2018/2019	776,900,000,000	3,884,500,000	-
2019/2020	776,900,000,000	3,884,500,000	-
2020/2021	1,357,698,000,000	6,788,490,000	
2021/2022	1,357,689,000,000	6,788,490,000	
2022/2023	1,413,694,840,000	7,068,474,200	
Total	**10,317,233,810,000**	**51,586,214,050**	**12,400,000,000**

13. The National Treasury had not remitted the outstanding balance of Kshs.39,186,214,050 to the Fund as at 30 June, 2023. Further, it is not clear if the Fund will receive the accrued

share of revenue tabulated above. Lack of disbursements casts doubt on realisation of the Fund's intended objective of providing basic services to the marginalized areas. Management has, however, indicated that the Equalisation Fund Appropriation Bill, 2022 was prepared and submitted to the National Assembly to authorise the disbursements of funds due to the Equalisation Fund including the allocation for the 2021/2022 and 2022/2023 financial years, but the Bill had not been passed at the time of the audit. In the circumstances, The National Treasury was in breach of law.

Submissions of the Accounting Officer

14. The Accounting officer submitted that the Cabinet Secretary, The National Treasury and Economic Planning resolved the issue raised by the Auditor General vide letter Ref No. TNT /ZZ/81/014/E (74) dated 19th May, 2023 to the Clerk to the Senate. During his submission on the County Allocation Revenue Bills before the standing committee on the Finance and Budget, He proposed how to appropriate the Equalization Fund arrears by allocating **Kshs 9,976,766,000** each financial year (FY) from FY 2024/25 to FY 2027/28 which will amount to **Kshs 39,907,064,000.**

Observations of the Committee

15. **The Committee observed that—**

    (i) The National Treasury had not remitted the outstanding balance of Kshs. 39,186,214,050 to the Fund as at 30th June, 2022;

    (ii) The National Treasury was in breach of Article 204 of the Constitution, and

    (iii) The Matter is unresolved.

Recommendations of the Committee

16. **The Committee recommends that—**

    (i) Within six months of the adoption of this report, the National Treasury remits the outstanding balance of Kshs. 39,186,214,050 to the Fund.

    (ii) The Accounting Officer provides a status report on the disbursed fund arrears to the Auditor General for audit verification within three months of the adoption of this report.

3.0 EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR THE FISH LEVY TRUST FUND FOR FINANCIAL YEARS 2021/2022 AND 2022/2023

17. Dr Beatrice Akunga, the Acting Chief Executive Officer, Fish Levy Trust Fund, appeared before the Committee on Thursday, 5th June, 2025 to adduce evidence on the audited financial statements for the Fish Levy Trust Fund for the Financial Years 2021/2022 and 2022 /2023. During the meeting, the Accounting Officer was accompanied by:

1.	Mr. Mathew Ouko	-	Head of Accounting Unit
2.	Mr. Njenga Peter	-	Assistant Director, Fisheries
3.	Mr. Samuel Njoroge	-	Assistant Director, Fisheries
4.	Ms. Susan Auma Okoth	-	Assistant Director, Fisheries

3.1 Examination of the audited financial statements for the Fish Levy Trust Fund for the financial year 2021/2022

1. Late submission of Financial Statements:

18. The annual report and financial statements for the year ended 30 June, 2022 were presented on 21st December, 2023, which is more than one year after the expiry of the constitutional deadline of 30 September, 2022. This was contrary to Section 47(1) of the Public Audit Act, 2015 which provides that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

Submissions by the Accounting Officer

19. The Accounting Officer submitted that during the years 2018 to 2021, their funds were allocated under the State Department of Fisheries, Aquaculture and the Blue Economy, which was under the Ministry of Agriculture, Livestock, Fisheries and Cooperatives. The State Department then moved to the Ministry of Mining, Blue Economy and Maritime Affairs in the financial year 2021, which was when the Fish Levy Trust Fund individual enrollment process was initiated. Throughout the stated years, the Fund's operations were under the State Department, including its expense accounting. During the fund's first audit exercise, which covered the financial year ended 2023, the anomaly was identified by the audit team, acted upon, and submitted.

Observations of the Committee

20. The Committee observed that—

(i) The Accounting Officer was in breach of Section 47(1) of the Public Audit Act, 2015, which provides that the financial statements required under the

Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

(ii) The Matter is unresolved.

Recommendations of the Committee

21. The Committee recommends that—

(i) The Accounting Officer should ensure the timely submission of financial statements as per the provisions of Section 47(1) of the Public Audit Act, 2015.

(ii) The Cabinet Secretary for Treasury and National Planning to take appropriate disciplinary action against the Accounting Officer in accordance with the provisions of section 74 of the Public Finance Management Act.

2. Non-appointment of the Board of Trustees:

22. Review of the records provided revealed that the Fund had no Board of Trustees as the previous one's tenure expired on 16 September, 2021. This was contrary to Section 28(4) of the Fisheries Management and Development Act, 2016. Therefore, the Fund's strategic direction and decisions for the Board could not be made.

Submissions by the Accounting Officer

23. The Accounting Officer submitted that the Fund communicated to the appointing authority on the need to appoint the board of trustees upon expiry of their term. However, at the time of the audit, no communication on the same had been received.

Observations of the Committee

24. The Committee observed that—

(i) The Fund had no Board of Trustees contrary to Section 28(4) of the Fisheries Management and Development Act, 2016.

(ii) The Matter is unresolved.

Recommendations of the Committee

25. **The Committee recommends that, within three months of adoption of this report, the Cabinet Secretary responsible for Fisheries ensures that the Board of Trustees is appointed and is functional.**

3. Failure to Maintain a Detailed Fixed Assets Register

26. The fixed assets register maintained by the Fund did not include comprehensive details as required for ease of identification, safeguarding and management of its assets. This was contrary to Regulation 139(1) and (2) of the Public Finance Management (National Government) Regulation, 2015 which requires the Accounting Officer of a National

Government entity to take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse, movement and conditions of assets can be tracked; and stocks levels are at an optimum and economical level.

27. Further, a physical verification of the assets in November, 2023 revealed that the assets had not been tagged or serialized.

Submissions by the Accounting Officer

28. The Accounting Officer submitted that at the time of audit, the Fund was in the process of updating the asset register since the asset tagging exercise was still ongoing. The exercise has since been completed, and the document was made available for audit review.

Observations of the Committee

29. The Committee observed that—

(i) The Fund has since updated its asset register, and all assets have been duly tagged.

(ii) The matter is resolved.

3.2 Examination of the audited financial statements for the Fish Levy Trust Fund for the financial year 2022/2023

1. Unsupported Expenditure

30. The statement of financial performance reflects use of goods and services amount of Kshs. 19,926,120 which includes fuel and oil expenditure amount of Kshs. 691,000. However, these expenditures relating to fuel and oil were not supported by appropriate documents.

Submissions by the Accounting Officer

31. The Accounting Officer submitted that the Fund had one motor vehicle, which was not sufficient to carry out all our activities. The Fund relied on borrowed vehicles from other departments. As at the time of audit, the Fund had not accessed all the work tickets of the borrowed vehicles, but has now attached all work tickets to account for the Kshs. 691,000.

Observations of the Committee

32. The Committee observed that—

(i) The Fund supported the expenditures relating to fuel and oil amounting to Ksh. 691,000

(ii) The matter is resolved.

2. **Late submission of Financial Statements**

33. The annual report and financial statements for the year ended 30 June, 2022 were presented on 21st December, 2023, which is more than one year after the expiry of the constitutional deadline of 30 September, 2022. This was contrary to Section 47(1) of the Public Audit Act, 2015 which provides that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

Submissions by the Accounting Officer

34. The Accounting Officer submitted that during the years 2018 to 2021, the funds were allocated under the State Department of Fisheries, Aquaculture and the Blue Economy, which was under the Ministry of Agriculture, Livestock, Fisheries and Cooperatives. The State Department then moved to the Ministry of Mining, Blue Economy and Maritime Affairs in the financial year 2021, which was when the Fish Levy Trust Fund individual enrollment process was initiated. Throughout the stated years, the Fund's operations were under the State Department, including its expense accounting. During the Fund's first audit exercise, which covered the financial year ended 2023, the anomaly was identified by the audit team and was immediately acted upon and submitted.

Observations of the Committee

35. The Committee observed that—

(i) **The Accounting Officer was in breach of Section 47(1) of the Public Audit Act, 2015.**

(ii) **The matter is unresolved.**

Recommendations of the Committee

36. The Committee recommends that—

(i) **The Accounting Officer should ensure the timely submission of financial statements as per the provisions of Section 47(1) of the Public Audit Act, 2015; and**

(ii) **The Cabinet Secretary for Treasury and National Planning to take appropriate disciplinary action against the Accounting Officer in accordance with the provisions of section 74 of the Public Finance Management Act.**

3. **Non-appointment of the Board of Trustees**

37. Review of the records provided revealed that the Fund had no Board of Trustees as the previous one's tenure expired on 16 September, 2021. This was contrary to Section 28(4)

of the Fisheries Management and Development Act, 2016. Therefore, the Fund's strategic direction and decisions for the Board could not be made.

Submissions by the Accounting Officer

38. The Accounting Officer submitted that the Fund communicated to the appointing authority on the need to appoint the board of trustees upon expiry of their term. However, at the time of the audit, the Fund had not received communication on the same.

Observations of the Committee

39. The Committee observed that—

    (i) The Fund had no Board of Trustees contrary to Section 28(4) of the Fisheries Management and Development Act, 2016.

    (ii) The matter is unresolved.

Recommendations of the Committee

40. **The Committee recommends that, within three months of the adoption of this report, the Cabinet secretary responsible for Fisheries ensures that the Board of Trustees is appointed and functional.**

4. **Issuance of multiple imprests**

41. Review of the records revealed staff were being issued with additional imprests while still holding other unsurrendered imprests. This was contrary to Regulation 93(8) of the Public Finance Management (National Government) Regulations, 2015 which provides that in order to effectively and efficiently manage and control the issues of temporary imprests, an accounting officer or AIE holder shall ensure that no second imprest is issued to any officer before the first imprest is surrendered or recovered in full from his or her salary.

Submissions by the Accounting Officer

42. The Accounting Officer submitted that the activities of the Fund are planned accordingly in the work plan. However, due to the delays in receipt of the exchequer, the payment of pending imprests overlapped.

Observations of the Committee

43. The Committee observed that—

    (i) The Accounting Officer was in breach of Regulation 93(8) of the Public Finance Management (National Government) Regulations, 2015.

    (ii) The matter is unresolved.

Recommendations of the Committee

44. The Committee recommends that—

(i) **The Accounting Officer ensures strict adherence to the requirements of Regulation 93(8) of the Public Finance Management (National Government) Regulations, 2015, which provides that no second imprest shall be issued to any officer before the first imprest is surrendered or recovered in full from his or her salary; and**

(ii) **The Cabinet Secretary, the National Treasury and Economic Planning, takes appropriate disciplinary action against the Accounting Officer in accordance with the provisions of section 74 of the Public Finance Management Act.**

5. **Failure to Maintain a Detailed Fixed Assets Register:**

45. The fixed assets register maintained by the Fund did not include comprehensive details as required for ease of identification, safeguarding and management of its assets. This was contrary to Regulation 139(1) and (2) of the Public Finance Management (National Government) Regulation, 2015 which requires the Accounting Officer of a National Government entity to take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse, movement and conditions of assets can be tracked; and stocks levels are at an optimum and economical level.

46. Further, a physical verification of the assets in November, 2023 revealed that the assets had not been tagged or serialized.

Submissions by the Accounting Officer

47. The Accounting Officer submitted that at the time of audit, the fund was in the process of updating the asset register since the asset tagging exercise was still ongoing. The exercise has since been completed, and the document was made available for audit review.

Observations of the Committee

48. The Committee observed the following that-

(i) **The Fund has since updated its asset register, and all assets have been duly tagged.**

(ii) **The matter is resolved.**

4.0 EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR THE PUBLIC SERVICE SUPERANNUATION FUND FOR FINANCIAL YEARS 2021/2022 AND 2022/2023

49. Dr Jonah Ayaabei, the Chief Executive Officer, Public Service Superannuation Fund, appeared before the Committee on **Thursday, 21st November 2024,** to adduce evidence on the audited financial statements for the Public Superannuation Fund for the Financial Years 2021/2022 and 2022 /2023. During the meeting, the Accounting Officer was accompanied by:

1.Mr. Golda L. Akol	-	Head, Benefits Administration.
2.Mr. Benjamin Mokua	-	Principal Accountant.
3.Mr. Obed Mbuvi	-	Finance Manager

4.1 Examination of the audited financial statements for the Public Service Superannuation Fund for the financial year 2021/2022

1. Unremitted Pension from employer Contributions.

50. The Statement of Financial Position and disclosed in Note 4 to the financial statements reflects a balance of Kshs 8,308,743,652 in respect of receivables from exchange transactions. The balance includes an amount of Kshs 7,883,302 in respect of employer's contributions due as at 30 June 2022. This is contrary to section 8(c) of the Public Service Superannuation Scheme Act ,2022 which states that, not later than ten working days after the end of the month in which contributions are due, the Government shall remit an amount comprising the member's and Government's contribution to the custodian.

51. As at the time of the audit in February ,2023, more than seven months after the contribution become due, out of the balance of Kshs. 7,883,302,467, only an amount of Kshs 4,012,091,972 had been received leaving a balance of Kshs. 3,871.210,495 unremitted. Contributors stand to lose returns unless the unremitted balance is paid together with the penalty as provided for under section 6(2) of the Public Service Superannuation Scheme Act 2012. The returns could have been earned had the contributions been received in time. In the circumstances, Management was in breach of the law.

Submissions by the Accounting Officer

52. The Accounting Officer submitted that by the time of the audit, the employees' sponsor (GOK) had not remitted pension contributions amounting to Kshs 3,871,210,495 for the fiscal year 2021/2022. The management notified the National Treasury of the outstanding contributions due to the scheme and on 25th May 2023, the employer (GOK) paid all the arrears amounting to Kshs 3,871,210,495.

Observations of the Committee

53. The Committee observed that—

(i) **The unremitted employer contributions amounting to Ksh. 3,871,210,495 have since been paid.**

(ii) **The National Treasury did not provide any documentary evidence to confirm whether the remitted amount of Kshs. 3,871,210,495 included accrued penalty charges as provided for under section 6(2) of the Public Service Superannuation Scheme Act Cap. 189A.]**

(iii) **This matter is unresolved.**

Recommendations of the Committee

54. **The Committee recommends that, within six months of the adoption of this report, the National Treasury pays accrued penalty charges for delayed remittances as provided for under section 6(2) of the Public Service Superannuation Scheme Act, Cap. 189A.**

4.2 Examination of the audited financial statements for the Public Service Superannuation Fund for the financial year 2022/2023.

1. Unremitted Pension from employer Contributions.

55. The statement of financial position and as disclosed in Note 16 to the financial statements reflects a balance of Kshs. 6,843,431,620 in respect of receivables from exchange transactions. The balance includes an amount of Kshs. 219, 999,201 in respect of employer's contributions that remained outstanding as at 31 July, 2023. This is contrary to Section 8(c) of the Public Service Superannuation Scheme Act, 2012 which states that, not later than ten working days after the end of the month in which the contributions are due, the Government shall remit an amount comprising the member's and the Government's contribution to the custodian. In the circumstances, Management was in breach of the law.

Submissions by the Accounting Officer

56. The Accounting Officer submitted that during the financial year ended 30 June 2023, the employer (GOK) had not remitted pension contributions amounting to Kshs 219,999,201, as highlighted by the auditor. The management notified The National Treasury of the outstanding contributions due to the scheme and on 20th July 2023, the employer (GOK) cleared all the arrears.

Observations of the Committee

57. The Committee observed that—

(i) **The unremitted employer contributions amounting to Kshs. 219,999,201 have since been paid.**

(ii) **The Accounting Officer did not provide any documentary evidence to confirm whether the remitted amount of Kshs. 219,999,201 included accrued penalty**

charges as provided for under section 6(2) of the Public Service Superannuation Scheme Act Cap. 189A.]

(iii) This matter is unresolved.

Recommendations of the Committee

58. **The Committee recommends that, within six months of the adoption of this report, the National Treasury pays accrued penalty charges for delayed remittances as provided for under section 6(2) of the Public Service Superannuation Scheme Act, Cap. 189A.**

5.0 EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR THE STATE OFFICERS AND PUBLIC OFFICERS MOTOR CAR LOAN SCHEME FUND FOR THE FINANCIAL YEARS 2019/2020 TO 2021/2022

59. Ms. Edna Alisa, the Ag. Chief Executive Officer, The State Officers and Public Officers Motor Car Loan Scheme Fund appeared before the Committee on **Thursday, 10th April, 2025**, to adduce evidence on the audited financial statements for the State Officers and Public Officers Car Loan Scheme Fund for the Financial Years 2019/2020 to 2022 /2023. During the meeting, the Accounting Officer was accompanied by:

1. Eng. Justus Karuri	-	Assistant Accountant.
2. Mr. Milford Bett	-	Principal legal officer.
3. Mr. Benjamin Mullei	-	Senior Accountant.
4. Mr. Francis Kamau	-	SMRO.

5.1 Examination of Audited Accounts for State Officers and Public Officers Motor Car Loan Scheme Fund for the financial year 2019/2020

1. Low Fund Performance.

60. The State Officers and Public Officers Motor Car Loan Scheme Fund was established in 2015 through Legal Notice No.195 of 25th September, 2015 and pursuant to guidelines provided by Salaries and Remuneration Commission on Car Loan benefit for State Officers and other Public Officers in December, 2014.

61. The Fund Management had, however, not undertaken any significant activities since then. Although the Secretariat of the Fund had begun processing fifty-seven (57) applications for loans totaling to Kshs. 44,074,539, the performance of the Fund was relatively low at 1.15% in comparison to the cash and cash equivalents amount of Kshs. 3,826,841,308 held in the Fund's bank accounts as at 30 June, 2020.

62. The fund was still performing below expectations and Management had not indicated measures put in place to attract more State Officers and Public Officers to apply for motor car loans.

Submissions of the Accounting Officer.

63. The Accounting Officer acknowledged that the Fund had not undertaken significant activities since its inception. As at 30th June, 2020, fifty-seven (57) loan applications totaling kshs. 44,074,539 had been processed in comparison to the cash and cash equivalents amount of KShs. 3,826,841,308.00 held in the Funds Bank accounts. The explanation was that the low uptake was mainly due to a lack of awareness among the expected beneficiaries and was further aggravated by the economic impact of COVID-19. The Management noted that the Fund's performance has since improved following

sensitization campaigns. As at 30th September, 2024, the Fund had processed and issued Loans amounting to Khs. 641,745,948.00

Observations of the Committee

64. The Committee observed that—

(i) The Fund was performing below expectations; Management had not indicated measures put in place to attract more State Officers and Public Officers to apply for motor car loans

(ii) The Matter is unresolved

Recommendations of the Committee

65. **The Committee recommends that within six months of the adoption of this Report, the Cabinet Secretary, The National Treasury and Economic Planning undertakes an assessment of the viability of the Fund and submits a report to the National Assembly.**

5.2 Examination of Audited Accounts for State Officers and Public Officers Motor Car Loan Scheme Fund for the financial year 2020/2021.

1. Low uptake of loans by State officers and public officers.

66. The State Officers and Public Officers Motor Car Loan Scheme Fund was established in 2015 through Legal Notice No.195 of 25 September 2015 and pursuant to guidelines provided by the Salaries and Remuneration Commission on the Car Loan benefit for State Officers and Other Public Officers in December, 2014. The Fund Management had however, not undertaken any significant activities since then.

67. Although the Secretariat of the Fund had processed sixty-six (66) applications for loans totalling to Kshs. 141,313,804, the performance of the Fund still remained relatively low at 3.81% (2020: 1.15%) in comparison to the cash and cash equivalents amount of Kshs. 3,704,618,796 held in the Fund's bank accounts as at 30 June, 2021.

68. In the circumstances, the objective and purpose for which the Fund was established may not be achieved and the value for money of the idle money has not been realised as the amount could have been invested on income generating securities.

Submissions of the Accounting Officer

69. The Accounting Officer acknowledged that the Fund had processed sixty-Six (66) applications for loans totaling Kshs141,313,804 which was relatively low in comparison to Kshs. 3,704,618,796.00 cash and cash equivalents held in the Fund's bank accounts. This was due to lack of awareness of the existence of the benefit among the State and Public officers who are the intended beneficiaries of the scheme.

70. The situation was aggravated by the effects of COVID-19, which restricted movements and person-to-person interactions. The Fund's performance has since improved following

aggressive sensitization campaigns. Authority has since been sought, and the monies have been invested. The idle funds have been placed in interest-bearing securities (Treasury Bills) as advised by the Auditor General.

Observations of the Committee

71. The Committee observed that—
    - **(i) The Fund performance was below expectations; Management had not indicated measures put in place to attract more State Officers and Public Officers to apply for motor car loans.**
    - **(ii) The matter is unresolved**

Recommendations of the Committee

72. **The Committee recommends that, within six months of the adoption of this Report, the Cabinet Secretary for National Treasury and Economic Planning undertake an assessment of the viability of the Fund and submits a report to the National Assembly.**

2. Budgetary Control and Performance

73. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 15,100,000 and Kshs. 15,152,408 respectively resulting to an over-funding of Kshs. 52,408 of the budget. Similarly, the Fund expended Kshs. 40,135,656 against an approved budget of Kshs. 69,104,520 resulting to an under-expenditure of Kshs. 29,768,864 or 42.6% of the budget. The under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

Submissions of the Accounting Officer

74. The Accounting Officer acknowledged that the Statement of comparison of actual against budget showed receipt of Kshs. 15,152,408.00 against a budget of Kshs. 15,100,000.00 and expenditure of Kshs. 40,135,656.00 against the budget amount of Kshs. 69,104,520.00. The underperformance in expenditure was due to reduced activities recorded during the year under COVID-19 restrictions. Further, the low uptake was due to a lack of awareness of the benefit among State and Public Officers. This situation affected the expected revenue inflows from loan repayments. The Fund's performance has since improved following aggressive sensitization campaigns.

Observations of the Committee.

75. The Committee observed that—
    - **(i) Management demonstrated improved budgetary absorption attributed to increased awareness of the Fund,**
    - **(ii) The matter is resolved**

5.3 Examination of Audited Accounts for State Officers and Public Officers Motor Car Loan Scheme Fund for the financial year 2021/2022.

1. Unsupported Cash and Cash Equivalents.

76. The statement of financial position reflects a balance of Kshs. 540,526,025 in respect of cash and cash equivalents. However, the balance includes an opening balance of Kshs. 139,395,452 in respect of lien which as reported in the previous year was not supported by a schedule to indicate what the amount related to, the form and to whom the amount was owed. Management did not provide a cash book, bank statements, bank reconciliation statements or bank confirmation certificate to support the balance. In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 540,526,025 could not be confirmed.

Submissions of the Accounting Officer.

77. The Accounting Officer admitted that the cash and cash equivalents balance of Kshs. 540,526,025.00 as at 30th June, 2023 included an opening balance of Kshs. 139,395,452.00, respect of lien, which had not been supported by a certificate of balance and a reconciliation statement in the previous year. He explained that this was because the same had not been received from the bank during the audit. However, it was later provided, and a reconciliation statement was prepared and has since been availed for audit review.

Observations of the Committee

78. The Committee observed that—
    (i) The reconciliations and supporting documents were provided.
    (ii) The matter is resolved.

Low Uptake of Loans by State Officers and Public Officers.

79. The State Officers and Public Officers Motor Car Loan Scheme Fund was established in 2015 through Legal Notice No.195 of 25th September, 2015 and pursuant to guidelines provided by the Salaries and Remuneration Commission on the Car Loan benefit for State Officers and Other Public Officers in December, 2014. The Fund has however experienced low response from state officers and public officers which compelled Management to invest in Treasury Bills so that the allocated funds do not lie idle. The disbursed loans balance of Kshs. 252,172,936 remained relatively low at 6.6% (2022 - 5%) in comparison to the total current assets balance of Kshs. 3,839,194,738 as at 30 June, 2023. The objective and purpose for which the Fund was established may not be achieved.

Submissions of the Accounting Officer

80. The Accounting Officer admitted that the Fund was compelled to invest in Treasury Bills so that the allocated funds did not lie idle in the bank. Loans processed amounting to Kshs. 252,172,936.00 remained relatively low at 6.6% (2022- 5%) in comparison to current assets Kshs. 3,839,194,738.00 as at 30th June, 2023. The low uptake was due to a lack of

awareness of the benefit among State and Public officers, who are the intended beneficiaries of the scheme.

81. The Accounting Officer further submitted that the Fund performance has since improved following aggressive sensitization campaigns. As at 30th September, 2024 the Fund had processed 318 loan applications and issued Loans amounting to Khs. 641,745,948.00. Further, the Fund has developed a Strategic Plan aimed at enhancing the loan uptake by incorporating within the plan various strategies, including automation, uploading of information in the Human Resource Portal (GHRIS), review of Regulations and lobbying with SRC to improve the thresholds and other terms and conditions of the loans.

Observations of the Committee

82. The Committee observed that—
    - **(i) The Fund was performing below expectations; Management had not indicated measures put in place to attract more State Officers and Public Officers to apply for motor car loans**
    - **(ii) The Matter is unresolved.**

Recommendations of the Committee

83. **The Committee recommends that, within six months of the adoption of this Report, the Cabinet Secretary, the National Treasury and Economic Planning, undertakes an assessment of the viability of the Fund and submit a report to the National Assembly.**

6.0 EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR THE NATIONAL RESEARCH FUND FOR THE FINANCIAL YEAR 2022/2023 TO 2024/2025.

84. Prof. Dickson Andala, the Chief Executive Officer, National Research Fund, appeared before the Committee on **Thursday, 26th February 2026**, to adduce evidence on the audited financial statements for the National Research Fund for the Financial Years 2022/23 to 2024/25. During the meeting, the Accounting Officer was accompanied by:

(i) Mr. Theophanus Momanyi - Senior Accountant
(ii) Mr. Emmanuel Lutonia - Senior Researcher
(iii)Mr. Benard Barasa
(iv)Ms. Faith Osoro
(v) Ms. Margaret Itotia
(vi)Mr. Odipo Brian

6.1 Examination of the Audited Financial Statements for the National Research Fund for the Financial Year 2022/2023

1. Failure to Optimize Operations

85. Review of the budget and operations of the Fund over a period of four (4) years revealed that transfers from other government entities declined by Kshs. 1,515,871,748 or 82% from an amount of Kshs. 1,838,909,671 in the financial year 2018/2019 to Kshs. 323,037,923 in the financial year 2022/2023.

Submissions by the Accounting Officer

86. The decline in transfers from government entities over the review period was primarily due to progressive reductions in budget allocations approved through the national budgeting process. The Fund operates within ceilings provided by the National Treasury and approved by Parliament. Management has continuously engaged the parent Ministry, the National Treasury, and relevant stakeholders to advocate for enhanced funding.
87. Despite reduced allocations, the Fund has mobilized resources from partners and donors and has prioritized core mandate activities to ensure continuity of critical programmes with the available resources.

Financial Year	Amount
2021/2022	0
2022/2023	42,664,266
2023/2024	201,931,193.50
2024/2025	76,415,330

Committee Observations

The Committee observed that—

(i) **Transfers from other government entities to the fund declined by Kshs. 1,515,871,748 or 82% from an amount of Kshs. 1,838,909,671 in the financial year 2018/2019 to Kshs. 323,037,923 in the financial year 2022/2023; and**

(ii) **The matter is unresolved.**

Committee Recommendations

88. The Committee recommends that—

(i) **The State Department for Science, Research and Innovation reviews the funding allocation to the Fund in the 2026/2027 financial year to ensure it is adequately resourced to implement its mandate; and**

(ii) **The Accounting Officer explores alternative resource mobilization strategies to enhance funding.**

Other Matter

2. Long Outstanding Receivables

89. The statement of financial position reflects receivables balance of Kshs. 1,714,726 as disclosed in note 14 to the financial statements. Included in Kshs. 1,714,726 is a balance of Kshs. 1,500,000 in respect of an amount borrowed by the State Department for University Education which has been outstanding for more than two (2) financial years. Management did not justify the lending nor provide evidence of efforts to recover the amount advanced. In the circumstances, the fund is at risk of losing the amount borrowed if measures to recover the money are not initiated and implemented.

Submissions by the Accounting Officer

90. The Accounting Officer submitted that the amount advanced to the State Department was still outstanding, but management was pursuing recovery of the same.

Committee Observations

91. The Committee observed that—

(i) **The balance of Kshs. 1,500,000 in respect of an amount borrowed by the State Department for University Education was still outstanding for more than two years; and**

(ii) **The matter is unresolved**

Committee Recommendations

92. The Committee recommends that—

(i) **Within three (3) months of the adoption of this report, the Accounting Officer recovers the debt of Kshs. 1,500,000 owed by the State**

Department in accordance with Regulation 83(2)(g) of the Public Finance Management (National Government) Regulations, 2015; and

(ii) Within six (6) months of the adoption of this report, the Accounting Officer submits a status report on recovery efforts to the Office of the Auditor General for audit verification.

3. Lack of an updated Fixed Assets Register

93. The statement of financial position reflects a balance of Kshs. 27,007,659 in respect of property, plant and equipment as disclosed in Note 15 to the financial statements. The inventory catalogue provided by the Fund management indicated a listing of all movable and immovable assets that the Fund had in its possession as at 17th May 2021. However, the register provided did not indicate the serial numbers, thus making it difficult to trace the assets as per asset register to the physical assets. In the circumstances, the effectiveness of internal controls on fixed assets of the Fund could not be confirmed

Submissions by the Accounting Officer

94. Management has since updated and operationalized a comprehensive asset register incorporating asset identification guidelines provided by the National Assets and Liability Management (NALM) Department in the National Treasury. Periodic asset verification exercises have been institutionalized to enhance internal control effectiveness and ensure traceability of all assets.

Committee Observation

95. The Committee observed that—

(i) The Fund has since updated and operationalized a comprehensive asset register; and

(ii) The matter is resolved.

6.2 Examination of the Audited Financial Statements for the National Research Fund for the Financial Year 2023/2024

1. **Long Outstanding Receivables from Exchange Transactions**

96. The statement of financial position reflects receivables from non-exchange transactions balance of Kshs. 52,358,099 as disclosed in Note 14 to the financial statements. Included in the balance is an amount of Kshs. 1,500,000 owed by the State Department for Higher Education and Research that has been outstanding for more than three (3) years. In circumstances, the accuracy, completeness and full recoverability of the receivables balance of Kshs. 1,500,000 could not be confirmed.

Submissions by the Accounting Officer

97. The amount advanced to the State Department is still outstanding, but management is in the process of pursuing to recover the same.

Committee Observations

98. The Committee observed that—

(i) The balance of Kshs. 1,500,000 in respect of an amount borrowed by the State Department for University Education was still outstanding for more than two years; and

(ii) The matter is unresolved.

Committee Recommendations

99. The Committee recommends that—

(i) Within three (3) months of the adoption of this report, the Accounting Officer recovers the debt of Kshs. 1,500,000 owed by the State Department in accordance with Regulation 83 (2)(g) of the Public Finance Management (National Government) Regulations, 2015; and

(ii) Within three months of the adoption of this report, the Accounting Officer submits proof of recovery efforts to the Office of the Auditor General for audit verification.

2. Budgetary Control and Performance

100. The statement of comparison of budget and actual amounts reflects revenue budget and actual on a comparable basis of Kshs. 540,926,998 and Kshs. 522,313,755 respectively, resulting to an under collection of Kshs. 18,613,243 or 3% of the budget. The under collection may have affected the planned activities and may have impacted negatively on service delivery to the public.

Submissions by the Accounting Officer

101. The Accounting Officer submitted that the under-collection resulted from exchequer reductions by the National Treasury during the financial year under review. While the approved budget reflected planned allocations, actual disbursements were lower due to fiscal constraints beyond management control. The Fund adjusted its operational priorities to align with the revised funding levels while safeguarding critical programmes.

Committee Observations

102. The Committee observed that —

(i) The under collection of Kshs. 18,613,243 or 3% of the budget affected the planned activities and may have impacted negatively on service delivery to the public; and

(ii) The matter is unresolved.

Committee Recommendations

103. The Committee recommends that—

(i) **The State Department for Science, Research and Innovation ensures timely and adequate disbursement of approved funds to enable the Fund to effectively implement its planned programmes;**

(ii) **The Accounting Officer continuously engages the State Department for Science, Research and Innovation to ensure budgetary allocations are aligned with the Fund's operational requirements; and**

(iii) **The Accounting Officer explores alternative resource mobilization strategies to enhance revenue collection.**

3. Failure to Optimize Operations

104. Review of the budget and operations of the Fund over a period of five (5) years revealed that transfers from other government entities declined by Kshs. 1,539,023,644 or 84% from an amount of Kshs. 1,838,909,671 in the financial year 2018/2019 to Kshs. 299,886,027 in the financial year 2023/2024.In the circumstances, the reduction in funding has affected the implementation of the Fund's mandate which is critical for development in Kenya.

Submissions by the Accounting Officer

105. The Accounting Officer submitted that the continued reduction in transfers reflects national fiscal adjustments and constrained public sector resource envelopes. Management has actively pursued alternative resource mobilization strategies, including stakeholder engagements, partnership developments, and donor collaborations, to mitigate funding gaps and sustain mandate delivery as shown in the table below—

Financial Year	Amount
2021/2022	0
2022/2023	42,664,266
2023/2024	201,931,193.50
2024/2025	76,415,330

Committee Observations

106. The Committee observed that-

(i) **The transfers from other government entities declined by Kshs. 1,539,023,644 or 84% from an amount of Kshs. 1,838,909,671 in the financial year 2018/2019 to Kshs. 299,886,027 in the financial year 2023/2024; and**

(ii) **The matter is unresolved.**

Committee Recommendations

107. The Committee recommends that-

(i) **The State Department for Science, Research and Innovation reviews the budgetary allocation to the Fund in the 2026/2027 financial year to ensure it is adequately resourced to implement its mandate; and**

(ii) **The Accounting Officer explores alternative resource mobilization strategies to enhance funding.**

Other Matter

4. Unresolved Prior Year Matter

108. In the audit report of the previous year, an issue was raised under the Report on the Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issue as at 30th June, 2024 or given any explanation for failure to implement the recommendations.

Submissions by the Accounting Officer

109. The issue raised in prior year on the Effectiveness of Internal Controls, Risk Management and Governance was resolved as the fund has an updated Asset Register.

Committee Observations

110. The Committee observed that

(i) **The Accounting Officer had not addressed the unresolved prior audit matters; and**

(ii) **The matter remains unresolved.**

Recommendations of the Committee

111. The Committee recommends that-

(i) **Within three (3) months upon the adoption of this report, the Accounting Officer takes appropriate actions to address the unresolved prior year matters as provided in section 53 of the Public Audit Act, 2015; Section 68(2)(I) of the Public Finance Management Act, 2012;**

(ii) **Within six (6) months upon the adoption of this report, the Accounting Officer submits a status report to the Auditor General for audit verification.**

5. Delayed Implementation of Enterprise Resource Planning System Contract

112. Procurement records provided for audit indicated that on 16 October, 2022, the Fund entered into a contract with a local company to supply, install, implement, test, train and

commission an Enterprise Resource Planning System (ERP) at a contract sum of Kshs. 13,300,000 to be delivered in one hundred and twenty (120) days. The System comprised eight (8) modules with terms of payment on the contract as follows:

a. Twenty (20) per cent of total amount payable upon signing the contract and holding an inception meeting.
b. Fifty (50) per cent of total amount payable upon supply and installation of the ERP system, training of users and user acceptability; and
c. Thirty (30) per cent of total amount payable upon commissioning and going live of the system.

113. However, the support documents indicated that an amount of Kshs. 9,310,000 or 70% had been paid to the vendor as at 30 June, 2024 yet only human resource management module or 13% of the modules was fully operational. In addition, despite the core mandate of the Fund being mobilizing research resources, to facilitate institutional research infrastructure and innovations, the grants module had not been fully developed.

114. In the circumstances, value for money has not been achieved on Kshs. 9,310,000 paid to the contractor since the Fund is not fully benefiting from the system due to the underutilization of its available functionalities.

Submissions by the Accounting Officer

115. The Accounting Officer submitted that the contractor completed the project and that the ERP is fully operational across all departments. The delay was caused by contract sign-off and commissioning, which has been resolved. Enhanced contract management oversight has also been instituted to strengthen milestone-based implementation tracking in future procurements.

Committee Observations

116. The Committee observed that-

(i) The contractor has since completed the Enterprise Resource Planning System and it is fully operational in all departments; and

(ii) The matter is resolved

6. **Understaffing in the Fund**

117. The Fund had thirteen (13) employees, out of the recommended seventy-four (74) employees, resulting to understaffing by sixty-one (61). It was observed that the staff deficit was mainly on cadres like Fund Managers, Research Grants Managers and Resource Mobilizers which are very critical for the organization. In the circumstances, the understaffing may hinder effective delivery of services by the Fund.

Submissions by the Accounting Officer

118. The Accounting Officer submitted that the staffing gap was largely attributable to budgetary constraints that limited recruitment capacity. As of June 2025, the number of staff stood at 34. Recruitment of three Senior Officers was scheduled for the subsequent financial year. Management continues to engage relevant authorities to secure adequate funding to progressively fill approved establishment positions critical to mandate delivery.

Committee Observations

119. The Committee observed that-

(i) The Fund had thirteen (13) employees, out of the recommended seventy-four (74) employees, resulting in understaffing, which may hinder effective delivery of services; and

(ii) The matter is unresolved

Committee Recommendations

120. The Committee recommends that-

(i) The Accounting Officer expedites the recruitment process to fill the approved establishment positions; and

(ii) The State Department for Science, Research and Innovation allocates adequate funds in the 2026/2027 financial year to enable the Fund to recruit the required staff

6.3 Examination of the Audited Financial Statements for the National Research Fund for the Financial Year 2024/2025

1. Material Uncertainty Related to Going Concern

121. The Fund reported a deficit for the year amounting to Kshs. 26,477,566, resulting to accumulated reserves deficit of Kshs. 9,394,527. Further, the statement of financial position reflects current liabilities and current assets balances of Kshs. 114,296,917 and Kshs. 75,560,762 respectively, resulting to a negative working capital of Kshs. 38,736,155. The Fund is therefore technically insolvent and its continued operations as a going concern will depend on the continued support from the Government, donors and creditors. In circumstances, the Fund is unable to meet its obligations as and when they fall due.

Submissions by the Accounting Officer

122. The Accounting Officer submitted that the negative working capital position primarily arises from outstanding obligations under the Kenya–DAAD programme, for which a supplementary budget approval had been granted but funds were not released by the

Exchequer. The financial position, therefore, reflects timing and release constraints rather than structural insolvency.

123. The Fund's operations remain supported by Government appropriations and strategic partnerships. Management is actively engaging relevant authorities to secure settlement of outstanding obligations and restore working capital stability.

Committee Observations

124. The Committee observed that-

(i) The negative working capital of Kshs. 38,736,155 negatively affects the Fund's ability to meet its financial obligations as they fall due; and

(ii) The matter is unresolved

Committee Recommendations

125. The Committee recommends that-

(i) The State Department for Science, Research and Innovation reviews the funding allocations to the Fund in the 2026/2027 financial year to ensure it is adequately resourced to implement its mandate; and

(ii) The Accounting Officer explores alternative resource mobilization strategies to enhance funding.

Other matter

2. Unresolved Prior Year Matters

126. In the prior year's audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Fund in 2024/2025 revealed that the matters remained unresolved.

Submissions by the Accounting Officer

127. The Accounting Officer submitted that the issues raised in the prior year's audit remain unresolved, pending discussions and deliberations by the Parliamentary Special Funds Accounts Committee.

Committee Observations

128. The Committee observed that-

(i) The Accounting Officer had not addressed the unresolved prior audit matters; and

(ii) The matter is unresolved.

Recommendations of the Committee

129. The Committee recommends that-

(i) Within three (3) months upon the adoption of this report, the Accounting Officer takes appropriate actions to address the unresolved prior year

matters as provided in section 53 of the Public Audit Act, 2015; Section 68(2)(I) of the Public Finance Management Act, 2012; and

(ii) Within six (6) months upon the adoption of this report, the Accounting Officer submits a status report to the Auditor General for audit verification.

3. Unconfirmed Other Non-Financial Information

130. The statement of performance against predetermined objectives is aligned to the summary of project strategies for achievement of strategic goals. However, the key performance indicators are not linked to specific targets. As such, achievements made by the Fund for the year under review could not be confirmed. Further, the was no evidence that Management liaised with bodies involved in the protection of intellectual property rights, contrary to Section 36 (1) (k & l) of the Science, Technology and Innovation Act, 2013.

Submissions by the Accounting Officer

131. Management acknowledged the need to strengthen the linkage between performance indicators and measurable targets. A revised performance management framework has since been developed, aligning key performance indicators with specific annual targets and reporting metrics. Regarding intellectual property protection coordination under Section 36(1) (k & l) of the ST&I Act, the Fund has initiated structured engagement with relevant intellectual property bodies to formalize collaboration mechanisms and document compliance activities going forward.

Committee Observations

132. The Committee observed that-

(i) There is no evidence that Management liaised with bodies involved in the protection of intellectual property rights, contrary to Section 36 (1) (k) and (l) of the Science, Technology and Innovation Act, 2013; and

(ii) The matter is unresolved.

Committee Recommendation

133. **The Committee recommends that, within three months of the adoption of this report, the Accounting Officer provide evidence of compliance with Section 36 (1) (k) and (l) of the Science, Technology and Innovation Act to the Auditor General for verification.**

4. Long Outstanding Trade and Other Payables

134. The statement of financial position reflects trade and other payables balance of Kshs. 91,129,353 as disclosed in Note 17 to the financial statements which includes payables balance of Kshs. 71,431,226 which has been outstanding for between one (1) and two (2)

years. Although management explained that the debt arose when the Government of Kenya entered into an international agreement with the German Government to finance post graduate studies which was to be facilitated by the Ministry of Education through a supplementary budget under the Fund, the commitment was not honoured by the Government of Kenya.

Submissions by the Accounting Officer

135. The Accounting Officer submitted that the outstanding payables largely related to obligations under the Kenya–DAAD programme arising from supplementary allocations that were approved but not released.

136. Further, Management formally engaged the parent Ministry and National Treasury to facilitate settlement. The payable is not a result of unauthorized expenditure but of exchequer release constraints. Resolution of the matter is actively being pursued at the appropriate policy and fiscal levels.

Committee Observations

137. The Committee observed that—

(i) Trade and other payables amounting to Kshs. 71,431,226 have remained outstanding between one (1) and two (2) years; and

(ii) The matter is unresolved.

Committee Recommendations

138. The Committee recommends that—

(i) The State Department for Science, Research and Innovation facilitates settlement of the outstanding payables to enable the Fund to meet its programme obligations; and

(ii) The Accounting Officer follows up with the State Department for Science, Research and Innovation, and the National Treasury and submits evidence of progress made in settling the outstanding payables to the Office of the Auditor-General for verification within three months of the tabling of this report.

5. Under-Staffing of the Fund

139. As previously noted, review of the staff establishment revealed that the National Research Fund had thirty-four (34) employees out of the recommended seventy-four (74) employees, resulting in an understaffing of forty (40) of the approved establishments as summarized in the table below.

No.	Category of Staff	Total No.
1.	Permanent	11
2.	Deployed	6
3.	Local contract	10

4	Casual	7
	Total	**34**

140. In the circumstances, lack of adequate human resources may negatively affect employees' service delivery, resulting to non-achievement of organizational strategic goals and objectives.

Submissions by the Accounting Officer

141. Understaffing remains a challenge due to fiscal limitations. However, within available resources, the Fund has recruited three additional Senior Officers. Management is implementing phased staffing aligned to budget availability while ensuring core operational functions remain supported.

Committee Observations

142. The Committee observed that—

(i) The Fund had thirty-four (34) employees out of the recommended seventy-four (74) employees, resulting to an understaffing which may hinder effective delivery of services; and

(ii) The matter is unresolved

Committee Recommendations

143. The Committee recommends that—

(i) The Accounting Officer should expedite the recruitment process to fill the approved establishment positions; and

(ii) The State Department for Science, Research and Innovation should allocate adequate funds to enable the Fund to recruit the required staff.

7.0 EXAMINATION OF REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR THE PETROLEUM DEVELOPMENT LEVY FUND FOR 2018/2019 TO 2021/2022 FINANCIAL YEARS

144. Mr. Mohammed Liban, the Principal Secretary State Department for Petroleum appeared before the Committee on **Tuesday 30th, April 2024** to adduce evidence on the audited financial statements for the Petroleum Development Levy Fund for the Financial Years 2018/2019 to 2021 /2022. The minutes of the Committee sittings and submissions tabled by the Accounting Officer are annexed to this report. During the meeting, the Accounting Officer was accompanied by:

1. Ms. Veronicah Kamau – Senior Deputy Accountant General
2. CPA Dismus Ogot -Senior Chief Finance Officer
3. Ms. Joseph Otieno – Commissioner Petroleum
4. Mr. Joyce Lutomia – Communication Officer
5. Mr. Zakaria Somo -Legal Counsel
6. Ms. Abigael Mwangi –Petroleum Advisor

7.1 Examination of the Audited Financial Statements for the Petroleum Development Levy Fund for the Financial Year 2018/2019

1. Budget Control and Performance

145. The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 1,873,500,000 and Kshs. 1,873,500,000 respectively. However, the Fund expended an amount of Kshs. 1,637,570,568 resulting to an under-absorption of Kshs. 235,929,432 or 27% of the budget. The under absorption affected the planned activities and could have impacted negatively on service delivery for the public.

Submissions of the Accounting Officer

146. The Accounting Officer submitted that the Petroleum Development Levy (PDL) Fund expenditure for the year under review is as tabulated below-

S/No	PDL Budget Kshs	Expenditure Kshs	Un spent Balance Kshs	% Under Absorption
	1,873,500,000	1,637,570,568	235,929,432	13

147. The unspent balance of Kshs. 235,929,432 comprises: -

Item	Amount in Kshs.
Prefeasibility, Feasibility and Appraisal Studies	155,072,772

Purchase of Instrumentation and Calibration Equipment	80,856,660
TOTAL	**235,929.432**

148. The State Department for Petroleum also planned to draft and negotiate six (6) Commercial Agreements and one (1) Financing Agreement for the Lokichar – Lamu Crude Oil Pipeline (LLCOP). The commercial and financing agreements were supposed to be undertaken through consultancy services, but the budgetary provision was included in the Pre-Feasibility, Feasibility, and Appraisal Studies budget item. The State Department tried to realign the budget item during the supplementary estimates, but did not succeed; the consultant services could not be undertaken.

149. Further, part of the under-absorption of the budget comprises funds that were appropriated for the purchase of instrumentation and calibration equipment. The State Department had planned to purchase geophysical equipment (a TEM receiver and transmitter and a magneto-telluric system). Bids were received and evaluated, but none met the technical requirements, hence non-responsive. The media advertisement and the professional opinion regarding the specialized equipment are attached.

Committee Observations

150. The Committee observed that—

(i) The Fund expended an amount of Kshs. 1,637,570,568 resulting in an under-absorption of Kshs. 235,929,432 or 27% of the budget;

(ii) The under-absorption comprised funds that were appropriated for the purchase of instrumentation and calibration equipment, whereby the bids were received and evaluated, but none met the technical requirements, hence non-responsive; and

(iii) The matter is resolved.

Committee Recommendation

151. **The Committee recommends that the Accounting Officer strengthens the budget planning and alignment processes to ensure that all planned activities are properly matched with the correct budget lines before approval of the Estimate.**

7.2 Examination of the Audited Financial Statements for the Petroleum Development Levy Fund for the Financial Year 2019/2020

1. Budgetary Control and Performance

152. The Statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 1,622,000,000 in the year under review.

However, from the receipts realized, the fund utilized Kshs. 996,797,983 resulting into an under-absorption of Kshs.625, 202,017 or 39%. The under absorption affected the planned activities and could have negatively impacted on service delivery to the public.

Submissions of the Accounting Officer

153. The Accounting Officer submitted that during the year under review, the expenditure of the State Department for Petroleum was as tabulated below; -

S/No	Program	Budgeted Amount Kshs	Amount Spent Kshs	Unspent Balance Kshs
1	Capital Transfer (Block 14T)	110,000,000	110,000,000	0
2	LPG Gas distribution and infrastructures	758,500,000	212,929,700	545,570,300
3	Oil exploration and monitoring	753,500,000	673,868,282	79,631,718
		1,622,000,000	**996,797,983**	**625, 202,017**

154. The under absorption of Kshs. 625,202,017 or 39% of the budgeted amount occurred as a result of the lockdown occasioned by the corona virus pandemic. Thus, the scheduled oil exploration and monitoring activities as well as those of the LPG gas distribution which were to be undertaken in the second half of the Financial Year 2019/2020 could not be implemented.

Committee Observations

155. The Committee observed that—

(i) The Fund expended Kshs. 996,797,983 out of the approved budget, resulting in an under-absorption of Kshs. 625,202,017, equivalent to 39% of the total allocation, due to implementation disruptions caused by the COVID-19 pandemic lockdown measures during the financial year; and

(ii) The matter is resolved.

7.3 Examination of the Audited Financial Statements for the Petroleum Development Levy Fund for the Financial Year 2020/2021

1. Unaccounted for Expenditure and Transfers to Other Government Entities

156. Section 4(4) of the Petroleum Development Levy 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 Development Levy Order No.24 issued on 15 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.

157. The statement of receipts and payments for the year ended 30 June, 2021 reflects an amount of Kshs. 2,921,677,803 being transfer to other Government entities. This amount includes Kshs. 250,000,000 which as disclosed in Note 2 to the financial statements, was transferred to National Oil Corporation of Kenya (NOCK). However, the budget, the work plan and cost statements for oil and gas exploration activities to support the transfer was not provided for audit verification. Further, no documentation including the framework agreement for the transfer was provided in support of this expenditure.

Submissions of the Accounting Officer

The Accounting Officer submitted that:

158. The National Oil Corporation of Kenya is a Semi- Autonomous Government Agency (SAGA) under the State Department for Petroleum. The appropriations Act provides budgetary support transfers to Government Agencies through votes hence the SAGA receives budgetary support through the State Department. The management confirms the transfer of Kshs. 250,000,000 to the National Oil Corporation of Kenya as appropriated in the budget for the period under review for the purpose of oil exploration in block 14T. This is in tandem with Section 8(3)(a) of the Petroleum Act, 2019, which provides that the National Government may conduct upstream operations on its own using the national oil company.

159. The purpose of the funds transferred was to provide budgetary support to the entity for oil and gas exploration under a production-sharing contract between the Government of the Republic of Kenya and the National Oil Corporation of Kenya (NOCK) relating to Exploration Block 14T.

160. Further, the National Oil Corporation of Kenya (NOCK) is a semi-autonomous Government agency that prepares and accounts for monies appropriated to it separately; as such, the information requested has been accounted for and reported in its financial reports for the period under review. However, the production sharing contract (PSC) performance report, which contains the technical work, financials and work plan, was provided for audit review.

161. The breakdown of the expenditure of Kshs. 4,018,500,000 funded by PDL is as tabulated below;

S/No	Program	Amount Kshs
1	Fuel Stabilization	1,600,000,000.00
2	Preparatory activities for the Lokichar-Lamu crude oil pipeline	265,741,751
3	Early monetization of first oil projects,	80,850,838
4	LPG Gas distribution and infrastructures	153,234,338
5	Oil exploration and monitoring	571,850,876
	Sub-Total	**2,671,677,803**
	Capital Transfer (Block 14T)	250,000,000
		2,921,677,803

162. The mandate of the State Department includes exploration and distribution of oil and gas which is divided into two sub-programmes of Oil and Gas Exploration and Distribution of Oil and Gas which are implemented under the following projects: Fuel Marking, Preparatory Activities for the Lokichar – Lamu Crude Oil Pipeline; Early Monetization of First Oil Project; LPG Distribution and Infrastructure; and Oil Exploration and Monitoring.

163. The aforementioned activities are funded by Appropriation-in-Aid (AIA), that is, Petroleum Development Levy as provided in the Petroleum Development Act, 1991. The Petroleum Development Levy Order No.124 of 10th July 2020 provides for stabilization of local petroleum pump prices.

164. The funds are disbursed from the Petroleum Development Levy holding account operated by the National Treasury, whose Principal Secretary is the Fund Administrator, and credited to the State Department's Petroleum Development Account. Subsequently, it is transferred to either the recurrent or the development account of the State Department as per the budget.

165. From the foregoing, the funds were used for matters relating to the development of the oil industry and stabilization of local petroleum pump prices as by law provided. The expenditure was accounted for and audited under the financial statements for the State Department for Petroleum for the year under review.

Committee Observations

166. The Committee observed that-

(i) The workplan and estimated cost, budget and expenditure returns to support the transfer of Kshs. 250,000,000 were not provided for audit verification; and

(ii) The matter is unresolved.

Recommendations of the Committee

167. The Committee recommends that-

(i) **Within three (3) months of adoption of this Report the Accounting Officer provides a workplan, estimated cost, budget and expenditure returns to the Auditor General for audit verification; and**

(ii) **The Accounting Officer should always ensure the timely submission of documents as per the provisions of Section 47(1) of the Public Audit Act, CAP.412 B.**

2. Budgetary Control and Performance

168. The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 3,222,000,000 in the year under review. However, from the receipts realized, the Fund utilized Kshs. 2,921,677,803 or 91% resulting into an under-absorption of Kshs. 300,322,197 or 9%. The under absorption affected the planned activities and could have negatively impacted on service delivery to public.

Submissions of the Accounting Officer

The Accounting Officer submitted that;

169. The under absorption of 300,322,197 or 9% of the budgeted amount occurred as a result of the lockdown which was occasioned by the corona virus pandemic. Thus, the scheduled activities for the State Department could not be fully effected as outlined in the work plan for the Financial Year 2020/2021.

	Project/Item	Budget	Expenditure	Balance
1	Fuel Stabilization	1,600,000,000.00	1,600,000,000.00	0
2	Preparatory activities for the Lokichar-Lamu crude oil pipeline	270,000,000	265,741,751	4,258,249
3	Early monetization of first oil projects,	90,000,000	80,850,838	9,149,162
4	LPG Gas distribution and infrastructures	344,000,000	153,234,338	190,765,662
5	Oil exploration and monitoring	668,000,000	571,850,876	96,149,124
	Sub-Total		**2,671,677,803**	
6	Capital Transfer (Block 14T)	250,000,000	250,000,000	0
		3,222,000,000	**2,921,677,803**	***300,322,197***

Committee Observations

170. The Committee observed that-

(i) **The Fund expended Kshs. 2,921,677,803 out of the approved budget, resulting in an under-absorption of Kshs. 300,322,197 or 9% of the total allocation, due to implementation disruptions caused by the COVID-19 pandemic lockdown measures during the financial year.**

(ii) **The matter is resolved.**

7.4 Examination of the Audited Financial Statements for the Petroleum Development Levy Fund for the Financial Year 2021/2022

1. Unaccounted for Transfers to Other Government Entities

171. The Statement of receipts and payments and Note 3 to the financial statements reflects an amount of Kshs. 23, 572,772,102 being transfers to other Government entities. The transfers include amounts 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, budget, work plans, cost statements for oil and gas exploration activities and oil exploration and monitoring reports to support the transfers were not provided. In addition, framework agreement in support of the transfers was not provided for audit verification

Submissions of the Accounting Officer

The Accounting Officer submitted that:

172. The National Oil Corporation of Kenya is a Semi- Autonomous Government Agency (SAGA) under the State Department for Petroleum. The appropriations Act provides budgetary support transfers to Government Agencies through votes; hence, the SAGA receives budgetary support through the State Department. The management confirms the transfer of Kshs. 420,000,000 comprising Kshs. Kshs. 220,000,000 to the National Oil Corporation of Kenya. 200,000,000 to the Energy and Petroleum Regulatory Authority (EPRA) as appropriated in the budget for the period under review.

173. The appropriation transfer to the National Oil Corporation of Kenya (NOCK) is an ongoing oil and gas exploration activity in Block 14T, which is funded under a production sharing contract between GOK and the National Oil Corporation of Kenya (NOCK). The funds transferred to the Energy and Petroleum Regulatory Authority (EPRA) were budgetary support for the entity, in fulfilment of its mandate in oil and gas regulation. The funding is legally provided under the Petroleum Development Levy (PDL) Act, 1991 and the PFM Act.

174. The budgetary support to EPRA was necessary to supplement the inadequate levies which they collect as Appropriation in Aid but have not been sufficient to meet the cost of their programs. This will cease once the current proposal before Parliament to review the regulations enabling it to collect the levies necessary to undertake its upstream regulatory mandate is passed. The two entities, being semi-autonomous government agencies, prepare and account for monies appropriated to them separately. The requested documentation has been made available for audit review.

175. The budget of the State Department for the year under review was funded as follows:

Vote Head	Total Budget	AIA - Petroleum Development Levy (PDL)	%
Recurrent	32,045,829,081	24,985,575,711	78.4
Development	2,400,984,214	**1,663,528,572**	69.3
TOTAL	**34,446,813,295**	**26,649,104,283**	**77.4**

The breakdown of expenditure of Kshs. from PDL was as follows:

S/No	Program	Amount
1	Fuel Stabilization	22,111,125,774
2	Fuel Marking	12,354,400
3	Preparatory activities for the Lokichar-Lamu crude oil pipeline	409,516,333
4	Early monetization of first oil projects,	111,845,885
5	LPG Gas distribution and infrastructures	58,906,459
6	Oil exploration and monitoring	448,376,923
	TOTAL	**23,152,125,774**

176. The mandate of the State Department includes exploration and distribution of oil and gas which is divided into two sub-programmes of Oil and Gas Exploration and Distribution of Oil and Gas which are implemented under the following projects: Fuel Marking, Preparatory Activities for the Lokichar – Lamu Crude Oil Pipeline; Early Monetization of First Oil Project; LPG Distribution and Infrastructure; and Oil Exploration and Monitoring; and stabilization of oil pump prices. The aforementioned activities are funded by Appropriation-in-Aid (AIA), that is, Petroleum Development Levy as provided in the PDL Act, 1991 and the Petroleum Development Levy Order 124 issued on 10th July, 2020 which provides for stabilization of local petroleum pump prices.

177. The funds are disbursed from the Petroleum Development Levy holding account operated by the National Treasury, whose Principal Secretary is the Fund Administrator, and credited to the State Department's Petroleum Development Account. Subsequently the money is transferred to either the recurrent or development account of the State Department as per the budget. From the foregoing, the funds were used for matters relating to the development of the oil industry and stabilization of local petroleum pump prices as by law provided. – copies of quarterly performance reports.

Committee Observations

178. The Committee observed that-

(i) The workplan, estimated cost, budget and expenditure returns were not provided to support the transfer of Kshs. 200,000,000 for audit verification;

(ii) Framework agreement in support of the transfers was not provided for audit verification; and

(iii) The matter is unresolved.

Committee Recommendations

179. The Committee recommends that-

(i) Within three (3) months of the adoption of this Report, the Accounting Officer provides a work plan, estimated cost, budget and expenditure returns of the year under review to the Office of the Auditor General for audit verification; and

(ii) The Accounting Officer should always ensure the timely submission of documents as per the provisions of Section 47(1) of the Public Audit Act, CAP.412 B.

8.0 EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR THE PETROLEUM TRAINING LEVY FUND FOR THE FINANCIAL YEAR 2021/2022 TO 2023/2024

180. Mr Mohammed Liban, the Principal Secretary, State Department for Petroleum, appeared before the Committee on **Friday, 21st November 2025**, to adduce evidence on the audited financial statements for the Petroleum Training Levy Fund for the Financial Years 2021/22 and 2022/23. During the meeting, the Accounting Officer was accompanied by:

1. Ms. Veronicah Kamau- Senior Deputy Accountant General
2. CPA Dismus Ogot - Senior Chief Finannce Officer
3. Ms. Joseph Otieno - Commissioner Petroleum
4. Mr. Joyce Lutomia - Communication Officer
5. Mr. Zakaria Somo - Legal Counsel
6. Ms. Abigael Mwangi - Petroleum Advisor

8.1 Examination of the Audited Financial Statements for the Petroleum Training Levy Fund for the Financial Year 2021/2022

1. Inaccuracies in Cash and Cash Equivalents

181. The statement of financial position reflects cash and cash equivalents balance of Kshs.664, 105,397 which includes an amount of Kshs. 111,338,125 held at the surface fees bank account as disclosed in Note 6 to the financial statements. According to Section 52(3) of the Petroleum Act, 2019, all moneys raised by the contractors as training contribution shall be paid into the Training Fund. However, amounts collected in respect of surface fees do not comprise the Training Fund revenue and ought to have been accounted for under the Ministry as Appropriations-In-Aid or surrendered to the Exchequer. In the circumstances, the accuracy of the surface fees bank account balance of Kshs. 111,338,125 as at 30 June, 2022 could not be confirmed.

Submissions of the Accounting Officer

182. The Accounting Officer submitted that—

The audit findings on the above treatment of surface fees. The State Department has since complied with the Auditor General's recommendation that the surface fees on exploration of oil and gas contract areas or commercial fields be treated as ordinary revenue and surrendered to the Consolidated Fund, or as Appropriation in Aid. The State Department has adopted the latter treatment of classifying and accounting for surface fee as Appropriation-in-Aid. In compliance with section 52(3) of the Petroleum Act 2019, the State Department has excluded the surface fees in the 2024/2025 Petroleum training Levy fund financial statements. The surface fees were

reported in the State Department for Petroleum's financial statements for 2024/2025 as Appropriation in Aid. Further, the Surface fee in Year 2025/2026 and the Medium-Term Budget was factored as Appropriation-In-Aid and provided for expenditure estimates thereof accordingly.

Committee Observations

183. The Committee observed that-

(i) **The amount of Kshs. 111,338,125 collected by the Fund in respect of surface fees was paid into the Training Fund instead of being accounted for under the Ministry as Appropriations-In-Aid or surrendered to the Exchequer;**

(ii) **The State Department has since excluded the surface fees in the 2024/2025 Petroleum training Levy fund financial statements; and**

(iii) **The matter is resolved.**

Committee Recommendations

184. **The Committee recommended that the Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board regulation 101 (4) of the Public Finance Management (National Government) Regulations.**

2. Long Outstanding Training and Service Fees

185. The statement of financial position reflects a balance of Kshs. 2,732,715,009 in respect of accounts receivable – fines, penalties, and levies. The balance relates to training levy and service fees brought forward from the financial year 2020/2021 amounting to Kshs. 2,280,948,522 which has been accumulating over the years and had remained unpaid by oil exploration companies since the year 2011. The amount was due from nine (9) oil companies that operated eighteen (18) oil blocks as at 30 June, 2022.

186. Further, two (2) of the nine (9) contractors with an outstanding amount of US$. 925,751.10 (equivalent to Kshs. 99,842,256) have since relinquished their blocks to the Government while the remaining seven (7) are still active. However, the two contractors who relinquished their blocks were discharged before settling the outstanding training levy and surface fees. Management did not provide evidence to demonstrate efforts made to recover the outstanding amounts. In the circumstances, the recoverability of accounts receivables balance of Kshs.2, 732,715,009 as at 30 June, 2022 remains doubtful.

Submissions of the Accounting Officer

187. The Accounting Officer submitted that the State Department acknowledges and accepts the audit finding that Kshs.2, 732,715,009 is due from oil and gas companies. The

outstanding amount of US$. 925,751.10 (equivalent to Kshs. 99,842,256) is from one (1) contractor, Erin Energy Kenya Limited (formerly Camac Energy Kenya Limited), which operated 4 blocks, namely L16, L1B, L27, and L28. It is observed that the PSCs for the Contractor expired in the year 2017. Prior to the expiry, the Contractor in a letter Ref. No. EEKL/SO/10/2016/001 dated October 13, 2016, requested the Ministry for relinquishment from the blocks (Annex (2(a)(i)). However, the Ministry did not approve the request and required the Contractor to pay the outstanding surface fees and training levies, as evidenced by the letter Ref No. MOEP/CONF/3/2/425 dated November 14, 2016.

188. The steps taken to date to recover receivables were as follows:

a. Issued reminder letters to defaulting Contractors on 30th July 2019;
b. Sought legal advice from the Office of the Attorney General (AG) after issuing reminder letters, evidenced by the attached letters;
c. Following AG's advice, demand notices were issued to the contractors and published in the Kenya Gazette VOL. CXXIII-NO. 187 dated 10 September 2021 for general information vide G.N. No. 9220 of 2021 dated 27 August 2021;
d. Following the publication and lapse of the demand notice period, AG's letter dated 24th September 2021, reference AG/CONF/21/65/37/VOL.II(11) recommended the formation of a technical committee to further consider the matter;
e. The Ministry formally requested the Authority (EPRA) vide letter reference MOPM/P/CONF/4/69 dated 18th March 2022 and letter reference MOEP/CONF/1/33 dated 24th January 2023 to convene National Upstream Petroleum Advisory Committee (NUPAC) to discuss the matter pursuant to sections 12(2)(a) and (3) of the Petroleum Act 2019;
f. In a meeting held on 25th July 2024, NUPAC resolved that the Ministry contacts the Registrar of Companies to ascertain the registration status of the defaulting contractors along with names and addresses of the directors, ;
g. Further, NUPAC in a meeting held on 2nd September 2024 resolved that the Ministry issues demand notices to the Parent Companies of the defaulting contractors, ; and

189. Due to a lack of responses to the demand notices issued to parent companies of defaulters, NUPAC, in a meeting held on 19th February 2025 recommended that the Ministry seek legal advice from the Attorney General's (AG) Office regarding the engagement.

Committee Observations

190. The Committee observed that—

(i) **An amount of Kshs. 2,280,948,522 remained unpaid by nine oil exploration companies that operated eighteen (18) oil blocks as at 30th June, 2022.**

(ii) **The matter is unresolved.**

Recommendations of the Committee

191. **The Committee recommends that within six months of the adoption of this report, the Accounting Officer provides a status report to the Office of the Auditor General on the unrecovered amount of Kshs. 2,280,948,522 for audit verification.**

3. Unaccounted for Expenditure

192. The statement of financial performance reflects an amount of Kshs. 30,000,000 in respect of transfer to other Government units. The amount relates to transfers to the National Oil Corporation of Kenya for training activities during the year under review. However, the amount was not reflected in the Company's financial statements. Further, detailed expenditure returns, approved training plans, training attendance registers, evidence of travel documents and proof of hire of venues used for training were not provided for audit review. In the circumstances, it was not possible to confirm whether the funds were received by the Corporation and utilised for training in upstream petroleum operations as provided for in the Act.

Submissions of the Accounting Officer

193. The Accounting Officer submitted that the National Oil Corporation of Kenya is a Semi-Autonomous Government Agency (SAGA) under the State Department for Petroleum. The appropriations Act provides budgetary support transfers to Government Agencies through votes; hence, the National Oil Corporation of Kenya (NOCK) receives budgetary support through the State Department. An amount of Kshs. 30,000,000, as appropriated in the budget for the period under review, was transferred to the National Oil Corporation of Kenya (NOCK) for training activities. NOCK, being a semi-autonomous government agency, prepares and accounts for monies appropriated to it separately. Whereas NOCK had not provided the State Department with approved training plans, training attendance registers, travel documents and proof of venues, as a SAGA, such details would be audited at the Agency level.

Committee Observations

194. The Committee observed that-

(i) **The Accounting Officer provided supporting documentation on the amount of Kshs. 30,000,000 relating to transfers to the National Oil**

Corporation of Kenya for training activities during the year under review.

(ii) The matter is resolved.

Committee Recommendations

195. The Committee recommends that-

The Accounting Officer should ensure the timely submission of documents as per the provisions of Section 47(1) of the Public Audit Act, CAP.412 B.

4. **Inaccuracies in Accounts Receivables Balances**

196. Reflects accounts receivables – fines, penalties and levies balance of Kshs. 2,732,715,009 as at 30 June, 2022. As disclosed in Note 7 to the financial statements, the balance comprises of fines, penalties and levies brought forward from 2020/2021 financial year amount of Kshs. 2,280,948,522 and fines, penalties and levies for the year under review amounts of Kshs. 451,766,487.

197. Review of the ledgers revealed that the accounts receivables – penalties and levies brought forward was translated at a historical rate of Kshs.93.47 instead of the closing rate of Kshs.117.8324. Additionally, the account receivables – fines, penalties and levies for the year was translated at a rate of Kshs.117.45 instead of the closing rate of 117.8324. This was contrary to paragraph 44(a) of the International Public Sector Accounting Standards (IPSAS) which requires that assets and liabilities for each statement of financial position presented, including comparatives be translated at the closing rate at the date of that statement of financial position. In the circumstances, accuracy of the account receivables – fines, penalties and levies balance of Kshs. 2,732,715,008 could not be confirmed.

Submissions of the Accounting Officer

198. The Accounting Officer concurred with the audit findings on the translation of the account receivables balance brought forward using the historical rate of Kshs. 93.47, contrary to the International Public Sector Accounting Standards (IPSAS), which requires that the balance be converted at the closing rate. The State Department is now complying with the relevant provisions of the international Public Sector Accounting Standards – IPSAS, and all accounts receivable balances payable by Oil Exploration Companies are translated at the prevailing closing rate.

Committee Observations

199. The Committee observed that-

(i) The accounts receivables – penalties and levies brought forward were translated at a historical rate of Kshs.93.47 instead of the closing rate of Kshs.117.8324 in contravention of paragraph 44(a) of the International Public Sector Accounting Standards (IPSAS), which requires that assets and liabilities for each statement of financial position presented, including comparatives, be translated

at the closing rate at the date of that statement of financial position; and

(ii) The matter is unresolved.

Committee Recommendations

200. The Committee recommends that-

(i) The Accounting Officer makes the adjustment to correct the inaccuracies in the accounts receivable balances in the preparation of the financial statement for the financial year 2025/2026; and

(ii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements, and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and with regulation 101(4) of the Public Finance Management (National Government) Regulations.

5. Inaccuracies in Revenue from Non-Exchange Transactions

201. The statement of financial performance reflects revenue from non-exchange transactions – fines, penalties and levies amounting to Kshs. 21,726,282 (2020 – Kshs198,837,610) comprising of Kshs. 18,630,000 and Kshs. 3,096,282 in respect of training levy and surface fees respectively as disclosed in Note 1 to the financial statements. According to Section 52(3) of the Petroleum Act, 2019, the Fund comprises of funds raised from contractors as training contribution. Effectively, amounts collected in respect of surface fee do not comprise the Training Fund revenue and ought to have been accounted for under the State Department as Appropriation-In-Aid or surrendered to the Exchequer. However, the financial statements of the Fund recognised the amounts received in respect of surface fee but did not recognise an accrued transfer to the National Treasury expense and the corresponding liability under accounts payable in the statement of financial position as at 30 June, 2022.

202. In addition, the reduction of the levies for the Oil Company – Training Levy from Kshs. 147,792,592 to Kshs. 18,630,000 and surface fee from Kshs. 51,045,016 to Kshs. 3,096,282 have not been explained or reconciled despite the fact that fines penalties and levies not recoverable from the oil Companies have increased by over 40%. In the circumstances, the accuracy of the revenue from non-exchange transactions of Kshs. 3,096,282 from surface fees included in the statement of financial performance for the year under review could not be confirmed.

Submissions of the Accounting Officer

203. The Accounting Officer submitted that the State Department concured with the audit findings and recommendations regarding the treatment of surface fees as either ordinary revenue, which is then surrendered to the Consolidated Fund, or, alternatively, as

Appropriation in Aid, which the State Department may apply to defray its operating expenses. Treating the surface fee of Kshs 3,096,282 as training revenue and accounting for it accordingly is highly regrettable. Consequently, the State Department has since complied with the Auditor General's recommendation that the surface fees on exploration of oil and gas contract areas or commercial fields be treated as ordinary revenue and surrendered to the Consolidated Fund, or as Appropriation in Aid. The State Department has adopted the latter treatment of classifying and accounting for surface fees as Appropriation-in-Aid. In compliance with section 52(3) of the Petroleum Act 2019, the State Department excluded the surface fees in the 2024/2025 Petroleum Training Levy fund financial statements. The surface fees were reported in the State Department for Petroleum's financial statements for 2024/2025 as Appropriation in Aid.

204. Further, the Surface fee for Year 2025/2026 and the Medium-Term Budget were factored as Appropriation-In-Aid and provided for in the expenditure estimates accordingly. Further, the reduction in Training Levy and surface fee during the Financial Year ended 30th June 2022, was occasioned by accounting treatment of the levies and surface fees under the cash basis of accounting, as opposed to the accrual basis of accounting. Adopting the accrual basis of accounting would have ensured that the outstanding levies receivables were recognised in the year they were earned, rather than in the year they were received. It is noted that the surface fees and training levies were received in the subsequent Financial Year. In addition, the Production Sharing Contracts (PSCs) are reported on a contract-year basis, which does not align with the Government fiscal year.

Committee Observations

205. The Committee observed that-

(i) The Fund recognized the amounts received in respect of the surface fee of Kshs. 3,096,282, but did not recognize an accrued transfer to the National Treasury expense;

(ii) The reduction of the levies for the Oil Company – Training Levy from Kshs. 147,792,592 to Kshs. 18,630,000 and surface fee from Kshs. 51,045,016 to Kshs. 3,096,282 had not been explained; and

(iii) The matter is unresolved.

Committee Recommendations

206. The Committee recommended that-

(i) Within three months of the adoption of this report, the Accounting Officer reconciles the amounts of the reduction of the levies for the Oil Company and surface fee and provides evidence to the Office of the Auditor General for audit verification; and

(ii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements,

and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101(4) of the Public Finance Management (National Government) Regulations.

6. Unresolved Prior Year Matters

207. In the audit report of the previous year, several issues were raised under the Report on Financial Statements and the Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management had not resolved the issues or explained their failure to do so contrary to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury Circular dated 11th May, 2022.

Submissions of the Accounting Officer

208. The Accounting Officer submitted that the prior year's audit issues were addressed as follows:

Auditor General's Report Paragraph No.	Issue/Observation from Auditor	Management comments/Intervention	Status: (Resolved/Not Resolved)
230	Unsupported expenditure	Measures have been implemented to strengthen records management, including an improved filing system and document tracking	Action taken but not yet resolved pending appearance before this Committee.
231	Unaccounted for Expenditure	NOCK, being SAGA, is audited at the Agency level.	Action taken but not yet resolved pending appearance before this Committee.
232	Long-standing training levies and surface fees	i. Demand notices have been issued to the oil companies ii. Consulted the Attorney General's office. iii. Referred to NUPAC for deliberation and further guidance	Action taken but not yet resolved.
233	Unauthorized and irregular expenditure on unrelated activities	Management has taken steps to ensure alignment of expenditure with the approved mandate and budgetary provisions	Action taken but not yet resolved pending appearance before this Committee.
234	Accuracy of Revenue from Non-exchange transactions	Management has complied with the Auditor General's recommendation on the treatment of surface fees on exploration of oil and gas as Appropriation in Aid. This has been	Action taken but not yet resolved pending appearance before this Committee.

		implemented in the 2024/2025 financial statements.	
236	Unutilized data management system	Integrated system operational at a pilot level	Action taken but not yet resolved pending appearance before this Committee.
237	Delay in collecting receivables	i. Demand notices have been issued to the oil companies ii. Consulted the Attorney General's office. iii. Referred to NUPAC for deliberation and further guidance.	Action taken but not yet resolved.
238	Budgetary control and performance	Strengthen budgetary control and performance.	Action taken but not yet resolved pending appearance before this Committee.

Committee Observations

209. The Committee observed that-

(i) The Accounting Officer had not addressed the unresolved prior audit matters

(ii) The matter is unresolved.

Committee Recommendations

210. The Committee recommends that-

(i) Within three (3) months upon the adoption of this report, the Accounting Officer takes appropriate actions to address the unresolved prior year matters as provided in Section 53 of the Public Audit Act, 2015; Section 68(2)(I) of the Public Finance Management Act, 2012; and

(ii) Within six (6) months upon the adoption of this report, the Accounting Officer submits a status report to the Auditor General for audit verification.

7. Budgetary Control and Performance

211. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 260,471,428 and Kshs. 54,764,691 respectively resulting to an under-funding of Kshs. 205,706,737 or 79% of the budget. Similarly, the Fund expended a total of Kshs. 286,921,963 against an approved budget of Kshs. 260,471,428 resulting in an excess expenditure of Kshs. 26,450,535 or 9% of the budget.

Management did not provide the approval or authority for the excess expenditure. In addition, Management did not provide a statement explaining the variations between the actual expenditure and the budgeted amount in the Financial Statements as required under Section 81(2) of the Public Finance Management Act 2012.

Submissions of the Accounting Officer

The Accounting Officer submitted that;

212. They agree with the audit findings and observations in respect to underfunding and over expenditure of training items by Kshs. 205,706,737 and Kshs. 26,450,535 respectively. Any over expenditure of this nature is highly regretted. The Covid 19 pandemic in the years 2019 and 2021 and its multiplier effects in subsequent years, affected the collection of Revenue and or Appropriation in Aid. It is as a result of the Pandemic, that the State Department did not meet its target as envisaged. Similarly, the State Department had pending training needs accumulated from the year 2019 given COVID 19 pandemic duration and the financial year in question. The trainings were essential to address the skills gap in the technical department, to equip them in readiness for the increased uptake of oil exploration and marketing activities.

213. The underfunding of Kshs. 205,706,737 was occasioned by accounting treatment of the levies and surface fees under cash basis of accounting, as opposed to accrual basis of accounting. Adopting accrual basis of accounting, would have ensured that the outstanding levies receivables were recognised in the year they were earned, as opposed to the year they were received. It is noted that the surface fees and training levies were received in the subsequent Financial Year. In addition, the Production Sharing Contracts (PSCs) reports on the basis of the contract years which do not align with the Government fiscal year.

Committee Observations

214. The Committee observed that-

(i) **The variations between the actual expenditure and the budgeted amounts were occasioned by the COVID-19 pandemic during the year under review (2021) and its multiplier effects in subsequent years, which adversely affected revenue collection and Appropriations-in-Aid.**

(ii) **The matter is resolved.**

8.2 Examination of the Audited Financial Statements for Petroleum Training Levy Fund for the Financial Year 2022/2023

1. Long outstanding Receivables

215. The statement of financial position reflects a balance of Kshs. 4,006,673,802 in respect of other receivables, as disclosed in Note 17.8 to the financial statements. The balance includes Kshs. 3,969,712,874 in respect to fines, penalties and levies, outstanding from previous years, which were due from nine (9) oil companies that had operated eighteen (18) oil blocks which have been long outstanding. Further, two (2) of the nine (9) contractors who had an outstanding training and surface fee amounting to USD 925,751.10 (equivalent to Kshs. 130,021,742) had relinquished their blocks to the Government while the other seven (7) were still active as at the end of the year under review. In addition, two contractors who relinquished their blocks in prior years were discharged before settling the outstanding training levy and surface fees. The Management did not provide support evidence to demonstrate measures taken to recover the long outstanding fees. In the circumstances, the recoverability of accounts receivables balance of Kshs. 4,006,673,802 remains doubtful.

Submissions of the Accounting Officer

The Accounting Officer submitted that;

216. The State Department acknowledged the audit finding that Kshs. 4,006,673,802 is due from oil and gas companies. The outstanding amount of US$. 925,751.10 is from one (1) contractor, Erin Energy Kenya Limited (formerly Camac Energy Kenya Limited), which operated 4 blocks, namely L16, L1B, L27, and L28. It is observed that the PSCs for the Contractor expired in the year 2017. Prior to the expiry, the Contractor in a letter Ref. No. EEKL/SO/10/2016/001 dated October 13, 2016, requested the Ministry for relinquishment from the blocks (Annex (1(a)(i)). However, the Ministry did not approve the request and required the Contractor to pay the outstanding surface fees and training levies, as evidenced by the letter Ref No. MOEP/CONF/3/2/425 dated November 14, 2016.

217. The State Department took the following steps to recover receivables:
    a. Issued reminder letters to defaulting Contractors on 30th July 2019;
    b. Sought legal advice from the Office of the Attorney General (AG) after issuing reminder letters, evidenced by the attached letters;
    c. Following AG's advice, demand notices were issued to the contractors and published in the Kenya Gazette VOL. CXXIII-NO. 187 dated 10 September 2021 for general information vide G.N. No. 9220 of 2021 dated 27 August 2021;
    d. Following the publication and lapse of the demand notice period, AG's letter dated 24th September 2021, reference AG/CONF/21/65/37/VOL.II(11) recommended the formation of a technical committee to further consider the matter;
    e. The Ministry formally requested the Authority (EPRA) vide letter reference MOPM/P/CONF/4/69 dated 18th March 2022 and letter reference

MOEP/CONF/1/33 dated 24th January 2023 to convene National Upstream Petroleum Advisory Committee (NUPAC) to discuss the matter pursuant to sections 12(2)(a) and (3) of the Petroleum Act 2019;

f. In a meeting held on 25th July 2024, NUPAC resolved that the Ministry contacts the Registrar of Companies to ascertain the registration status of the defaulting contractors along with names and addresses of the directors;

g. Further, NUPAC in a meeting held on 2nd September 2024 resolved that the Ministry issues demand notices to the Parent Companies of the defaulting contractors.

Committee Observations

218. The Committee observed that-

(i) An amount of Kshs. Kshs. 3,969,712,874 remained unpaid by nine oil exploration companies that operated eighteen (18) oil blocks as at 30th June, 2022; and

(ii) The Matter is unresolved

Committee Recommendations

219. **The Committee recommended that, within six months of the adoption of this report, the Accounting Officer provides a status report to the Office of the Auditor General on the unrecovered amount of Kshs. 3,969,712,874 for audit verification.**

2. Unaccounted for Expenditure

220. The statement of financial performance reflects an amount of Kshs. 115,950,781 in respect of transfer to other Government units, as disclosed in Note 17.6 to the financial statements. The amount includes Kshs. 30,000,000 transferred to the National Oil Corporation of Kenya for training activities during the year under review. However, the amount was not reflected in the Company's financial statements. Further, detailed expenditure returns approved training plans, training attendance registers, travel documents and proof of venues used for training to indicate how the funds were utilized by the Corporation were not provided for audit review. In the circumstances, it was not possible to confirm whether the funds were received by the Corporation and utilised for training of employees in upstream petroleum operations as provided for in the Act.

Submissions of the Accounting Officer

The Accounting Officer submitted that;

221. The National Oil Corporation of Kenya is a Semi- Autonomous Government Agency (SAGA) under the State Department for Petroleum. The appropriations Act provides budgetary support transfers to Government Agencies through votes hence the National Oil Corporation of Kenya (NOCK) receives budgetary support through the State Department. An amount of Kshs. 30,000,000 as appropriated in the budget for the period

under review was transferred to the National Oil Corporation of Kenya (NOCK) for training activities during the year under review. NOCK being a semi-autonomous government agency prepares and accounts for monies appropriated to it separately. Whereas NOCK had not provided the State Department with approved training plans, training attendance registers, travel documents and proof of venues, as a SAGA such details would be audited at the Agency level.

Committee Observations

222. The Committee observed that-

(i) **The Accounting Officer provided supporting documentation on the amount of Kshs. 30,000,000 relating to transfers to the National Oil Corporation of Kenya for training activities during the year under review; and**

(ii) **The matter is resolved.**

Committee Recommendations

223. The Committee recommends that-

The Accounting Officer should ensure the timely submission of financial statements as per the provisions of Section 47(1) of the Public Audit Act, CAP.412B.

3. Inaccuracies in Revenue from Non-Exchange Transactions

224. The statement of financial performance reflects receipts of Kshs. 176,826,504 from fines, penalties and levies under revenue from non-exchange transactions (2022 – Kshs. 21,726,282). The receipts comprise of Kshs. 119,623,306 and Kshs. 57,203,198 in respect to training levy and surface fees respectively. According to Section 52(3) of the Petroleum Act, 2019, the Fund comprises of funds raised from contractors as training contribution. Effectively, amounts collected in respect of surface fee do not comprise the Training Fund revenue and ought to have been accounted for under the State Department as Appropriation-In-Aid or surrendered to the Exchequer.

225. However, the financial statements of the Fund recognised the amounts received in respect of surface fee but did not recognise an accrued transfer to the National Treasury expense and the corresponding liability under accounts payable in the statement of financial position as at 30 June, 2023. In addition, the increase of the levies for the Oil Company – Training Levy from Kshs. 18,630,000 to Kshs. 119,623,306 and surface fee from Kshs. 3,096,282 to Kshs. 57,203,198 have not been explained or reconciled despite the fact that fines penalties and levies recovered from the oil Companies have increased by over 92%. In the circumstances, the accuracy of the revenue from non-exchange transactions of Kshs. 57,203,198 from surface fees included in the statement of financial performance for the year under review could not be confirmed.

Submissions of the Accounting Officer

The Accounting Officer submitted that—

226. The State Department concurred with the audit findings and recommendations on the treatment of surface fees as either ordinary revenue, which is then surrendered to the Consolidated Fund, or, alternatively, as Appropriation in Aid, which the State Department may apply to defray its operating expenses. The treatment of the surface fee of Kshs 57,203,198 as part of training revenue and accounting for it as such is highly regrettable. Consequently, the State Department has since complied with the Auditor General's recommendation that the surface fees on exploration of oil and gas contract areas or commercial fields be treated as ordinary revenue and surrendered to the Consolidated Fund, or as Appropriation in Aid. The State Department has adopted the latter treatment of classifying and accounting for surface fees as Appropriation-in-Aid.

227. In compliance with section 52(3) of the Petroleum Act 2019, the State Department excluded the surface fees in the 2024/2025 Petroleum Training Levy fund financial statements. The surface fees were reported in the State Department for Petroleum's financial statements for 2024/2025 as Appropriation in Aid. Further, the Surface fee for Year 2025/2026 and the Medium-Term Budget were factored as Appropriation-In-Aid and provided for in the expenditure estimates accordingly. The 92 per cent increase in the training levy and surface fee during the Financial Year ending 30th June 2023 was due to accrued receipts from the previous year received in the current financial year. It has already been reported that there was a reduction in the amounts reported in the Financial Year 2021/2022, occasioned by the accounting treatment of levies and surface fees on a cash basis rather than the accrual basis. In addition, the Production Sharing Contracts (PSCs) are reported on a contract-year basis, which does not align with the Government fiscal year.

Committee Observations

228. The Committee observed that-

(i) The increase in the levies for the Oil Company – Training Levy from Kshs. 18,630,000 to Kshs. 119,623,306 and surface fee from Kshs. 3,096,282 to Kshs. 57,203,198 was not explained; and

(ii) The matter is unresolved.

Committee Recommendations

229. The Committee recommended that-

(i) Within three months of the adoption of this report, the Accounting Officer reconciles the amounts of the increase in the levies for the Oil Company and surface fee and provides evidence to the Office of the Auditor General for audit verification; and

(ii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are

followed in the preparation of Annual Reports and financial statements, and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101(4) of the Public Finance Management (National Government) Regulations.

4. Unresolved Prior Year Matters

230. In the audit report of the previous year, several issues were raised under the Report on Financial Statements and the Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues or explained contrary to the provisions of the Public Sector Accounting Standards Board templates and the National Treasury's Circulars.

Submissions of the Accounting Officer

231. The Accounting Officer submitted that;

The prior year audit issues have been addressed as follows:

Auditor General's Report Paragraph No.	Issue/Observation from Auditor	Management comments/Intervention	Status: (Resolved/Not Resolved)
231	Inaccuracies in Cash and Cash Equivalents	Management has complied with the Auditor General's recommendation on the treatment of surface fees on exploration of oil and gas as Appropriation in Aid. This has been implemented in the 2024/2025 financial statements and provided for in FY 2025/2026 and in the Medium Term Budget	Action taken but not yet resolved pending appearance before this Committee.
232	Long-standing training and surface fees	i. Demand notices have been issued to the oil companies ii. Consulted the Attorney General's office. iii. Referred to NUPAC for deliberation and further guidance.	Action taken but not yet resolved.
233	Unaccounted for expenditure	NOCK, being SAGA, is audited at the Agency level.	Action taken but not yet resolved pending appearance before this Committee.

234	Inaccuracies in accounts receivables balances	Ensure compliance with the regulation on translation rates.	Action taken but not yet resolved pending appearance before this Committee.
235	Inaccuracies in revenue from non-exchange transactions	i. Management has complied with the Auditor General's recommendation on the treatment of surface fees on exploration of oil and gas as Appropriation in Aid. This has been implemented in the 2024/2025 financial statements. ii. Ensure full compliance with accrual basis of accounting during reporting	Action taken but not yet resolved pending appearance before this Committee.
237	Budgetary control and performance	Strengthen budgetary control and performance.	Action taken but not yet resolved pending appearance before this Committee.

Committee Observations

232. The Committee observed that-

(i) The Accounting Officer had not addressed the unresolved prior audit matters; and

(ii) The matter is unresolved.

Recommendations of the Committee

233. The Committee recommends that-

(i) Within three (3) months upon the adoption of this report, the Accounting Officer takes appropriate actions to address unresolved prior year matters as provided in section 53 of the Public Audit Act, 2015; Section 68(2)(I) of the Public Finance Management Act, 2012; and

(ii) Within six (6) months upon the adoption of this report the Accounting Officer submits a status report to the Auditor General for audit verification.

5. Irregular Expenditure

234. The statement of financial performance reflects expenditure of Kshs. 278,274,314 in respect of general expenses, as disclosed in Note 17.5 to the financial statements. The

amount includes training expenses expenditure of Kshs. 273,003,670. Review of documents provided in support of the expenditure revealed an amount of Kshs. 16,496,900 which was incurred on payment of allowances to staff members for activities that did not relate to the Fund such as review of organizational structure and pre-retirement seminar for senior executives. In the circumstances, the regularity of expenditure of Kshs. 16,496,900 incurred on training could be confirmed.

Submissions of the Accounting Officer

The Accounting Officer submitted that;

235. Executive Order No. 1 of the 5th Administration of the Government of Kenya established the State Department for Petroleum, whose mandate and functions include, among others, Oil and Gas Policy Formulation and Upstream Exploration. The mandate and functions are operationalized through a strategic plan and organizational structure. The Organizational Structure, which was being developed during the retreat, is a primary policy document that outlines how the strategic functions of the State Department are cascaded within the Directorate of Petroleum, which undertakes oil and Gas exploration, strategic stock management of imports and exports, stock distribution and marketing, amongst others. In developing the Organizational Structure, therefore, the State Department identifies the staff establishment, skills and competency requirements, and training needs assessment gaps, for which training is then planned, budgeted for, executed, monitored, and evaluated, with reports made for decision-making.

236. The development of the Organizational Structure is a primary requirement for mounting training programmes whose funds are budgeted in the State Department under the Programme-Based Budget that the Government uses. The Petroleum Training Levy (PTL) is provided under the Petroleum Act, 2019 to provide funds for capacity building of human resources in the Oil and Gas sector. The use of PTL funds for the development of the organizational structure was therefore interpreted as synonymous with the training needs for which the funds are provided. Further to the budget rationalisation in the recurrent estimates, the State Department was left with no funds to cover the resulting costs of developing the organizational structure and other training, such as the pre-retirement programme for officers due to mandatory retirement.

Committee Observations

237. The Committee observed that-

(i) An amount of Kshs. 16,496,900 was incurred in payments of allowances to staff members for activities unrelated to the Fund, contrary to Section 52(2) of the Petroleum Act (Cap. 308), which provides that the purpose of the Fund is to train Kenyan nationals in upstream petroleum operations.

(ii) The Matter is unresolved.

Committee Recommendations

238. **The Committee recommends that the Accounting Officer ensures that funds allocated to the Fund are strictly utilized for activities directly related to its mandate and in accordance with the approved budget and relevant legal provisions.**

8.3 Examination of the Audited Financial Statements for Petroleum Training Levy Fund for the Financial Year 2023/2024

1. **Inclusion of Non-Training Receipts**

239. The statement of financial performance reflects fines, penalties and levies amounting to Kshs. 176,868,122. The amount comprises of training fees of Kshs. 115,226,412 and surface fees levied on International Oil Companies (IOCs) of Kshs. 61,641,710. The surface fees collected from the oil companies was included in the Fund financial statement. However, the fee does not meet the criteria set out in Section 52 of the Petroleum Act, 2019 which establishes the Petroleum Training Levy Fund for purposes of training Kenyan Nationals in upstream petroleum operations and provides that all moneys raised by the contractors as training contribution shall be paid into the Fund. In the circumstances, the accuracy and completeness of fines, penalties and levies income of Kshs. 176,868,122 could not be confirmed.

Submissions of the Accounting Officer

240. The Accounting Officer concurred with the audit findings that during the year under review, the surface fees were reported together with the training fees in the Petroleum Training Levy Fund financial statements. The State Department, in the subsequent Financial Year (2024/2025) complied with the Auditor General's recommendation that the surface fees on exploration of oil and gas contract areas be treated as Appropriation in Aid. Hence, the surface fees are budgeted and reported as Appropriation in Aid in the State Department's recurrent account. An extract of the financial statement is hereby attached.

Committee Observations

241. The Committee observed that-

i) **The Fund's surface fees on exploration of oil and gas contract areas were treated as Appropriation in Aid in the 2024/2025 Petroleum training Levy fund financial statements; and**

ii) **The Matter is Resolved.**

Committee Recommendations

242. The Committee recommends that-

The Accounting Officer ensures that all applicable accounting and financial controls systems, standards, laws, and procedures are followed in the preparation of the Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101(4) of the Public Finance Management (National Government) Regulations.

2. Long Outstanding Receivables

243. The statement of financial position reflects other receivables balance of Kshs. 3,693,136,289. Review of the aging analysis provided in support of the receivables revealed balances totaling Kshs. 3,659,092,840 (USD. 28,248,999) relating to fines, penalties and levies which have been outstanding for more than two years, with some dating back to 2011. Although Management provided demand letters issued to various companies in the effort to recover the receivables, however, the amount was still outstanding as at 30 June 2024. In addition, an amount of Kshs. 221,608,214 (USD. 1,710,864) was owed by Lamu Oil and Gas Limited which was struck off from the register of companies on 11 December, 2020 through a gazette notice number 10421 of 2020. It was not clear how Management intends to recover the amount owing from the unregistered company. In the circumstances, the accuracy and completeness of other receivables amounting to Kshs. 3,693,136,289 could not be confirmed.

Submissions of the Accounting Officer

244. The Accounting Officer concurred with the audit findings on the long-outstanding receivables amounting to Kshs. 3,693,136,289. The following measures have been taken by the Ministry to recover the outstanding receivables;

a) Issued reminder letters to defaulting Contractors on 30th July 2019.
b) Sought legal advice from the Office of the Attorney General (AG) after issuing reminder letters, evidenced by the attached letters.
c) Following AG's advice, demand notices were issued to the contractors and published in the Kenya Gazette VOL. CXXIII-NO. 187 dated 10 September 2021 for general information *vide* G.N. No. 9220 of 2021 dated 27 August 2021.
d) Following the publication and lapse of the demand notice period, AG's letter dated 24th September 2021, reference AG/CONF/21/65/37/VOL.II(11) recommended the formation of a technical committee to further consider the matter.
e) The Ministry formally requested the Authority (EPRA) vide letter reference MOPM/P/CONF/4/69 dated 18th March 2022 and letter reference MOEP/CONF/1/33 dated 24th January 2023 to convene the National Upstream Petroleum Advisory Committee (NUPAC) to discuss the matter pursuant to sections 12(2)(a) and (3) of the Petroleum Act 2019.
f) In a meeting held on 25th July 2024, the Advisory Committee resolved that the Ministry contacts the Registrar of Companies to ascertain the registration status of the defaulting contractors, along with names and addresses of the directors.

g) Further, the Advisory Committee, in a meeting held on 2nd September 2024, resolved that the Ministry issue demand notices to the Parent Companies of the defaulting contractors.

h) Due to a lack of responses to the demand notices issued to parent companies of defaulters, NUPAC, in a meeting held on 19th February 2025 recommended that the Ministry seek legal advice from the Attorney General's (AG) Office regarding the engagement of a global debt collector to recover the outstanding payments.

245. Regarding the amount of Kshs 221,608,214 (USD 1,710,864) owed by Lamu Oil and Gas Limited, which has since ceased operations and was struck off the register of companies on 11th December 2020, the Accounting Officer submitted that the liabilities still exist and that the amount still forms part of Kshs. 3,693,136,289 is the outstanding receivables as at 30th June 2024. Further, the Ministry wrote to Edgo Energy, the parent company of Lamu Oil and Gas Limited, on 24th September 2024 to recover outstanding obligations.

Committee Observations

246. The Committee observed that-

(i). An amount of Kshs. 3,659,092,840 remained unpaid by nine oil exploration companies that operated eighteen (18) oil blocks as at 30th June, 2023;

(ii). An amount of Kshs. 221,608,214 (USD. 1,710,864) owed by Lamu Oil and Gas Limited, which was struck off from the register of companies on 11th December, 2020, through a gazette notice number 10421 of 2020 remains unrecovered; and

(iii). The matter is unresolved.

Committee Recommendations

247. The Committee recommends that-

(i) Within six months of the adoption of this report, the Accounting Officer provides a status report to the Office of the Auditor General on the unrecovered amount of Kshs. 221,608,214 for audit verification; and

(ii) Within six months upon the adoption of this report, the Accounting Officer provides a status report to the Office of the Auditor General on the unpaid amount of Kshs. 3,659,092,840 for audit verification.

3.Unresolved Prior Year Matters

248. In the audit report of the previous year, several issues were raised under the Report on Financial Statements and the Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues or explained contrary to the provisions of the Public Sector Accounting Standards Board templates and the National Treasury's Circulars.

Submissions of the Accounting Officer

249. The Accounting Officer submitted that;

The prior year audit issues have been addressed as below:

Auditor General's Report Paragraph No.	Issue/Observation from Auditor	Management comments/Intervention	Status: (Resolved/Not Resolved)
231	Inaccuracies in Cash and Cash Equivalents	Management has complied with the Auditor General's recommendation on the treatment of surface fees on exploration of oil and gas as Appropriation in Aid. This has been implemented in the 2024/2025 financial statements and provided for in FY 2025/2026 and in the Medium Term Budget	Action taken but not yet resolved pending appearance before this Committee.
232	Long outstanding training and surface fees	iv. Demand notices have been issued to the oil companies v. Consulted the Attorney General's office. vi. Referred to NUPAC for deliberation and further guidance.	Action taken but not yet resolved.
233	Unaccounted for expenditure	NOCK, being a SAGA, is audited at the Agency level.	Action taken but not yet resolved pending appearance before this Committee.
234	Inaccuracies in accounts receivables balances	Ensure compliance with the regulation on translation rates.	Action taken but not yet resolved pending appearance before this Committee.

235	Inaccuracies in revenue from non-exchange transactions	iii. Management has complied with Auditor General's recommendation on the treatment of surface fees on exploration of oil and gas as Appropriation in Aid. This has been implemented in the 2024/2025 financial statements. iv. Ensure full compliance with accrual basis of accounting during reporting	Action taken but not yet resolved pending appearance before this Committee.
237	Budgetary control and performance	Strengthen budgetary control and performance.	Action taken but not yet resolved pending appearance before this Committee.

Committee Observations

250. The Committee observed that-

(i) **The Accounting Officer had not addressed the unresolved prior audit matters; and**

(ii) **The matter is unresolved.**

Committee Recommendations

251. The Committee recommends that-

(i) Within three (3) months upon the adoption of this report, the Accounting Officer takes appropriate actions to address unresolved prior year matters as provided in section 53 of the Public Audit Act, CAP 412B; Section 68(2)(I) of the Public Finance Management Act, CAP 412A; and

(ii) Within six (6) months upon the adoption of this report, the Accounting Officer submits the status report to the Auditor General for audit verification.

4. Outstanding Imprest

252. The statement of financial position and as disclosed in Note 17.11 to the financial statements reflects imprests and advances balance of Kshs. 656,040. Review of records revealed that it related to an imprest issued in 2017. Management did not demonstrate efforts taken to recover the amount. This was contrary to Regulation 93 (6) of the Public

Finance Management (National Government) Regulations, 2015 which provides that in the event of an imprest holder failing to account for or surrender an imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest of the prevailing Central Bank rate. In the circumstances, Management was in breach of the law.

Submissions of the Accounting Officer

The Accounting Officer submitted that;

253. They concur with the audit findings on the outstanding balance on imprests and advances of Kshs. 656,040. We wish to state that the imprest holder passed on before surrendering the imprest on the due date. In the unfolding circumstances, there was an oversight in instituting measures to clear the outstanding amount. Notably, the officer had worked for only 9 years and was therefore not eligible for pension benefits. The State Department has commenced the process of seeking a waiver of the outstanding amount.

Committee Observations

254. The Committee observed that-

(i). An amount of Kshs. 656,040 related to an imprest issued in 2017, in which the imprest holder passed on before surrendering the imprest on the due date.

(ii). The matter is unresolved.

Committee Recommendations

255. **The Committee recommended that, within six months of the adoption of this report, the Accounting Officer seeks authority to waive the outstanding amount of Kshs. 656,040 and submits a status Report to the Auditor-General for audit verification.**

SIGNATURE: ..... **DATE:** 19/03/2026

HON. FATUMA ZAINAB MOHAMMED, CBS, M.P.

CHAIRPERSON, SPECIAL FUNDS ACCOUNTS COMMITTEE

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 15 APR 2026 DAY.
TABLED BY: Hon. Fatuma Mohammed (Chairperson, Special Funds Accounts Committee)
CLERK-AT-THE-TABLE: Anastacia

MINUTES

MINUTES OF THE 42ND SITTING IN THE THIRD SESSION OF SPECIAL FUND ACCOUNTS COMMITTEE HELD ON TUESDAY, 15TH OCTOBER 2024, IN COMMITTEE ROOM 13 BUNGE TOWERS AT 9.30AM.

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
3. Hon. Erastus Kivasu Nzioka, MP
4. Hon. Charles Ngusya Nguna, MP
5. Hon. Eve Akinyi Obara, MP
6. Hon. Tom Mboya Odege, MP
7. Hon. Catherine Nakhabi Omanyo, MP
8. Hon. Paul Kibichi Biego, MP

APOLOGIES

1. Hon. Dr. Christine Ombaka Oduor, MP
2. Hon. Joseph Majimbo Kalasinga, MP
3. Hon. Faith Wairimu Gitau, MP
4. Hon. Kahugu Erick Mwangi, MP
5. Hon. Joshua Odongo Oron, MP
6. Hon. Cecilia Asinyen Ngitit, MP
7. Hon. Joseph Kimutai Cherorot, MP

IN ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

1. Mr. Erick Nyambati - Senior Clerk Assistant I
2. Ms. Comfort Achieng - Clerk Assistant III
3. Mr. Nimrod Mate - Clerk Assistant III
4. Mr. Robert Ng'etich - Fiscal Analyst II
5. Ms. Judith Kanyoko - Legal Counsel II
6. Mr. Derrick Kathurima - Media Relations Officer.
7. Mr. Peter Mutethia - Audio Officer III.
8. Mr. Joshua Lenambet - Sergeant at arms

EQUALIZATION FUND.

1. Mr. Guyo Boru - Chief Executive Officer
2. Ms. Emily Muema - Equalisation Fund, Secretariat
3. Mr. Igadwa Victor - Equalisation Fund, Secretariat

OFFICE OF THE AUDITOR-GENERAL

1. Mr. David Osiemo - Liaison Officer.
2. Mr. Njoroge Waithama - Director, Audit
3. Mr. Sammy Githunguri - Principal Auditor.

MIN. NA/AA&GPC-SFAC/2024/065. PRELIMINARIES

The Chairperson called the meeting to order at 10.20am, followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers.
2. Preliminaries/Introductions.
3. **Examination of the Auditor General Reports on Accounts of the Communications Authority of Kenya-Universal Service Fund for the financial Year 2020/2021**
4. Any Other Business
5. Adjournment Date of the next meeting.

The Chief Executive Officer who is the Accounting Officer for the fund took the oath of witness and tabled the Submissions of the Accounting Officer s including supporting documents on the audited accounts of the fund.

MIN. NA/AA&GPC-SFAC/2024/066. EXAMINATION OF THE AUDITOR GENERAL REPORTS ON ACCOUNTS OF THE EQUALIZATION FUND FOR THE FINANCIAL YEAR 2020/2021 AND 2022/2023

Examination of the Auditor General reports for Equalization Fund for the financial Year 2021/22 & 2022/23

The Committee examined the Auditor General's report for the Equalization Fund for the financial Year 2021/22 and 2022/23 as follows:

Financial Year 2021/22

1. Non-Compliance with the Constitution

Article 204(1) of the Constitution requires that, one half per cent (0.5%) of all the revenue collected by the National Government each year, calculated on the basis of the most recent audited accounts of revenue received as approved by the National Assembly, be paid into the Equalisation Fund. A review of the financial statements for the Equalisation Fund for the year ended 30 June, 2023 revealed that, only an amount of Kshs. 12,400,000,000 out of the expected Kshs. 51,586,214,050 of the total entitlement from the financial years 2011/2012 to 2022/2023 had been transferred to the Equalisation Fund Account as tabulated below:

Financial Year	Approved Audited Revenues (Kshs.)	Amount of Equalisation Fund Entitlement (Kshs.)	Amount Transferred to the Fund (Kshs.)
2011/2012	468,151,970,000	2,340,759,850	-
2012/2013	529,300,000,000	2,646,500,000	-
2013/2014	529,300,000,000	2,646,500,000	-
2014/2015	776,900,000,000	3,884,500,000	6,400,000,000
2015/2016	776,900,000,000	3,884,500,000	-
2016/2017	776,900,000,000	3,884,500,000	6,000,000,000
2017/2018	776,900,000,000	3,884,500,000	-
2018/2019	776,900,000,000	3,884,500,000	-
2019/2020	776,900,000,000	3,884,500,000	-
2020/2021	1,357,698,000,000	6,788,490,000	
2021/2022	1,357,689,000,000	6,788,490,000	
2022/2023	1,413,694,840,000	7,068,474,200	
Total	**10,317,233,810,000**	**51,586,214,050**	**12,400,000,000**

Consequently, The National Treasury has not remitted the outstanding balance of Kshs. 39,186,214,050 as at 30th June,2023. Lack of disbursements casts doubt on realisation of the Fund's intended objective of providing basic services to the marginalized areas.

However, management indicated that the Equalisation Fund Appropriation Bill, 2022 was prepared and submitted to the National Assembly to authorise the disbursements of funds due to the Equalisation Fund including the allocation for the 2021/2022 and 2022/2023 financial years, but the Bill had not been passed at the time of the audit. In the circumstances, The National Treasury was in breach of the law

Submissions of the Accounting Officer

The Accounting officer submitted the following;

i. The Cabinet Secretary for the National Treasury and Economic planning vide letter TNT/ZZ/81/014/E(74) dated 19 May 2023, proposed a plan to appropriate the arrears due to the fund by allocating Kshs.9,976,766 from the financial year 2024/25 to 2027/28. y.
ii. Management has unsuccessfully made several attempts in the past to pursue the debt with Telkom Kenya Limited. However, The National Treasury has not honoured the commitment and the CA has no enforcement mechanism to effect on another Government agency of stature of The National Treasury. Demand letters to Telkom Kenya attached as Annex 15 in the Management Reponses.

Observations of the Committee

The Committee observed the following;

i. The total allocation to the fund as at 30 June, 2024 stands Kshs. 32,807,717,433 against entitlement of Kshs. 62,403,758,050.
ii. During the financial year 2023/2024 only Kshs.1.03 billion was disbursed to the Fund.
iii. Therefore, only Kshs.13,430,000,000 has been received so far out of the total allocation to the fund of Kshs.32,807,717,433.
iv. The Matter remains unresolved.

Financial Year 2022/23

2. Non-Compliance with the Constitution

Article 204(1) of the Constitution requires that, one half per cent (0.5%) of all the revenue collected by the National Government each year, calculated on the basis of the most recent audited accounts of revenue received as approved by the National Assembly, be paid into the Equalisation Fund. A review of the financial statements for the Equalisation Fund for the year ended 30 June, 2023 revealed that, only an amount of Kshs. 12,400,000,000 out of the expected Kshs. 51,586,214,050 of the total entitlement from the financial years 2011/2012 to 2022/2023 had been transferred to the Equalisation Fund Account as tabulated below:

Financial Year	Approved Audited Revenues (Kshs.)	Amount of Equalisation Fund Entitlement (Kshs.)	Amount Transferred to the Fund (Kshs.)
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2012/2013	529,300,000,000	2,646,500,000	-
2013/2014	529,300,000,000	2,646,500,000	-
2014/2015	776,900,000,000	3,884,500,000	6,400,000,000
2015/2016	776,900,000,000	3,884,500,000	-
2016/2017	776,900,000,000	3,884,500,000	6,000,000,000
2017/2018	776,900,000,000	3,884,500,000	-
2018/2019	776,900,000,000	3,884,500,000	-
2019/2020	776,900,000,000	3,884,500,000	-
2020/2021	1,357,698,000,000	6,788,490,000	
2021/2022	1,357,689,000,000	6,788,490,000	
2022/2023	1,413,694,840,000	7,068,474,200	
Total	**10,317,233,810,000**	**51,586,214,050**	**12,400,000,000**

Consequently, The National Treasury has not remitted the outstanding balance of Kshs. 39,186,214,050 as at 30th June,2023. Lack of disbursements casts doubt on realisation of the Fund's intended objective of providing basic services to the marginalized areas.

However, management indicated that the Equalisation Fund Appropriation Bill, 2022 was prepared and submitted to the National Assembly to authorise the disbursements of funds due to the Equalisation Fund including the allocation for the 2021/2022 and 2022/2023 financial years, but the Bill had not been passed at the time of the audit. In the circumstances, The National Treasury was in breach of the law

Submissions of the Accounting Officer

The Accounting officer submitted the following;

iii. The Cabinet Secretary for the National Treasury and Economic planning vide letter TNT/ZZ/81/014/E(74) dated 19 May 2023, proposed a plan to appropriate the arrears due to the fund by allocating Kshs.9,976,766 from the financial year 2024/25 to 2027/28. y.

iv. Management has unsuccessfully made several attempts in the past to pursue the debt with Telkom Kenya Limited. However, The National Treasury has not honoured the commitment and the CA has no enforcement mechanism to effect on another Government agency of stature of The National Treasury. Demand letters to Telkom Kenya attached as Annex 15 in the Management Reponses.

Observations of the Committee

The Committee observed the following;

i. The total allocation to the fund as at 30 June, 2024 stands Kshs. 32,807,717,433 against entitlement of Kshs. 62,403,758,050.

ii. During the financial year 2023/2024 only Kshs.1.03 billion was disbursed to the Fund.

iii. Therefore, only Kshs.13,430,000,000 has been received so far out of the total allocation to the fund of Kshs.32,807,717,433.

iv. The Matter remains unresolved.

MIN. NA/AA&GPC-SFAC/2024/067: ANY OTHER BUSINESS

The Committee recommended the following;

i) To sample the Equalisation fund projects and undertake an inspection visit

ii) Management to avail the following documents within 14 days

a) **Certified follow-up correspondences from both the fund and National Treasury on commitments made to clear the arrears.**
b) **A status report of all ongoing and stalled projects.**
c) **A comprehensive list of all 100 million and above worth of projects implemented by the fund**
d) **A breakdown of the Kshs.1.03 billion disbursed in the current financial year identifying the projects implemented.**

MIN. NA/AA&GPC-SFAC/2024/068: **ADJOURNMENT/DATE OF NEXT MEETING**

There being no other business, the meeting was adjourned at 12.21 p.m. The next meeting will be held on notice.

SIGNED.....**DATE**.....27/11/24.....

HON. FATUMA ZAINAB MOHAMMED, MP

(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTEE

MINUTES OF THE 7TH SITTING IN THE FOURTH SESSION OF SPECIAL FUNDS ACCOUNTS COMMITTEE HELD ON THURSDAY, 5TH JUNE 2025, IN COMMITTEE ROOM 12, 2ND FLOOR, BUNGE TOWERS AT 10.00AM.

PRESENT

1. Hon. Erastus Kivasu Nzioka, MP - **Chairing**
2. Hon. Charles Ngusya Nguna, MP
3. Hon. Joseph Majimbo Kalasinga, MP
4. Hon. Otuocho Mary Emaase, MP
5. Hon. Cecilia Asinyen Ngitit, MP
6. Hon. Catherine Nakhabi Omanyo, MP
7. Hon Onchoke Charles Mamwacha, MP
8. Hon. Joseph Kimutai Cherorot, MP

APOLOGIES

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
3. Hon. Eve Akinyi Obara, MP
4. Hon. Dr. Christine Ombaka Oduor, MP
5. Hon. Tom Mboya Odege, MP
6. Hon. Kahugu Erick Mwangi, MP
7. Hon. Paul Kibichi Biego, MP

IN ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

1. Mr. Erick Nyambati - Senior Clerk Assistant
2. Ms. Comfort Achieng - Clerk Assistant III
3. Mr. Nimrod Mate - Clerk Assistant III
4. Ms. Bevaline Mosoti - Research Officer II
5. Mr. Derrick Kathurima - Media Relations Officer
6. Ms. Felistus Muiya - Protocol Officer
7. Mr. Peter Mutethia - Audio Officer III

FISH LEVY TRUST FUND.

1. Dr. Beatrice Akunga - Ag. Chief Executive Officer
2. Mr. Mathew Ouko - Head of Accounting Unit
3. Mr. Njenga Peter - Assistant director Fisheries
4. Mr. Samuel Njoroge - Assistant director Fisheries
5. Ms. Susan Auma Okoth - Assistant director Fisheries

OFFICE OF THE AUDITOR-GENERAL

1. Mr. David Osiemo - Liaison Officer.
2. Mr. Fredrick Oluoch - Deputy Director, Audit
3. Mr. Benson Wanjau - Principal Auditor

MIN. NA/AA&GPC-SFAC/2024/019: PRELIMINARIES

The Chairperson called the meeting to order at 10.45 am, followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers.
2. Preliminaries/Introductions.
3. **Examination of the Auditor General Reports on Accounts of the Fish Levy Trust Fund for the financial Year 2020/21 and 2022/23.**
4. Any Other Business.
5. Adjournment Date of the next meeting.

The Acting CEO, Ms. Beatrice Akunga who is the Accounting Officer for the fund took the oath of witness and tabled the Submissions of the Accounting Officer including supporting documents on the audited accounts of the fund.

MIN. NA/AA&GPC-SFAC/2024/020 : <u>EXAMINATION OF THE AUDITOR GENERAL REPORTS ON ACCOUNTS OF THE FISH LEVY TRUST FUND FOR THE FINANCIAL YEAR 2020/21 AND 2022/23.</u>

FINANCIAL YEAR 2021/2021

1. **Late submission of Financial Statements:**

The annual report and financial statements for the year ended 30 June, 2022 were presented on 21st December, 2023, which is more than one year after the expiry of the constitutional deadline of 30 September, 2022. This was contrary to Section 47(1) of the Public Audit Act, 2015 which provides that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

Submissions by the Accounting Officer

The Accounting Officer submitted the following;

That during the years 2018 to 2021 their funds were allocated under the state department of Fisheries, Aquaculture and the Blue Economy which was under the Ministry of Agriculture, Livestock, Fisheries and Cooperatives. The State Department then moved to the Ministry of Mining, Blue Economy and Maritime Affairs in the financial year 2021 which was when the Fish Levy Trust Fund individual enrollment process was initiated. Throughout the stated years, the funds operations were under the state department inclusive of its expense accounting.

During the fund's first audit exercise which was for the FY ended 2023, the anomaly was identified by the audit team and was immediately acted upon and submitted.

Observations of the Committee

The Committee observed the following;

i. The Committee noted that the Fund did not submit its Financial statements during time of audit.
ii. The Matter is unresolved.

2. Non-appointment of the Board of Trustees:

Review of the records provided revealed that the Fund had no Board of Trustees as the previous one's tenure expired on 16 September, 2021. This was contrary to Section 28(4) of the Fisheries Management and Development Act, 2016. Therefore, the Fund's strategic direction and decisions for the Board could not be made.

Submissions by the Accounting Officer

The Accounting Officer submitted the following;

The Fund communicated to the appointing authority on the need to appoint the board of trustees upon expiry of their term. As at the time of audit, they had not received communication on the same.

Observations of the Committee

The Committee observed the following;

i. The Committee noted that the Fund did not have a Board of Trustees
ii. The Matter is unresolved.

The Committee directed that the relevant Cabinet Secretary be invited to respond on the following ;

1. **Why the Fund not constituted a Board of Trustees despite receiving the necessary communication.**
2. **Why the Fund retained an acting Chief Executive Officer for over four years, in contravention of the law.**

3. Failure to Maintain a Detailed Fixed Assets Register:

The fixed assets register maintained by the Fund did not include comprehensive details as required for ease of identification, safeguarding and management of its assets. This was contrary to Regulation 139(1) and (2) of the Public Finance Management (National Government) Regulation, 2015 which requires the Accounting Officer of a National Government entity to take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse,

movement and conditions of assets can be tracked; and stocks levels are at an optimum and economical level.
Further, a physical verification of the assets in November, 2023 revealed that the assets had not been tagged or serialized.

Submissions by the Accounting Officer
The Accounting Officer submitted the following;
At the time of audit, the fund was in the process of updating the asset register since the asset tagging exercise was still ongoing. The exercise has since been completed and document availed for audit review.

Observations of the Committee
The Committee observed the following;

i. The Committee noted that the Fund had since an updated asset register and the assets have been tagged.
ii. The Matter is resolved.

FINANCIAL YEAR 2022/2023

1. **Unsupported Expenditure:**

The statement of financial performance reflects use of goods and services amount of Ksh. 19,926,120 which includes fuel and oil expenditure amount of Ksh. 691,000. However, these expenditures relating to fuel and oil were not supported by appropriate documents.

Submissions by the Accounting Officer
The Accounting Officer submitted the following;
The Fund had one motor vehicle which was not sufficient to carry out all our activities. The Fund relied on borrowed vehicles from other departments. As at the time of audit, the Fund had not accessed all the work tickets of the borrowed vehicles. They have now attached all work tickets to account for the Ksh. 691,000.

Observations of the Committee
The Committee observed the following;

i. The Committee noted that the work tickets for February and June 2023 were not submitted for audit verification
ii. The Matter is unresolved.

The Committee directed that the Accounting Officer to provide the pending work tickets within seven working days

2. **Late submission of Financial Statements:**

The annual report and financial statements for the year ended 30 June, 2022 were presented on 21st December, 2023, which is more than one year after the expiry of the constitutional deadline of 30 September, 2022. This was contrary to Section 47(1) of the Public Audit Act, 2015 which provides that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

Submissions by the Accounting Officer

The Accounting Officer submitted the following;

That during the years 2018 to 2021 their funds were allocated under the state department of Fisheries, Aquaculture and the Blue Economy which was under the Ministry of Agriculture, Livestock, Fisheries and Cooperatives. The State Department then moved to the Ministry of Mining, Blue Economy and Maritime Affairs in the financial year 2021 which was when the Fish Levy Trust Fund individual enrollment process was initiated. Throughout the stated years, the funds operations were under the state department inclusive of its expense accounting.

During the fund's first audit exercise which was for the FY ended 2023, the anomaly was identified by the audit team and was immediately acted upon and submitted.

Observations of the Committee

The Committee observed the following;

i. The Committee noted that the Fund did not submit its Financial statements during time of audit.
ii. The Matter is unresolved.

3. Non-appointment of the Board of Trustees:

Review of the records provided revealed that the Fund had no Board of Trustees as the previous one's tenure expired on 16 September, 2021. This was contrary to Section 28(4) of the Fisheries Management and Development Act, 2016. Therefore, the Fund's strategic direction and decisions for the Board could not be made.

Submissions by the Accounting Officer

The Accounting Officer submitted the following;

The Fund communicated to the appointing authority on the need to appoint the board of trustees upon expiry of their term. As at the time of audit, they had not received communication on the same.

Observations of the Committee

The Committee observed the following;

i. The Committee noted that the Fund did not have a Board of Trustees
ii. The Matter is unresolved.

The Committee directed that the relevant Cabinet Secretary be invited to respond on the following;

4. **Why the Fund not constituted a Board of Trustees despite receiving the necessary communication.**
5. **Why the Fund retained an acting Chief Executive Officer for over four years, in contravention of the law.**

4. Issuance of multiple imprests:

Review of the records revealed staff were being issued with additional imprests while still holding other unsurrendered imprests. This was contrary to Regulation 93(8) of the Public Finance Management (National Government) Regulations, 2015 which provides that in order to effectively and efficiently manage and control the issues of temporary imprests, an accounting officer or AIE holder shall ensure that no second imprest is issued to any officer before the first imprest is surrendered or recovered in full from his or her salary.

Submissions by the Accounting Officer

The Accounting Officer submitted the following;

The activities of the fund are planned accordingly in our work plan. However, due to the delays in receipt of the exchequer the payment of pending imprests overlapped.

Observations of the Committee

The Committee observed the following;

i. The fund was in contravention of the law in issuance of multiple imprests
ii. The matter is unresolved

5. Failure to Maintain a Detailed Fixed Assets Register:

The fixed assets register maintained by the Fund did not include comprehensive details as required for ease of identification, safeguarding and management of its assets. This was contrary to Regulation 139(1) and (2) of the Public Finance Management (National Government) Regulation, 2015 which requires the Accounting Officer of a National Government entity to take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse, movement and conditions of assets can be tracked; and stocks levels are at an optimum and economical level.

Further, a physical verification of the assets in November, 2023 revealed that the assets had not been tagged or serialized.

Submissions by the Accounting Officer

The Accounting Officer submitted the following;

At the time of audit, the fund was in the process of updating the asset register since the asset tagging exercise was still ongoing. The exercise has since been completed and document availed for audit review.

Observations of the Committee

The Committee observed the following;

i. The Committee noted that the Fund had since an updated asset register and the assets have been tagged.
ii. The Matter is resolved.

NA/AA&GPC-SFAC/2024/021: ADJOURNMENT/DATE OF NEXT MEETING

There being no other business, the meeting was adjourned at 12.34 p.m. The next meeting will be held on notice.

SIGNED.....Zainab.....**DATE**.....17/06/25.....

HON. FATUMA ZAINAB MOHAMMED, MP
(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTEE

MINUTES OF THE 21ST SITTING OF SPECIAL FUND ACCOUNTS COMMITTEE HELD ON TUESDAY, 30TH APRIL 2024, IN COMMITTEE ROOM ON 24, 5TH FLOOR, BUNGE TOWERS AT 12.00 NOON.

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Erastus Kivasu Nzioka, MP
3. Hon. Dr. Christine Ombaka Oduor, MP
4. Hon. Charles Ngusya Nguna, MP
5. Hon. Tom Mboya Odege, MP
6. Hon. Catherine Nakhabi Omanyo, MP
7. Hon. Cecilia Asinyen Ngitit, MP
8. Hon. Joseph Kimutai Cherorot, MP
9. Hon. Paul Kibichi Biego, MP

APOLOGIES

1. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
2. Hon. Faith Wairimu Gitau, MP
3. Hon. Eve Akinyi Obara, MP
4. Hon. Joseph Majimbo Kalasinga, MP
5. Hon. Joshua Odongo Oron, MP
6. Hon. Kahugu Erick Mwangi, MP

IN ATTENDANCE

PETROLEUM DEVELOPMENT LEVY FUND

1. Mr. Mohammed Liban - Principal Secretary, Petroleum
2. Ms. Veronicah Kamau - Director General
3. Mr. Zeperan Morintant - Chief Executive Officer
4. CPA Dismus Ogot - Senior Chief Officer
5. Mr. Joyce Lutomia - Chief Accountant
6. Ms. Joseph Otieno - Accountant.
7. Mr. Zakaria Somo - Legal Counsel

OFFICE OF THE AUDITOR-GENERAL

1. Mr. David Osiemo - liaison Officer.
2. Mr. Jared Nyasani - Auditor General

NATIONAL ASSEMBLY SECRETARIAT

1. Mr. Erick Nyambati - Clerk Assistant I
2. Ms. Comfort Achieng - Clerk Assistant III
3. Mr. Nimrod Mate - Clerk Assistant III
4. Ms. Judith Kanyoko - Legal Counsel
5. Mr. Robert Ngetich - Fiscal Analyst III

6. Mr. Derrick Kathurima - Media Relations Officer
7. Mr. Abdifatah Mahat - Attachee

MIN. NA/AA&GPC-SFAC/2024/062: PRELIMINARIES

The Chairperson called the meeting to order at 10.01am, followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers
2. Preliminaries/Introductions
3. **Examination of the Auditor General Reports on Accounts of the Petroleum Development Fund for the Financial Years 2018/2019 to 2021/2022.**
4. Any Other Business
5. Adjournment Date of the next meeting.

After that, the Principal Secretary, State Department Petroleum and the Accounting Officer for the **Petroleum Development Fund,** undertook the oath of witness. He tabled the management responses and supporting documents on the audited accounts of **Petroleum Development Fund** for the financial years 2018/2019 to 2021/2022.

MIN. NA/AA&GPC-SFAC/2024/063: CONSIDERATION OF THE AUDITOR GENERAL REPORTS OF PETROLEUM DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2018/2019 to 2021/2022

Brief on the mandate and scope of the Fund

The Accounting officer briefed the Committee on the operations and scope of Petroleum Development Fund for the financial years 2018/2019 to 2021/2022.

Examination of the Auditor General reports for Petroleum Development Fund for the financial years 2018/2019 to 2021/2022.

The Committee examined the Auditor General's report for the Petroleum Development Fund for the financial years 2018/2019 to 2021/2022 as follows:

FINANCIAL YEAR 2018/2019

1. Budget Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,873,500,000 and Kshs.1,873,500,000 respectively. However, the Fund expended an amount of Kshs. 1,637,570,568 resulting to an under-absorption of Kshs.235,929,432 or 27% of the budget. The under absorption affected the planned activities and could have impacted negatively on service delivery for the public.

Submissions of the Accounting Officer

The Accounting Officer Submitted the following;

The Petroleum Development Levy (PDL) Fund expenditure for the year under review is as tabulated below:-

S/No	PDL Budget Kshs	Expenditure Kshs	Unspent Balance Kshs	% Under Absorption
1	1,873,500,000	1,637,570,568	235,929,432	13

The unspent balance of Kshs.235,929,432 comprises of:-

Item	Amount in Kshs.
Prefeasibility, Feasibility and Appraisal Studies	155,072,772
Purachase of Instrumentation and Calibration Equipment	80,856,660
TOTAL	235,929.432

The State Department for Petroleum had planned to:
Draft and negotiate six (6) Commercial Agreements and one (1) Financing Agreement for the Lokichar – Lamu Crude Oil Pipeline (LLCOP).
The commercial and financing agreements were supposed to be undertaken through consultancy services but the budgetary provision was inbuilt in the Prefeasibility, Feasibility and Appraisal Studies budget item. The State Department tried to realign the budget item during the supplementary estimates but did not succeed hence the consultant services could not be undertaken.
Further, part of the under-absorption of the budget comprise funds that were appropriated for the purchase of instrumentation and calibration equipment. The State Department had planned to purchase geophysical equipment (Tem Receiver and Transmitter and magneto-telluric). Bids were received and evaluated but none met the technical requirements hence non responsive. The media advertisement and the professional opinion in respect to the specialized equipment is attached.

Findings and Observations of the Committee
The Committee observed the following

i. **No document was provided for the Consultancy on Lamu Crude oil pipeline for audit verification.**
ii. **No document was provided on the purchase for equipment for audit verification.**
iii. **The matter remained unresolved.**

FINANCIAL YEAR 2019/2020
Budgetary Control and Performance
The Statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,622,000,000 in the year under review. However, from the receipts realized, the fund utilized Kshs. 996,797,983 resulting into an under-absorption of Kshs.625,

The breakdown of the expenditure of Kshs.4,018,500,000 funded by PDL is as tabulated below;

S/No	Program	Amount Kshs
1	Fuel Stabilization	1,600,000,000.00
2	Preparatory activities for the Lokichar-Lamu crude oil pipeline	265,741,751
3	Early monetization of first oil projects,	80,850,838
4	LPG Gas distribution and infrastructures	153,234,338
5	Oil exploration and monitoring	571,850,876
	Sub-Total	**2,671,677,803**
	Capital Transfer (Block 14T)	250,000,000
		2,921,677,803

It is noteworthy that the mandate of the State Department includes exploration and distribution of oil and gas which is divided into two sub-programmes of Oil and Gas Exploration and Distribution of Oil and Gas which are implemented under the following projects:

Fuel Marking, Preparatory Activities for the Lokichar – Lamu Crude Oil Pipeline; Early Monetization of First Oil Project; LPG Distribution and Infrastructure; and Oil Exploration and Monitoring.

The aforementioned activities are funded by Appropriation-in-Aid (AIA), that is, Petroleum Development Levy as provided in the Petroleum Development Act, 1991. The Petroleum Development Levy order No.124 of 10th July 2020 provides for stabilization of local petroleum pump prices.

The funds are disbursed from the Petroleum Development Levy holding account operated by the National Treasury whose Principal Secretary is the Fund Administrator and credited to the State Department's Petroleum Development Account. Subsequently it is transferred to either the recurrent or the development account of the State Department as per the budget.

From the foregoing, the funds were used for matters relating to development of the oil industry and stabilization of local petroleum pump prices as by law provided.

The expenditure was accounted for and audited under the financial statements for the State Department for Petroleum for the year under review.

Findings and Observations of the Committee

The Committee observed the following

i. **The workplan and estimated cost, budget and expenditure returns were not provided for audit verification.**
ii. **The matter remained unresolved.**

2. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.3,222,000,000 in the year under review. However, from the receipts realized, the Fund utilized Kshs.2,921,677,803 or 91% resulting into an under-absorption of

Kshs.300,322,197 or 9%. The under absorption affected the planned activities and could have negatively impacted on service delivery to public.

Submissions of the Accounting Officer

The Accounting Officer Submitted the following;

The under absorption of 300,322,197 or 9% of the budgeted amount occurred as a result of the lockdown which was occasioned by the corona virus pandemic. Thus the scheduled activities for the State Department could not be fully effected as outlined in the work plan for the Financial Year 2020/2021.

	Project/Item	Budget	Expenditure	Balance
1	Fuel Stabilization	1,600,000,000.00	1,600,000,000.00	0
2	Preparatory activities for the Lokichar-Lamu crude oil pipeline	270,000,000	265,741,751	4,258,249
3	Early monetization of first oil projects,	90,000,000	80,850,838	9,149,162
4	LPG Gas distribution and infrastructures	344,000,000	153,234,338	190,765,662
5	Oil exploration and monitoring	668,000,000	571,850,876	96,149,124
	Sub-Total		**2,671,677,803**	
6	Capital Transfer (Block 14T)	250,000,000	250,000,000	0
		3,222,000,000	**2,921,677,803**	***300,322,197***

Findings and Observations of the Committee

The Committee observed the following

i. **No document was provided for the Consultancy on Lamu Crude oil pipeline for audit verification.**
ii. **No document was provided on the purchase for equipment for audit verification.**
iii. **The matter remained unresolved.**

FINANCIAL YEAR 2021/2022

1. Unaccounted for 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 transfers to other Government entities. The transfers include amounts 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, budget, work plans, cost statements for oil and gas exploration activities and oil exploration and monitoring reports to support the transfers were not provided. In addition, framework agreement in support of the transfers was not provided for audit verification.

Submissions of the Accounting Officer

The Accounting Officer Submitted the following;

The National Oil Corporation of Kenya is a Semi- Autonomous Government Agency (SAGA) under the State Department for Petroleum. The appropriations Act provides budgetary support

transfers to Government Agencies through votes hence the SAGA receives budgetary support through the State Department.

The management confirms the transfer of Kshs. 420,000,000 comprising Kshs. 220,000,000 to the National Oil Corporation of Kenya and Kshs. 200,000,000 to Energy and Petroleum Regulatory Authority (EPRA) as appropriated in the budget for the period under review. It is noteworthy that the appropriation transfer to National Oil Corporation of Kenya (NOCK) is an ongoing oil and gas exploration activity in Block 14T, that is funded under a production sharing contract between GOK and National Oil Corporation of Kenya (NOCK).

The funds transferred to Energy and Petroleum Regulatory Authority (EPRA) was budgetary support for the entity, in fulfilment of its mandate related to oil and gas regulatory roles. The funding is legally provided under the Petroleum Development Levy (PDL) Act, 1991 and the PFM Act.

The budgetary support to EPRA was necessary to supplement the inadequate levies which they collect as Appropriation in Aid but has not been sufficient to meet the cost of their programs. This will cease once the current proposal before Parliament to review the regulations enabling it to collect adequate levies necessary to undertake the upstream regulatory mandate.

The two entities being semi-autonomous government agencies prepare and account for monies appropriated to them separately. The documentation cited was requested and has been availed for audit review as attached in the annexes. (Annex 1a – 1c)

Further, during the year under audit, the Fund transferred a total of Kshs. 23,152,125,774 to the Ministry of Petroleum and Mining. However, no supporting evidence was provided to demonstrate that the transferred funds were used as provided by Section 4(4) of the Petroleum Development Act, 1991 and the Petroleum Development Levy Order No.124 issued on 10 July, 2020. The Act and the Order requires that the funds be used for development of common facilities for distribution or leasing of oil products 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 whether the transferred funds totalling Kshs.23, 572,772,102 were used for the intended purposes.

Submissions of the Accounting Officer

The Accounting Officer Submitted the following;

The budget of the State Department for the year under review was funded as below:-

Vote Head	Total Budget	AIA - Petroleum Development Levy (PDL)	%
Recurrent	32,045,829,081	24,985,575,711	78.4
Development	2,400,984,214	**1,663,528,572**	69.3
TOTAL	**34,446,813,295**	**26,649,104,283**	**77.4**

The breakdown of expenditure of Kshs. from PDL was as follows:-

S/No	Program	Amount
1	Fuel Stabilization	22,111,125,774
2	Fuel Marking	12,354,400

3	Preparatory activities for the Lokichar-Lamu crude oil pipeline	409,516,333
4	Early monetization of first oil projects,	111,845,885
5	LPG Gas distribution and infrastructures	58,906,459
6	Oil exploration and monitoring	448,376,923
	TOTAL	**23,152,125,774**

It is noteworthy that the mandate of the State Department includes exploration and distribution of oil and gas which is divided into two sub-programmes of Oil and Gas Exploration and Distribution of Oil and Gas which are implemented under the following projects:

Fuel Marking, Preparatory Activities for the Lokichar – Lamu Crude Oil Pipeline; Early Monetization of First Oil Project; LPG Distribution and Infrastructure; and Oil Exploration and Monitoring; and stabilization of oil pump prices.

The aforementioned activities are funded by Appropriation-in-Aid (AIA), that is, Petroleum Development Levy as provided in the PDL Act, 1991 and the Petroleum Development Levy Order 124 issued on 10th July, 2020 which provides for stabilization of local petroleum pump prices.

The funds are disbursed from the Petroleum Development Levy holding account operated by the National Treasury whose Principal Secretary is the Fund Administrator and credited to the State Department's Petroleum Development Account.

Subsequently the money is transferred to either the recurrent or development account of the State Department as per the budget.

From the foregoing, the funds were used for matters relating to development of the oil industry and stabilization of local petroleum pump prices as by law provided. – copies of quarterly performance reports. (Annex 2)

Findings and Observations of the Committee

The Committee observed the following

i. **The workplan and estimated cost, budget and expenditure returns were not provided for audit verification**
ii. **The matter remained unresolved.**

MIN. NA/AA&GPC-SFAC/2024/007: ANY OTHER BUSINESS

The Committee recommended the following;

i) **Management to avail the following documents within 14 days**
   a) **Data gathered from the exploration activities done from 2018/2019 to the Current financial year.**
   b) **Supporting Documentation on exploration activities including the workplan and its estimated costing, the Budget and the expenditure returns for audit verification.**
   c) **Supporting Information on the Consultancy on Lamu Crude oil pipeline and purchase for equipment for audit verification.**

MIN. NA/AA&GPC-SFAC/2024/064: **ADJOURNMENT/DATE OF NEXT MEETING**

There being no other business, the meeting was adjourned at 12.21 p.m. The next meeting will be held on Thursday 15th February 2024.

SIGNED.....**DATE**...17/08/2024.....

HON. FATUMA ZAINAB MOHAMMED, MP

(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTEE

MINUTES OF THE 50TH SITTING IN THE THIRD SESSION OF SPECIAL FUND ACCOUNTS COMMITTEE HELD ON THURSDAY, 21ST NOVEMBER, 2024, IN COMMITTEE ROOM ON 4TH FLOOR, CONTINENTAL BUILDING AT 9.30AM.

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - **Chairperson**
2. Hon. Erastus Kivasu Nzioka, MP
3. Hon. Charles Ngusya Nguna, MP
4. Hon. Catherine Nakhabi Omanyo, MP
5. Hon. Eve Akinyi Obara, MP
6. Hon. Joseph Kimutai Cherorot, MP
7. Hon. Cecilia Asinyen Ngitit, MP
8. Hon. Dr. Christine Ombaka Oduor, MP
9. Hon. Joseph Majimbo Kalasinga, MP
10. Hon. Paul Kibichi Biego, MP
11. Hon. Tom Mboya Odege, MP

APOLOGIES

1. Hon. Dawood Abdul Rahim, HSC, MP - **Vice Chairperson**
2. Hon. Faith Wairimu Gitau, MP
3. Hon. Kahugu Erick Mwangi, MP
4. Hon. Joshua Odongo Oron, MP

IN ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

1. Mr. Erick Nyambati - Senior Clerk Assistant 1
2. Mr. Nimrod Mate - Clerk Assistant III
3. Mr. Robert Ng'etich - Fiscal Analyst II
4. Ms. Judith Kanyoko - Legal Counsel II
5. Ms. Bevaline Mosoti - Research Officer II
6. Mr. Derrick Kathurima - Media Relations Officer.
7. Mr. Peter Mutethia - Audio Officer III.

PUBLIC SERVICE SUPERANNUATION FUND

1. Dr. Jonah ayaabei - CEO
2. Mr. Golda L. Akolo - Head, Benefits Administration.
3. Mr. Benjamin Mokua - Principal Accountant.
4. Mr. Obed Mbuvi - Finance Manager.

OFFICE OF THE AUDITOR-GENERAL

1. Mr. David Osiemo - Liaison Officer.
2. Mr. Samuel Muchiri - Deputy Director of Audit.
3. Mr. Daniek Kibirii - PA.
4. Mr. George Maranga - PA.

MIN. NA/AA&GPC-SFAC/2024/087 PRELIMINARIES

The Chairperson called the meeting to order at 10.00am, followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers.
2. Preliminaries/Introductions.
3. **Examination of the Auditor General Reports on the Audited Financial Statements of the Public Service Superannuation Fund (PSSF) for the Financial Years 2020/2021 and 2021/2022.**
4. Any Other Business
5. Adjournment Date of the next meeting.

MIN. NA/AA&GPC-SFAC/2024/088. EXAMINATION OF THE AUDITOR GENERAL REPORTS ON AUDITED FINANCIAL STATEMENTS OF THE PUBLIC SERVICE SUPERANNUATION FUND FOR THE FINANCIAL YEARS 2020 /2021 AND 2021/2022.

BRIEF

The Public Service Superannuation fund started in the year 2021 following the enactment of the public Service superannuation act. Its membership comprises public servants, teachers as well as the NYS. It's a contributory fund scheme run by a board of trustees. Currently it has a membership of 443,000 members.

The Fund does not lend money but holds the members funds for their retirement. It was began with a seed capital of sh.50 million in 2021 and an additional Sh.25 million in 2022.

The Fund has an investment portfolio of sh.155 billion and strictly adheres to the retirement benefits guide. Its investments are in Government securities, the Nairobi stock exchange as well as offshore investments.

FY 2021/2022.

44. **Un-remitted Pension from employer Contributions.**

The Statement of Financial Position and disclosed in Note 4 to the financial statements reflects a balance of Kshs 8,308,743,652 in respect of receivables from exchange transactions.

The balance includes an amount of Kshs 7,883,302 in respect of employer's contributions due as at 30 June 022.

This is contrary to section 8(c) of the Public Service Superannuation Scheme Act ,2022 which states that, not later than ten working days after the end of the month in which contributions are due, the Government shall remit an amount comprising the member's and Government's contribution to the custodian .

As at the time of the audit in February ,2023, more than seven months after the contribution become due, out of the balance of Kshs. 7,883,302,467, only an amount of Kshs 4,012,091,972 had been received leaving a balance of Kshs. 3,871.210,495 unremitted.

Contributors stand to lose returns unless the unremitted balance is paid together with the penalty as provided for under section 6(2) of the Public Service Superannuation Scheme Act 2012.

The returns could have been earned had the contributions been received in time.
In the circumstances, Management was in breach of the law.

Management Response.
We concur with Auditors findings on unremitted pension contributions for the fiscal year 2021/2022 amounting to Kshs. 3,871,210,495 and has sinec been remmitted.

Committee Observation.
It has been verified that the unremitted employer contributions have been paid. This matter has therefore been addressed.

FY 2022/2023.
36. **Un-remitted Pension from employer Contributions.**
The statement of financial position and as disclosed in Note 16 to the financial statements reflects a balance of Kshs. 6,843,431,620 in respect of receivables from exchange transactions. The balance includes an amount of Kshs.219, 999,201 in respect of employer's contributions that remained outstanding as at 31 July, 2023.

This is contrary to Section 8(c) of the Public Service Superannuation Scheme Act, 2012 which states that, not later than ten working days after the end of the month in which the contributions are due, the Government shall remit an amount comprising the member's and the Government's contribution to the custodian.

In the circumstances, Management was in breach of the law.

Management Response.
We concur with Auditors findings on unremitted pension contributions for the fiscal year 2021/2022 amounting to Kshs. 219,999,201 which was paid.

The committee observed that this matter has been addressed.

MIN. NA/AA&GPC-SFAC/2024/089: **ADJOURNMENT/DATE OF NEXT MEETING**

There being no other business, the meeting was adjourned at 11am. The next meeting will be held on notice.

SIGNED.....**DATE** 13/02/2025

HON. FATUMA ZAINAB MOHAMMED, MP

(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTEE

MINUTES OF THE 3RD SITTING IN THE FOURTH SESSION OF SPECIAL FUNDS ACCOUNTS COMMITTEE HELD ON THURSDAY, 10TH APRIL 2025, IN COMMITTEE ROOM 25 BUNGE TOWERS 5TH FLOOR AT 10.00AM.

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
3. Hon. Erastus Kivasu Nzioka, MP
4. Hon. Charles Ngusya Nguna, MP
5. Hon. Catherine Nakhabi Omanyo, MP
6. Hon. Joseph Majimbo Kalasinga, MP
7. Hon. Tom Mboya Odege, MP
8. Hon. Cecilia Asinyen Ngitit, MP
9. Hon Onchoke Charles Mamwacha, MP
10. Hon. Joseph Kimutai Cherorot, MP

APOLOGIES

1. Hon. Eve Akinyi Obara, MP
2. Hon. Dr. Christine Ombaka Oduor, MP
3. Hon. Otuocho Mary Emaase, MP
4. Hon. Paul Kibichy Biego, MP
5. Hon. Kahugu Erick Mwangi, MP

IN ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

1. Mr. Erick Nyambati - Senior Clerk Assistant
2. Ms. Comfort Achieng - Clerk Assistant III
3. Mr. Nimrod Mate - Clerk Assistant III
4. Mr. Robert Ngetich - Fiscal Analyst II
5. Ms. Judith Kanyoko - Legal Counsel II
6. Ms. Bevaline Mosoti - Research Officer II
7. Mr. Derrick Kathurima - Media Relations Officer
8. Ms. Felistus Muiya - Protocol Officer
9. Mr. Peter Mutethia - Audio Officer III

STATE OFFICERS AND PUBLIC OFFICERS MOTOR CAR LOAN SCHEME FUND.

1. Ms. Edna Alisa - Chief Executive Officer (Ag.)
2. Eng. Justus Karuri - Assistant Accountant.
3. Mr. Milford Bett - Principal legal officer.
4. Mr. Benjamin Mullei - Senior Accountant.

5. Mr. Francis Kamau - SMRO.

OFFICE OF THE AUDITOR-GENERAL

1. Mr. Njoroge Waithima - Director, Audit
2. Mr. Samuel M. Muchiri - Deputy Director Audit.
3. Mr. David Osiemo - Liaison Officer.

MIN. NA/AA&GPC-SFAC/2024/005. PRELIMINARIES

The Chairperson called the meeting to order at 10.00 am, followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers.
2. Preliminaries/Introductions.
3. **Examination of the Auditor General Reports on Accounts of the State officers and Public officers Motor car Loan Scheme Fund for the Financial Year 2019/20 to 2022/23.**
4. Any Other Business
5. Adjournment Date of the next meeting.

Ms. Edna Alisa the Chief Executive officer for the fund took the oath of witness and tabled the Submissions including supporting documents on the audited accounts of the scheme fund.

MIN. NA/AA&GPC-SFAC/2024/006. EXAMINATION OF THE AUDITOR GENERAL REPORTS ON ACCOUNTS OF THE STATE OFFICERS AND PUBLIC OFFICERS MOTOR CAR LOAN SCHEME FUND FOR THE FINANCIAL YEAR 2019/2020

The Committee noted the following;

127. Low Fund Performance

Although the Fund was established in 2015, the performance of the Fund was relatively low at 1.15% in comparison to the cash and cash equivalents amount of **Kshs. 3,826,841,308** held in the Fund's bank accounts as at 30 June, 2020.

The Fund was performing below expectations and management had not indicated measures put in place to attract more state officers and public officers to apply for motor car loans.

Managemnt Response.

The low uptake was caused mainly by lack of awareness by the expected beneficiaries and further aggravated by the impact of Covid-19 on the economy.

The management confirmed that as at 28 February, 2025 the Fund had processed and issued Loans amounting to **Kshs.700,696,442**

Committee Observations

The banker to the committee KCB had not provided critical documentation. The committee directed that this be done within fourteen days.

There was increased sensitization activities of the Fund.

Financial Year 2020/2021.

Paragraph 19 - Low uptake of loans by State officers and Public officers.

Although the Secretariat of the Fund had processed sixty-six (66) applications for loans totaling to Kshs.141,313,804, the performance of the Fund still remained relatively low at 3.81% (2020: 1.15%) in comparison to the cash and cash equivalents amount of Kshs.3,704,618,796 held in the Fund's bank accounts as at 30 June, 2021.

In the circumstances, the objective and purpose for which the fund was established may not be achieved and the value for money of the idle money has not been realized as the amount could have been invested on income generating securities.

Management Response.

Management has attributed the low uptake to lack of awareness by the intended beneficiaries of the scheme.

Management indicated that aggressive sensitization campaigns have been done and the Idle funds invested in interest earning securities as guided by the Auditor General.

Committee Observation.

Approval for investment of funds was verified and growth in loan uptake and marketing was also verified.

Low uptake remains.

Paragraph 20 - Budgetary Control and Performance.

The statement of comparison of budget and actual amounts reflects an over-funding of Kshs.52,408 of the budget and an under-expenditure of Kshs.29,768,864 or 42.6% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the beneficiaries.

Management Response.
The under-performance in expenditure was due to reduced activities registered during the year due to Covid-19 restrictions. The Fund Performance has since improved following aggressive sensitization campaigns.

Committee Obseravtion
Management has demonstrated improved budgetary absorption however, budget absorption remains low.
The Committee ordered that a lien account from the bank be provided within seven days.
This issue remains unresolved.

Finanacial year 2022/2023.
14. Unsupported Cash and Cash Equivalents.
There was an opening balance of Kshs.139,395,452 in respect of lien which as reported in the previous year was not supported by a reconciliation, bank statement or a schedule. The bank certificate for the opening balances of Kshs.139,395,45 was provided by KCB in April 2024.

Mangement Response.
The balance had not been supported because the bank certificate had not been received from the bank at the time of audit. However, it was later provided and a reconciliation statement prepared and has since been availed for audit review.

Committee observation.
The bank certificate for the opening balances was Kshs.139,395,45 provided by KCB in April 2024. The reconciliations and supporting documents were not obtained and availed in good time to auditors.
The management was asked to provide a clear reconciliation as soon as possible.
This matter remained unresolved.

15. Low Uptake of Loans by State Officers and Public Officers.
The Fund experienced low response from state and public officers compelling Management to invest in Treasury Bills so that the allocated funds do not lie idle.
The disbursed loans balance of Kshs. 252,172,936 remained relatively low at 6.6% in 2022, in comparison to the total current assets balance of Kshs.3,839,194,738 as at 30 June, 2023.

Management Response.

The management of the scheme ascertained that the Fund performance has since improved following aggressive sensitization campaigns.

As at 28th February, 2025, the Fund had processed and issued Loans amounting to Kshs.700,696,442

In addition, the Fund has developed a Strategic Plan aimed at enhancing the loan uptake by incorporating it within the Plan, various strategies including automation, uploading of information in GHRIS, review of regulations and lobbying with SRC to improve thresholds and conditions of the loans.

Committee Observation.

The Fund's strategic plan 2023/24-2027/28 had been reviewed and the efforts are noted.

Although there is growth in the loans' uptake compared to prior year, the Fund is still operating below its optimal level.

Further, what measures have management taken to ensure it delivers on its core business and mandate since clearly there has been deviation. What are the specific strategies laid out in the Strategic Plan aimed at ensuring there is increased uptake? This matter still remains un resolved.

MIN. NA/AA&GPC-SFAC/2024/007: A.O.B and Adjournment

There being no other business, the meeting was adjourned at 12.51 p.m. The next meeting will be held on notice.

SIGNED.....**DATE** 17/06/25

HON. FATUMA ZAINAB MOHAMMED, MP

(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTEE

MINUTES OF THE 28TH SITTING IN THE FOURTH SESSION OF SPECIAL FUNDS ACCOUNTS COMMITTEE HELD ON FRIDAY, 21ST NOVEMBER 2025, AT THE HILTON GARDEN INN, MOMBASA ROAD AT10.00AM.

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - **Chairperson**
2. Hon. Dawood Abdul Rahim, HSC, MP - **Vice Chairperson**
3. Hon. Charles Ngusya Nguna, MP
4. Hon. Eve Akinyi Obara, MP
5. Hon. Catherine Nakhabi Omanyo, MP
6. Hon. Paul Kibichi Biego, MP

APOLOGIES

1. Hon. Tom Mboya Odege, MP
2. Hon. Erastus Kivasu Nzioka, MP
3. Hon. Joseph Majimbo Kalasinga, MP
4. Hon Onchoke Charles Mamwacha, MP
5. Hon. Joseph Kimutai Cherorot, MP
6. Hon. Otuocho Mary Emaase, MP
7. Hon. Dr. Christine Ombaka Oduor, MP
8. Hon. Cecilia Asinyen Ngitit, MP
9. Hon. Kahugu Erick Mwangi, MP

IN ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

1. Mr. Erick Nyambati - Senior Clerk Assitant
2. Ms. Comfort Achieng - Clerk Assistant III
3. Mr. Nimrod Mate - Clerk Assistant III
4. Ms. Judy Kanyoko - Legal Counsel II
5. Ms. Bevaline Mosoti - Research Officer III
6. Mr. Derrick Kathurima - Media Relations Officer III
7. Mr. Joshua Lenambet - Sergeant-at-arms
8. Mr. Peter Mutethia - Audio Officer III

OFFICE OF THE AUDITOR-GENERAL

1. Mr. Samuel Muchiri - Deputy-director of Audit
2. Mr. Njoroge Waithima - Director of Audit
3. Ms. Phanice Gekonge - Liaison Officer, OAG.
4. Mr. David Osiemo - Liaison Officer, OAG.

MIN. NA/AA&GPC-SFAC/2025/085 PRELIMINARIES

The Chairperson called the meeting to order at 10.20 am, followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers.
2. Preliminaries/Introductions.
3. **Examination of the audited accounts of the Petroleum Training Levy Fund (PTLF) for the financial years 2021/22 to 2023/2024.**
4. Any Other Business.
5. Adjournment Date of the next meeting.

The Principal Secretary for the State Department for Petroleum **Mr. Mohamed Liban** who is the Accounting Officer for the Fund took the oath of witness and tabled the Submissions including supporting documents on the audited accounts of the fund.

MIN. NA/AA&GPC-SFAC/2025/086 EXAMINATION OF THE AUDITED ACCOUNTS OF THE PETROLEUM TRAINING LEVY FUND FOR FY 2021/2022 TO 2023/2024.

Examination of the Audited Accounts for the Financial Year 2021/22.

231. Inaccuraccies in Cash and Cash Equivalents.

The State Department treated the surface fees on exploration of oil and gas contract areas or commercial fields as ordinary revenue and surrendered to the Consolidated Fund as Appropriation in Aid.

Surface fees in the Financial year and the Medium-Term Budget is reported as Appropriation-In-Aid. Surface fees as aforementioned was included in both the Recurrent and Development votes as proposed by the State Department and approved by the National Assembly.

This was erroneous treatment of surface fees.

Submissions of the Accounting Officer.

The State Department has since complied with the Auditor General's recommendation that the surface fees on exploration of oil and gas contract areas or commercial fields be treated as ordinary revenue and surrendered to the Consolidated Fund, or as Appropriation in Aid.

The erroneous treatment of surface fees is regrettable and will be aligned appropriately as aforementioned.

Observations and Recommendations of the Committee

The Committee observed that—

There was now evidence that indicates that the surface fees was treated as AIA in the year 2021/2022. This matter is resolved.

232. Long Outstanding Training and Service Fees.

The statement of financial position reflects a balance of Ksh.2,280,948.522 in respect of accounts receivables - fines, penalties and levies. The amount includes training levy and service fees brought forward from the Financial Year 2019/2020 amounting to Ksh.1,963,072,617 which has been accumulating over the years and has remained unpaid by Oil exploration companies since 2011.

The amount is due from eight (8) oil companies that operated fifteen (15) oil blocks as at 30th June 2021.

Further, two (2) of the eight (8) contractors with an outstanding amount of Usd 925,751.10 equivalent to Ksh.99,842,256 have since relinquished the blocks they had been operating to the Government while the remaining six (6) are still active.

However, two (2) of the contractors who relinquished their blocks were discharged before settling the outstanding training levy and surface fees. The management did not provide evidence to demonstrate how and when the amount will be recovered.

Consequently, the recoverability of ksh. 2,280,948,522 reflected in the statement of financial position as at 30th June 2021 in respect of accounts receivables remains doubtful.

Submissions of the Accounting Officer.

The amounts are due from eight (8) oil companies that operated fifteen (15) PSCs as at 30th June, 2022 as opposed to nine (9) contractors operating eighteen (18) blocks indicated in the audit report.

A summary of the companies and the corresponding blocks is as listed.

Further, as at the time of the audit, thirteen (13) PSCs held by seven (7) contractors had expired in accordance with the terms of the respective PSCs or surrendered back to Government.

The outstanding amount of US$.925,751.10 is from one (1) contractor, Erin Energy Kenya Limited (formerly Camac Energy Kenya Limited), that operated 4 blocks, namely: L16, L1B, L27 and L28. It is, however, observed that the PSCs for the particular contractor had expired in the year 2017,

The steps taken by the Ministry to date to recover receivables are as follows:

1. Issued reminder letters to defaulting Contractors on 30th July 2019.
2. Sought legal advice from the Office of the Attorney General (AG) after issuing reminder letters.
3. Following AG's advice, demand notices were issued to the contractors and published in the Kenya Gazette VOL. CXXIII-NO. 187 dated 10 September 2021 for general information vide G.N. No. 9220 of 2021 dated 27 August 2021.
4. Following the publication and lapse of the demand notice period, AG's letter dated 24th September 2021, reference AG/CONF/21/65/37/VOL.II(11) recommended the formation of a technical committee to further consider the matter.
5. The Ministry formally requested the Authority (EPRA) vide letter reference MOPM/P/CONF/4/69 dated 18th March 2022 and letter reference MOEP/CONF/1/33 dated 24th January 2023 to convene National Upstream Petroleum Advisory Committee (NUPAC) to discuss the matter pursuant to sections 12(2)(a) and (3) of the Petroleum Act 2019.

6. In a meeting held on 25th July 2024, NUPAC resolved that the Ministry contacts the Registrar of Companies to ascertain the registration status of the defaulting contractors along with names and addresses of the directors.
7. Further, NUPAC in a meeting held on 2nd September 2024 resolved that the Ministry issues demand notices to the Parent Companies of the defaulting contractors and
8. Due to a lack of responses to the demand notices issued to parent companies of defaulters, NUPAC, in a meeting held on 19th February 2025 recommended that the Ministry seek legal advice from the Attorney General's (AG) Office regarding the engagement of a global debt collector to recover the outstanding payments.

Observations and Recommendations of the Committee

The Committee observed that—

1. Annex 2a (i):List of defaulting contractors and their respective blocks
2. Annex 2a (ii): List of companies in arrears
3. Annex 2b: Issued reminder letters to defaulting Contractors on 30th July 2019
4. Annex 2c: Letter to the Attorney General (AG)
5. Annex 2d: Demand notices published in the Kenya Gazette.
6. Annex 2e: AG's letter recommending the formation of a technical committee
7. Annex 2f: Request Letter to EPRA to convene NUPAC

Annex 2h: NUPAC resolution to issue demand notices to defaulting contractors.

Although management has provided evidence of the steps and measures taken to recover the long outstanding debt, the issue is still outstanding as the debts are yet to be recovered therefore the issue is not yet resolved.

233. Unaccouted for Expenditure.

The Statement of financial performance reflects an amount of 30,000,000 in respect of transfer to other Government units. The amount relates to transfers to the National Oil Corporation of Kenya for training activities during the year under review. However, the amount was not reflected in the company's financial statements. Further, detailed expenditure returns, approved training plans, training attendance registers, evidence of travel documents and proof of hire of venues used for training were not provided for audit review.

In the circumstances, it was not possible to confirm whether the funds were received by the Corporation and utilized for training in upstream petroleum operations as provided for in the Act.

Submissions of the Accounting Officer.

The National Oil Corporation of Kenya (NOCK) is a Semi- Autonomous Government Agency (SAGA) under the State Department for Petroleum.

The appropriations Act provides budgetary support transfers to Government Agencies through votes hence NOCK receives budgetary support through the State Department.

Kshs. 30,000,000 as appropriated in the budget for the period under review had been transferred to the National Oil Corporation of Kenya (NOCK) for training activities during the year under review.

NOCK being a semi-autonomous government agency prepares and accounts for monies appropriated to it separately..

Further, the expenditure returns that NOCK sends to the State Department may not have detailed training programmes that were undertaken, during the time of Audit.

A summary statement of the training activities undertaken by NOCK was provided.

Observations and Recommendations of the Committee

The Committee observed that—

Management has provided documents to support the expenditure. The issue for the company not reflecting the receipt is still outstanding.

This matter is partially resolved because there was no evidence provided to reflect that the funds were received and utilized for intended purposes by NOCK.

234. Inaccuracies in Accounts Receivables Balances.

The statement of financial position reflects accounts receivables - fines, penalties and levies balance of Ksh.2,732,715,009 as at 30th June 2022. As disclosed in Note 7 to the financial statements, the balance comprise of fines, penalties and levies brought forward from 2020/2021 financial year amount of Ksh. 2,280, 948,522 and fines, penalties and levies for the year under review amount of Ksh. 451,766,487.

Review of the ledgers revealed that the accounts receivables - fines, penalties and levies brought forward was translated at a historical rate of Ksh.93.47 instead of the closing rate of Ksh. 117.8324. additionally the accounts receivables - fines, penalties and levies for the year was translated at a rate of 117.45 instead of the closing rate of 117.8324. This was contrary to paragraph 44(a) of the International Public Sector Accounting Standards (IPSAS) which requires that assets and liabilities for each statement of financial position presented, including comparatives be translated at the closing rate at the date of that statement of financial position.

In the circumstances, accuracy of the accounts receivables - fines, penalties and levies balance of Ksh. 2,732,715,008 could not be confirmed.

Submissions of the Accounting Officer.

The Management concurred with the audit findings on the translation of account receivables balance brought forward using the historical rate of Kshs. 93.47, contrary to the International Public Sector Accounting Standards-IPSAS which requires that the balance be converted at the closing rate.

The State Departments is now complying with the relevant provisions of the international Public Sector Accounting Standards –IPSAS and all accounts receivable balances payable by Oil Exploration Companies, are translated at the prevailing closing rate.

Observations and Recommendations of the Committee

Management has concurred with the audit observation however, they have not amended the financial statement to reflect the understatement of the accounts receivable by Kshs. 596,049,830.

This matter has not been adequately addressed.

235. **Inaccuracies in Revenue from Non-Exchange Transactions.**

The statement of financial performance reflects revenue from non exchange transactions - fines, penalties and levies amounting to Ksh. 21,726,282 (2020 - Ksh. 198,837,610) comprising of Ksh.18,630,000 and Ksh.3,096,282 in respect of training levy and surface fees respectively as disclosed in Note 1 to the financial statements.

According to section 52(3) of the Petroleum Act, 2019, the Fund comprises of funds raised from contractors as training contribution. Effectively, amounts collected in respect of surface fee do not comprise the Training Fund revenue and ought to have been accounted for under the State Department as Appropriations In Aid (A.I.A) or surrendered to the Exchequer.

However the financial statements of the Fund recognized the amounts received in respect of the service fee but did not recognize an accrued transfer to the National Treasury expense and the corresponding liability under accounts payable in the statement of financial position as at 30th June 2022.

In addition, the reduction of the levies for the Oil company - Training levy from Ksh. 147,792,592 to Ksh.18,630,000 and surface fee from Ksh. 51,045,016 to Ksh.3,096,282 have not been explained or reconciled despite the fact that fines, penalties and levies not recoverable from the oil companies have increased by over 40%.

In the circumstances, the accuracy of the revenue from non exchange transactions of Ksh. 3,096,282 from surface fees included in the statement of financial performance for the year under review could not be confirmed.

Submissions of the Accounting Officer.

The State Department concurs with the audit findings and recommendations on the treatment of surface fees as either ordinary revenue which is then surrendered to the Consolidated Fund, or alternatively, as Appropriation in Aid, which the State Department can apply in defraying its operating expenses.

The treatment of surface fee of Kshs. 3,096,282 as part of training revenue and accounting for it as such is highly regrettable.

State Department has since complied with the Auditor General's recommendation that the surface fees on exploration of oil and gas contract areas or commercial fields be treated as ordinary revenue and surrendered to the Consolidated Fund, or as Appropriation in Aid.

In order to rectify the erroneous reporting, the State Department has provided for the surface fees in the Financial Year 2021/2022 and the Medium-Term Budget as Appropriation-In-Aid and provided for expenditure estimates thereof accordingly.

Similarly, the State Department has opened a commercial bank account for receiving surface fees in order to separate the two accounts.

The reduction in Training Levy and surface fee during the Financial Year ended at 30th June 2022 was occasioned by accounting treatment of the levies and surface fees under cash basis of accounting, as opposed to accrual basis of accounting.
Adopting accrual basis of accounting, would have ensured that the outstanding levies receivables were recognized in the year they were earned, as opposed to the year they were received.
It is noted that the surface fees and training levies were received in the subsequent Financial Year.

Observations and Recommendations of the Committee

That a Surface fees remittance account was opened as well as the extract of the Financial Statement.
This issue is still outstanding as the Fund still reports the surface fees, further there is no evidence that has been provided to indicate that the surface fees will be treated as AIA in the year 2022/2023.

236. Unresolved Prior Year Matters.

Prior year audit issues have been addressed.

237. Budgetary Control and Performance.

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Ksh.260,471,428 and Ksh. 54,764,691 respectively resulting to an under funding of Ksh.205,706,737 or 79% of the budget. Similarly the Fund expended a total of Ksh. 286,921,963 against an approved budget of KSh. 260,471,428 resulting in an excess expenditure of Ksh. 26,450,535 or 9% of the budget. Management did not provide an approval or authority for the excess expenditure.
In addition, Management did not provide a statement explaining the variations between the actual expenditure and the budgeted amount in the financial statements as required under section 81(2) of the PFM Act 2012.

Submissions of the Accounting Officer.

The audit findings and observations in respect to underfunding and over expenditure of training items by Kshs. 205,706,737 and Kshs. 26,450,535 respectively, prevail.
The Covid 19 pandemic in the years 2019 and 2021 and its multiplier effects in subsequent years, affected the collection of Revenue and or Appropriation in Aid.
It is as a result of the Pandemic, that the State Department did not meet its target as envisaged.
Similarly, the State Department had pending training needs accumulated from the year 2019 given COVID 19 pandemic duration and the financial year in question.
The trainings were essential to address the skills gap in the technical department, to equip them in readiness for the increased uptake of oil exploration and marketing activities.

Observations and Recommendations of the Committee.

Management has explained the circumstances that led to the over expenditure, however, they have not provided an approval or authority for the excess expenditure.

FINANCIAL YEAR 2022/ 2023.

244. Long outstanding receivables.

The statement of financial position reflects a balance of Ksh.4,006,673,802 in respect of other receivables, as disclosed in note 17.8 to the financial statements.

The balance includes Ksh.3,969,712,874 in respect to fines, penalties and levies outstanding from previous years, which were due from nine (9) companies that operated eighteen (18) oil blocks which have been long outstanding. Further, two(2) of the nine (9) contractors who had an outstanding training and service fee amounting to USD 925,751.10 equivalent to Ksh. 130,021,742 had relinquished their blocks to the Government while the other seven (7) were still active as at the end of the year under review.

In addition, two (2) contractors who relinquished their blocks in prior years were discharged before settling the outstanding training levy and service fees.

The Management did not provide support evidence to demonstrate measures taken to recover the long outstanding fees.

In the circumstances, the recoverability of accounts receivables balance of Ksh.4,006,673,802 remains doubtful.

Submissions of the Accounting Officer.

The Ministry acknowledges and accepts the audit finding that Kshs. 4,006,673,802 is due from oil and gas companies.

However, the amount is due from eight (8) oil companies that operated fourteen (14) PSCs as at 30th June, 2023 as opposed to nine (9) contractors operating eighteen (18) blocks in the audit report.

A summary of the companies and the corresponding blocks is as listed in annex 1a(i).

Further, as at the time of the audit, thirteen (13) PSCs held by seven (7) contractors had expired in accordance with the terms of the respective PSCs or surrendered back to government.

The outstanding amount of US$.925,751.10 is from one (1) contractor, Erin Energy Kenya Limited (formerly Camac Energy Kenya Limited), that operated 4 blocks, namely: L16, L1B, L27 and L28. It is, however, observed that the PSCs for the particular contractor had expired in the year 2017.

Reminder letters were issued to defaulting Contractors on 30th July 2019.

Further, advice was sought on legal issues from the Office of the Attorney General (AG) after issuing reminder letters.

Following AG's advice, demand notices were issued to the contractors and published in the Kenya Gazette VOL. CXXIII-NO. 187 dated 10 September 2021 for general information vide G.N. No. 9220 of 2021 dated 27 August 2021.

National Upstream Petroleum Advisory Committee (NUPAC) was convened to discuss the matter pursuant to sections 12(2)(a) and (3) of the Petroleum Act 2019.

Observations and Recommendations of the Committee.

There were reminder letters to defaulting Contractors to meet their obligations.
There was a Letter to the Attorney General (AG) seeking his opinion.
There were Demand notices issued to the contractors and published in the Kenya Gazette.
There was no evidence of the companies making payments hence the issue is still outstanding.

245. **Unaccounted for Expenditure.**

The statement of financial performance reflects an amount of Ksh.115,950,781 in respect of transfer to other Government units , as disclosed in Note 17.6 to the financial statements. The amount includes Ksh.30,000,000 transferred to the National Oil Corporation of Kenya for training activities during the year under review. However, the amount was not reflected in the company's financial statements.

Further, detailed expenditure returns, approved training plans, training attendance registers, travel documents and proof of venues used for training to indicate how the funds were utilized by the corporation were not provided for audit review.

In the circumstances, it was not possible to confirm whether the funds were received by the corporation and utilized for training of employees in upstream petroleum operations as provided for in the Act.

Submissions of the Accounting Officer.

The National Oil Corporation of Kenya (NOCK) is a Semi- Autonomous Government Agency (SAGA) under the State Department for Petroleum.

The appropriations Act provides budgetary support transfers to Government Agencies through votes hence NOCK receives budgetary support through the State Department. Kshs. 30,000,000 as appropriated in the budget for the period under review had been transferred to the National Oil Corporation of Kenya (NOCK) for training activities during the year under review.

NOCK being a semi-autonomous government agency prepares and accounts for monies appropriated to it separately. Whereas NOCK had not provided the State Department with approved training plans, training attendance registers, travel documents and proof of venues, it is noteworthy that as a SAGA, such details would be audited at the Agency level owing to the fact that NOCK is a self-reporting body.

Further, the expenditure returns that NOCK sends to the State Department may not have detailed training programmes that were undertaken, during the time of Audit.

Observations and Recommendations of the Committee.

Management has provided documents to support the expenditure.
The issue for the company not reflecting the receipt is still outstanding'
This matter is therefore partially addressed.

246. **Inaccuracies in Revenue from Non-exchange Transactions.**

The statement of financial performance reflects receipts of Ksh.176,826,504 from fines, penalties and levies under revenue from non exchange transactions (2022 - Ksh. 21,726,282). The receipts comprise of Ksh. 119,623,306 and Ksh.57,203,198 in respect to training levy and service fee respectfully.

According to section 52(3) of the Petroleum Act, 2019, the Fund comprises of funds raised from contractors as training contribution. Effectively, amounts collected in respect of service fee do not comprise the Training Fund revenue and ought to have been accounted for under the State Department as Appropriations in Aid or surrendered to the exchequer.

However, the financial statements of the Fund recognized the amounts received in respect of service fee but did not recognize an accrued transfer to the National Treasury expense and the corresponding liability under accounts payable in the statement of financial position as at 30th June 2023.

In addition, the increase of the levies for the Oil Company - Training Levy from Ksh. 18,630,000 to Ksh.119,623,306 and surface fee from Ksh. 3,096,282 to Ksh. 57,203,198 have not been explained or reconciled despite the fact that fines, penalties and levies recovered from the oil companies have increased by over 92%.

In the circumstances, the accuracy of the revenue from non exchange transactions of Ksh. 57,203,198 from surface fees included in the statement of financial performance for the year under review could not be confirmed.

Submissions of the Accounting Officer.

The State Department concurs with the audit findings and recommendations on the treatment of surface fees as either ordinary revenue which is then surrendered to the Consolidated Fund, or alternatively, as Appropriation in Aid, which the State Department can apply in defraying its operating expenses.

The treatment of surface fee of Kshs 3,096,282 as part of training revenue and accounting for it as such is highly regrettable.

Consequently, the State Department has since complied with the Auditor General's recommendation that the surface fees on exploration of oil and gas contract areas or commercial fields be treated as ordinary revenue and surrendered to the Consolidated Fund, or as Appropriation in Aid.

Observations and Recommendations of the Committee.

The Commercial bank account for receiving surface fees to separate the two accounts was provided.

Treatment of the levies and surface fees using the cash basis as opposed to accrual basis of accounting,

No evidence has been provided to indicate that the surface fees will be treated as AIA in the subsequent year.

The issue is still outstanding as the Fund still reports the surface fees.

247. Unresolved Prior Year Matters.

There were no unresolved prior year matters.

248. Irregular Expenditure.

The statement of financial performance reflect expenditure of ksh. 278,274,314 in respect of general expenses, as disclosed in Note 17.5 to the financial statement. The amount includes training expences expenditure of Ksh.273,003,670.

Review of documents provided in support of the expenditure revealed an amount of Ksh.16,496,900 which was incurred on payment of allowances to staff members for activities that did not relate to the Fund such as review of organizational structure and pre-retirement seminar for senior executives.

In the circumstances, the regularity of expenditure of Ksh.16,496,900 incurred on training could not be confirmed.

Submissions of the Accounting Officer.

The Executive Order No. 1 of the 5th Administration of the Government of Kenya created the State Department for Petroleum whose mandate and functions include amongst others; Oil and Gas Policy Formulation and Upstream Exploration.

The aforementioned mandate and functions are operationalized through strategic plan and organizational structure. The Organizational Structure which was being developed during the retreat is a primary policy document which outlines how the strategic functions of the State Department are cascaded in the Directorate of Petroleum which undertakes the Oil and Gas exploration, strategic stock management of import and export, stock distribution and marketing, amongst others.

In developing the Organizational Structure therefore, the State Department identifies the staff establishment, skills and competency requirements, training needs assessment gaps for which training is then planned, budgeted for, executed, monitored and evaluated and reports thereof made for decision making.

It is therefore noteworthy, that the development of the Organizational Structure is a primary requirement for mounting training programmes whose funds are budgeted for in the State Department under the Programme Based Budget which the Government uses.

The Petroleum Training Levy (PTL) is provided under the Petroleum Act 2019 to provide funds for capacity building of human resources in the Oil and Gas sector. The use of the PTL funds therefore, for the development of the organizational structure was interpreted to be synonymous with the training needs for which the funds are provided.

The budget rationalization in the recurrent estimates left the State Department with no funds to meet the resultant costs of developing the organizational structure and other trainings such as Pre-retirement programme for officers who were due for mandatory retirement.

Observations and Recommendations of the Committee.

There was a Receipted Recurrent and Development vote in IFMIS.

There was a Miscellaneous receipt Register.

Further there was a Pending Bills Requisition Template 2022/2023 in the IFMIS.
Although management has explained the Executive order, Section 52 (2) of the Petroleum Act 2019 which states that there shall be established a fund to be known as the Training Fund for the purpose of training Kenyan nationals in upstream petroleum operations this matter has not been adequately addressed.

Examination of the Audited Accounts for the Financial Year 2023/24.

The OAG confirmed that that the issues in paragraphs 303, 304, 305 and 306 recurred including the responses.

The committee directed the Fund to provide all the bank guarantees, contractual agreements and all relevant documents including those from parent companies abroad.

NA/AA&GPC-SFAC/2025/87 ANY OTHER BUSINESS

The Fund was directed to urgently expedite payment to a retired officer that had been pending for eight years.
Legal officer was asked to provide in writing the 2016 law regarding the upstream activities for companies.

NA/AA&GPC-SFAC/2025/88 ADJOURNMENT/DATE OF NEXT MEETING

There being no other business, the meeting was adjourned at 5.00pm The next meeting will be held on notice.

SIGNED.....**DATE**.....24/02/26.....

HON. FATUMA ZAINAB MOHAMMED, MP
(CHAIRPERSON)
SPECIAL FUNDS ACCOUNTS COMMITTEE

MINUTES OF THE 8TH SITTING IN THE THIRD SESSION OF SPECIAL FUND ACCOUNTS COMMITTEE HELD ON TUESDAY, 10TH JUNE 2025, IN BUNGE TOWER, 2ND FLOOR, COMMITTEE ROOM 12, AT 10.00AM.

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - **Chairperson**
2. Hon. Erastus Kivasu Nzioka, MP
3. Hon. Dr. Christine Ombaka Oduor, MP
4. Hon. Joseph Kimutai Cherorot, MP
5. Hon. Joseph Majimbo Kalasinga, MP
6. Hon. Catherine Nakhabi Omanyo, MP
7. Hon. Mary Emaase Otucho, MP

APOLOGIES

1. Hon. Eve Akinyi Obara, MP
2. Hon. Dawood Abdul Rahim, HSC, MP - **Vice Chairperson**
3. Hon. Charles Ngusya Nguna, MP
4. Hon. Faith Wairimu Gitau, MP
5. Hon. Cecilia Asinyen Ngitit, MP
6. Hon. Tom Mboya Odege, MP
7. Hon. Paul Kibichi Biego, MP
8. Hon. Kahugu Erick Mwangi, MP

IN ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

1.	Mr. Erick Nyambati	- Senior Clerk Assistant 1
2.	Ms. Comfort Achieng	- Clerk Assistant III
3.	Mr. Nimrod Mate	- Clerk Assistant III
4.	Ms. Judith Kanyoko	- Legal Counsel II
5.	Ms. Bevaline N. Mosoti	- Research Officer II
6.	Mr. Derrick Kathurima	- Media Relations Officer.
7.	Mr. Peter Mutethia	- Audio Officer III.
8.	Mr. Joshua Lenambeti	-SSAAII
9.	Ms. Rose Mburu	- Intern PCO
10.	Mr. Patrick Matipe	- Attachee

OFFICE OF THE AUDITOR-GENERAL

1.	Mr. David Osiemo	-	Liaison Officer.
2.	Mr. Jared Nyasani	-	Deputy Director, Audit
3.	Ms, Caroline Ndungu	-	Principal Auditor.
4.	Phanice Gekonge	-	Liason Officer

MIN. NA/AA&GPC-SFAC/2024/022. PRELIMINARIES

The Chairperson called the meeting to order at 10.20am, followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers.
2. Preliminaries/Introductions.
3. **Examination of the Auditor General Reports on Audited Accounts of the Petroleum Training Fund for the financial Year 2018/19 to 2022/23.**
4. Any Other Business
5. Adjournment Date of the next meeting.

The Permanent Secretary, State Departemnt for Petroleum **Mr. Mohamed Liban** apppeared before the committee accompanied by the following officers;

1. Mr. Dismus Ogot	-	CFO
2. Ms. Veronica Kamau	-	Senior Deputy Accountant
3. Mr. Mohamed B. Edi	-	Secretary, Administration.
4. Mr. Joseph Otieno	-	Commissioner, Petroleum
5. Mr. Eliud Mwaruah	-	Director, HRM.
6. Mr. Zachariah Somo	-	Legal Counsel.
7. Ms. Annabel Ondera	-	Senior Principal Accountant
8. Ms. Ruth Njoroge	-	Accountant
9. Mr. Hosea Kipkoech	-	RMO
10. Ms. Joyce loutomia	-	SDP

MIN. NA/AA&GPC-SFAC/2024/023.

Brief

The Committee was informed that this Fund was established to cater for the training needs of staff in various disciplines within in the State Department and adheres to the set training schedule. It is mainly derived from the service fee charged to contractors. It was started in 2006 and receives Ksh. 30 million annually from the exchequer.

MIN. NA/AA&GPC-SFAC/2024/024. EXAMINATION OF THE AUDITOR GENERAL REPORTS ON AUDITED ACCOUNTS OF THE PETROLEUM TRAINING FUND FOR THE FINANCIAL YEAR 2018/19

1455 - Undisclosed Accounts Receivables.

The audit found that Kshs. 92,575,110, owed by an oil exploration company holding Production Sharing Contracts (PSCs) for blocks L1B, L16, L27, and L28, had been omitted from the accounts receivables for the year under review.

Management Response

The Ministry confirmed that it has not charged interest rates as stipulated in the PSCs. However, through its demand notices, the defaulting Contractors were reminded that, over and above the outstanding amounts, they would also be required to pay interest as stipulated in the respective Production Sharing Contracts (PSCs) and (Section 53) of the Petroleum Act No. 2 of 2019 as at the time of settling the outstanding amounts.

The steps taken by the Ministry to date to recover receivables are as follows:

1. reminder letters to defaulting Contractors.
2. Legal advice from the Attorney General (AG).
3. Demand notices issued to the contractors and published in the Kenya Gazette.
4. Letter to EPRA to convene the National Upstream Petroleum Advisory Committee (NUPAC).
5. A letter from Business registration service showing registration status.
6. Demand letters issued on 24 September 2024.

Committee Observation.

Although management acknowledges the omission, no evidence has been provided to indicate whether the amount was included in the subsequent audit.

Further, although management has provided evidence of the steps and measures taken to recover the long outstanding debt, the issue is still outstanding as the debts are yet to be recovered.

1456 - Misstated Outstanding Imprests and Clearing Accounts.

The audit found that Kshs 1,500,000 had been transferred between internal bank accounts, this being from the Petroleum Training Levy Fund Account to State Department of Petroleum Development Account in March 2019.

Management Response.

A refund of the amount was made in June 2019 and the funds received back to the Petroleum Training Levy Fund account as per attached bank statements.

This inter account transfer was erroneously recorded as accounts receivables, resulting in the overstatement of the accounts receivables amount at the end of the financial year. The error is highly regretted.

Committee Observation.

The evidence provided reflects a debit of the petroleum training levy account of Kshs 1,500,000 and a credit to the Ministry of Interior and not the State Department for Petroleum on 25 February 2019.

The audit report makes reference to a transfer to the State Department development account of Kshs.1,500,000 on March 2018.

A credit advice to the Fund of Kshs 1,500,000 was received on 26 June 2019. It is unclear whether it is a refund of the Ministry of Interior or the State Department of Petroleum. This issue has not been adequately addressed.

MIN. NA/AA&GPC-SFAC/2024/025: ADJOURNMENT/DATE OF NEXT MEETING

There being no other business, the meeting was adjourned at 11.55 a.m.

SIGNED.....**DATE** 17/06/25

HON. FATUMA ZAINAB MOHAMMED, MP

(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTEE

MINUTES OF THE 3RD SITTING IN THE FIFTH SESSION OF SPECIAL FUNDS ACCOUNTS COMMITTEE HELD ON THURSDAY, 26TH FEBRUARY,2026, IN COMMITTEE ROOM 17, 3RD FLOOR, BUNGE TOWER AT 10.00 AM.

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - **Chairperson**
2. Hon. Dawood Abdul Rahim, HSC, MP - **Vice Chairperson**
3. Hon. Otuocho Mary Emaase, MP
4. Hon. Dr. Christine Ombaka Oduor, MP
5. Hon. Erastus Kivasu Nzioka, MP
6. Hon Onchoke Charles Mamwacha, MP
7. Hon. Cecilia Asinyen Ngitit, MP
8. Hon. Charles Ngusya Nguna, MP
9. Hon. Eve Akinyi Obara, MP
10. Hon. Catherine Nakhabi Omanyo, MP.

APOLOGIES

1. Hon. Tom Mboya Odege, MP
2. Hon. Joseph Majimbo Kalasinga, MP
3. Hon. Joseph Kimutai Cherorot, MP
4. Hon. Kahugu Erick Mwangi, MP
5. Hon. Leah Sopaito Sankaire, MP.

IN ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

1.	Ms. Ella Kendi	-	Clerk Assistant I
2.	Ms. Kathleen Nanzala	-	Clerk Assistant III
3.	Mr. Nimrod Mate	-	Clerk Assistant III
4.	Ms. Judith Kanyoko	-	Legal Counsel II
5.	Ms. Bevaline Mosoti	-	Research Officer II
6.	Mr. Derrick Kathurima	-	Media Relations Officer
7.	Ms. Felistus Muiya	-	Protocol Officer
8.	Ms. Bernadette Nabei	-	Audio Officer

OFFICE OF THE AUDITOR-GENERAL

1.	Ms. Sharon Wangari	-	Deputy Director
2.	Mr. David Osiemo	-	Liaison Officer, OAG

NATIONAL RESEARCH FUND

1.	Prof. Dickson Andala	-	Chief Executive Officer
2.	Mr. Theophanus Momanyi	-	Senior Accountant
3.	Mr. Emmanuel Lutonia	-	Senior Researcher
4.	Mr. Benard Barasa		
5.	Ms. Faith Osoro		
6.	Ms. Margaret Itotia		
7.	Mr. Odipo Brian		

MIN. NA/AA&GPC-SFAC/2026/010 PRELIMINARIES

The Chairperson called the meeting to order at 10.20 am, followed by a word of prayer by the Hon. Erastus Kivasu, MP. and introductions thereafter. The following agenda was adopted as circulated:

1. Prayers.
2. Preliminaries/Introductions.
3. **Examination of the audited accounts of the National Research Fund for the financial years 2022/2023, 2023/2024, and 2024/2025.**
4. Any Other Business.
5. Adjournment and Date of the next meeting.

The Chief Executive Officer of the National Research Fund, Prof. Dickson Andala, who is the Accounting Officer for the Fund, took the oath of witness and tabled the Submissions, including supporting documents on the Fund's audited accounts.

MIN. NA/AA&GPC-SFAC/2026/011: EXAMINATION OF THE AUDITED ACCOUNTS OF THE NATIONAL RESEARCH FUND FOR THE FINANCIAL YEARS 2022/2023, 2023/2024 AND 2024/2025.

Examination of the Audited Accounts for the Financial Year 2022/2023

1. Failure to Optimise Operations

Review of the budget and operations of the Fund over a period of four (4) years revealed that transfers from government entities declined by Kshs. 1,515,871,748 or 82% from an amount of Kshs.1,838,909,671 in the financial year 2018/2019 to Kshs.323,037,923 in the financial year 2022/2023.

In the circumstances, the reduction in funding has affected the implementation of the Fund's mandate which is critical for development in Kenya.

Management Response

The decline in transfers from government entities over the review period was primarily due to progressive reductions in budget allocations approved through the national budgeting process. The Fund operates within ceilings provided by the National Treasury and approved by Parliament.

Management has continuously engaged the parent Ministry, the National Treasury, and relevant stakeholders to advocate for enhanced funding.

Despite reduced allocations, the Fund has mobilized resources from partners and donors and has prioritized core mandate activities to ensure continuity of critical programmes with the available resources.

Financial Year	Amount
2021/2022	0
2022/2023	42,664,266

2023/2024	201,931,193.50
2024/2025	76,415,330

Observations and Recommendations of the Committee

The Committee observed that—

1) The Fund had put in interventions to secure research funding through mobilising resources from partners to complement the allocation from the National Treasury
2) The decline in funding from the National Treasury was attributed to the non-absorption of the Kshs.1,838,909,671 allocated to the Fund in the financial year 2018/2019.

2. Long Outstanding Receivables

The statement of financial position reflects receivables balance of Kshs.1,714,726 as disclosed in note 14 to the financial statements. Included in Kshs.1,714,726 is a balance of Kshs.1,500,000 in respect of an amount borrowed by the State Department for University Education which has been outstanding for more than two (2) financial years. Management did not justify the lending nor provide evidence of efforts to recover the amount advanced.

In the circumstances, the fund is at risk of losing the amount borrowed if measures to recover the money are not initiated and implemented.

Management Response

The amount advanced to the State Department is still outstanding, but management is in the process of pursuing to recover the same.

Observations and Recommendations of the Committee

The Committee observed that—

1. The management provided evidence of the communication from the State Department for Education and Research requesting the Kshs. 1,500,000 from the Fund and subsequent communication from the Fund to the State Department of University Education and Research, and later to the State Department of Higher Education and Research made in an attempt to recover the outstanding amount.
2. The outstanding amount is yet to be recovered; therefore, the issue was not yet resolved.

The Committee resolved to recommend in its report that the State Department of Higher Education and Research reimburse the amount owed to the Fund within thirty days after the adoption of the report by the House.

3. Lack of an updated Fixed Assets Register

The statement of financial position reflects a balance of Kshs. 27,007,659 in respect of property, plant and equipment as disclosed in Note 15 to the financial statements. The inventory catalogue provided by the Fund management listed all movable and immovable assets the Fund had in its possession as at 17th May 2021. However, the register provided did not indicate the serial numbers, thus making it difficult to trace the assets as per asset register to the physical assets.

In the circumstances, the effectiveness of internal controls on fixed assets of the Fund could not be confirmed.

Management Response

Management has since updated and operationalized a comprehensive asset register incorporating asset identification guidelines provided by the National Assets and Liability Management (NALM) department in the National Treasury.

Periodic asset verification exercises have been institutionalized to enhance internal control effectiveness and ensure traceability of all the Assets.

Observations and Recommendations of the Committee

The Committee observed that—

1. The management provided evidence of quarterly reports on assets and liabilities submitted to the National Treasury.
2. The matter was resolved.

Examination of the Audited Accounts for the Financial Year 2023/2024

1. **Long Outstanding Receivables from Exchange Transactions**

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.52,358,099 as disclosed in Note 14 to the financial statements. Included in the balance is an amount of Kshs. 1,500,000 owed by the State Department for Higher Education and Research that has been outstanding for more than three (3) years.

In circumstances, the accuracy, completeness and full recoverability of the receivables balance of Kshs. 1,500,000 could not be confirmed.

Management response

The amount advanced to the State Department is still outstanding, but management was in the process of pursuing to recover the same.

2. **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects revenue budget and actual on a comparable basis of Kshs.540,926,998 and Kshs.522,313,755 respectively, resulting to an under collection of Kshs.18,613,243 or 3% of the budget. The under collection may have affected the planned activities and may have impacted negatively on service delivery to the public.

Management response

The under-collection resulted from exchequer reductions by the National Treasury during the financial year under review.

While the approved budget reflected planned allocations, actual disbursements were lower due to fiscal constraints beyond management control. The Fund adjusted its operational priorities to align with the revised funding levels while safeguarding critical programmes.

Observations and Recommendations of the Committee

The Committee observed that—

1. Management provided evidence of its adjusted expenditure to safeguard its critical programmes in favour of the allocated budget.

2. The matter was not addressed.

3. **Failure to Optimize Operations**

Review of the budget and operations of the Fund over a period of five (5) years revealed that transfers from other government entities declined by Kshs.1,539,023,644 or 84% from an amount of Kshs.1,838,909,671 in the financial year 2018/2019 to Kshs.299,886,027 in the financial year 2023/2024.

In the circumstances, the reduction in funding has affected the implementation of the Fund's mandate which is critical for development in Kenya.

Management Response

The continued reduction in transfers reflects national fiscal adjustments and constrained public sector resource envelopes.

Management has actively pursued alternative resource mobilization strategies, including stakeholder engagements, partnership developments, and donor collaborations, to mitigate funding gaps and sustain mandate delivery as shown in the table below:

Financial Year	Amount
2021/2022	0
2022/2023	42,664,266
2023/2024	201,931,193.50
2024/2025	76,415,330

Observations and Recommendations of the Committee

The Committee observed that—

This is a recurring matter that was not resolved.

Other matter

1. **Unresolved Prior Year Matter**

In the audit report of the previous year, an issue was raised under the report on the Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issue as at 30th June 2024 or given any explanation for failure to implement the recommendations.

Management Response

The issue raised in prior year on the Effectiveness of Internal Controls, Risk Management and Governance was resolved as the fund has an updated Asset Register.

2. **Delayed Implementation of Enterprise Resource Planning System Contract**

Procurement records provided for audit indicated that on 16th October 2022, the Fund entered a contract with a local company to supply, install, implement, test, train and commission an Enterprise Resource planning system (ERP) at a contract sum of Kshs.13,300,000 to be delivered in one hundred and twenty (120) days. The system comprised eight (8) modules as follows: Financial Management, Supply Chain Management, Human Resource Management, Business Intelligence (BI), Customer Relations Management, Legal Services Management, IT Help desk and integrated grants management information system with terms of payment on the contract as follows:

i. Twenty (20) percent of the total amount payable upon signing the contract and holding an inception meeting.
ii. Fifty (50) percent of the total amount payable upon supply and installation of the ERP system, training of users and user acceptability and
iii. Thirty (30) percent of total amount payable upon commissioning and going live of the system.

However, the support documents indicated that an amount of Kshs. 9,310,000 or 70% had been paid to the vendor as at 30th June,2024 yet only human resource management module or 13% of the module was fully operational. In addition, the core mandate of the Fund being mobilizing research resources to facilitate institutional research infrastructure and innovations, the grants module had not been fully developed.

In the circumstances, value for money has not been achieved on Kshs.9,310,000 paid to the contractor since the Fund is not fully benefiting from the system due to the underutilization of its available functionalities.

Management Response

The contractor completed the project, and the ERP is fully operational in all departments. The delay was caused by contract sign-off and commissioning which has been resolved. Enhanced contract management oversight has also been instituted to strengthen milestone-based implementation tracking in future procurements.

Observations and Recommendations of the Committee

The Committee observed that—

The matter was partially resolved as at 30th June 2024 as only one module, the Human Resource Management module was fully operational.

3. **Understaffing in the Fund**

Review of the staff establishment as at 30th June ,2024, revealed that National Research Fund had thirteen (13) employees, out of the recommended seventy-four (74) employees resulting to understaffing by sixty-one (61). It was observed that the staff deficit was mainly on cadres like Fund managers, Research Grant Managers and resource mobilizers, which are very critical for the organization.

In the circumstances, the understaffing may hinder effective delivery of services by the Fund.

Management response

The staffing gap was largely attributable to budgetary constraints that limited recruitment capacity. As of June 2025, number of staff stood at 34. Recruitment of three Senior Officers was schedule for the subsequent financial year.

Management continues to engage relevant authorities to secure adequate funding to progressively fill approved establishment positions critical to mandate delivery.

Observations and Recommendations of the Committee

The Committee observed that—

The matter was not addressed.

Examination of the Audited Accounts for the Financial Year 2024/2025

1. Material Uncertainty Related to Going Concern

The Fund reported a deficit for year amounting to Kshs.26,477,566, resulting to accumulated reserves deficit of Kshs.9,394,527. Further, the statement of financial position reflects current liabilities and current assets balances of Kshs.114,296,917 and Kshs.75,560,762 respectively, resulting to a negative working capital of Kshs.38,736,155.

The fund is therefore technically insolvent and its continued operations as a going concern will depend on the continued support from the government, donors and creditors. In circumstances, the Fund is unable to meet its obligations as and when they fall due.

Management response

The negative working capital position primarily arises from outstanding obligations under the Kenya–DAAD programme, for which a supplementary budget approval had been granted but funds were not released by the Exchequer. The financial position therefore reflects timing and release constraints rather than structural insolvency.

The Fund's operations remain supported by Government appropriations and strategic partnerships. Management is actively engaging relevant authorities to secure settlement of outstanding obligations and restore working capital stability.

Observations and Recommendations of the Committee

The Committee observed that—

1. The Fund's obligation under the Kenya-DAAD programme has led to an accumulated reserves deficit and negative working capital.
2. The Management was instructed to furnish a comprehensive report on the Kenya–DAAD Programme, detailing the number of beneficiaries and the outstanding amount payable in respect of each student, to facilitate the Chairperson's request for a statement on the Floor of the House to be responded to by the Cabinet Secretary, Ministry for Education.

Other Matter

1. Unresolved Prior Year Matters

In the prior's audit report, several issues were raised under the report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status of the Fund in 2024/2025 revealed that the matters detailed in Appendix I remained unresolved.

Management Response

The issues raised in prior year audit remain unresolved, pending discussions and deliberations by the Parliamentary Special Funds Committee.

Observations and Recommendations of the Committee

The matter is not resolved.

The Committee to deliberate and make recommendations during report writing.

2. Unconfirmed other Non-Financial Information

The statement of performance against predetermined objective at page xli is aligned to the summary of project strategies for achievement of strategic goals. However, the key performance indicators are not linked to specific targets. As such, achievements made by the

Fund the year under review could not be confirmed. Further, there was no evidence that Management liaised with bodies involved in the protection of intellectual property rights, contrary to Section 36 (1) (k & l) of the ST &I Act of 2013.

Management Response

Management acknowledges the need to strengthen linkage between performance indicators and measurable targets.

A revised performance management framework has since been developed aligning key performance indicators with specific annual targets and reporting metrics.

Regarding intellectual property protection coordination under Section 36(1) (k & l) of the ST&I Act, the Fund has initiated structured engagement with relevant intellectual property bodies to formalize collaboration mechanisms and document compliance activities going forward.

Observations and Recommendations of the Committee

1) The management provided evidence of a performance management framework that has been developed, aligning key performance indicators with specific annual targets and reporting metrics.
2) The matter was partially addressed.

3. **Long Outstanding Trade and other Payables**

The statement of financial position reflects trade and other payables balance of Kshs.91,129,353 as disclosed in Note 17 to the financial statements which includes payables balance of Kshs.71,431,226 which has been outstanding for between one (1) and two (2) years. Although management explained that the debt arose when the Government of Kenya entered into an international agreement with the German Government to finance post graduate studies which was to be facilitated by the Ministry of Education through a supplementary budget under the Fund, the commitment was not honoured by the Government of Kenya.

Management response

The outstanding payables largely relate to obligations under the Kenya–DAAD programme arising from supplementary allocations that were approved but not released.

Management has formally engaged the parent Ministry and National Treasury to facilitate settlement. The payable is not a result of unauthorized expenditure but of exchequer release constraints.

Resolution of the matter is actively being pursued at the appropriate policy and fiscal levels.

Observations and Recommendations of the Committee

The matter not resolved.

The Committee to engage the National Treasury and the Ministry of Education to help ensure the supplementary allocations are released to enable the Fund meet its financial obligations.

4. **Understaffing of the Fund**

As previously noted, review of the staff establishment revealed that National Research Fund had thirty-four (34) employees out of the recommended seventy-four (74) employees resulting to an understaffing of forty (40) of the approved establishments as summarized in the table below.

No.	Category of Staff	Total No.

1.	Permanent	11
2.	Deployed	6
3.	Local contract	10
4	Casual	7
	Total	34

In the circumstances, lack of adequate human resources may negatively affect employees' service delivery, resulting in non-achievement of organizational strategic goals and objectives.

Management Response

Understaffing remains a challenge due to fiscal limitations. However, within available resources, the Fund has recruited three additional Senior Officers.

Management is implementing phased staffing aligned to budget availability while ensuring core operational functions remain supported.

Observations and Recommendations of the Committee

The matter had recurred from the previous financial year and remained unaddressed.

NA/AA&GPC-SFAC/2026/012: ADJOURNMENT/DATE OF NEXT MEETING

There being no other business, the meeting was adjourned at 11:50 a.m. The next meeting will be held on notice.

SIGNED.....**DATE**..12/03/26.....

HON. FATUMA ZAINAB MOHAMMED, MP
(CHAIRPERSON)
SPECIAL FUNDS ACCOUNTS COMMITTEE

ADOPTION MINUTES

MINUTES OF THE 2ND SITTING IN THE FIFTH SESSION OF SPECIAL FUNDS ACCOUNTS COMMITTEE HELD ON TUESDAY, 24TH FEBRUARY 2026, IN COMMITTEE ROOM 17, 3RD FLOOR, BUNGE TOWER AT 10.00 AM.

PRESENT

1. Hon. Fatuma Zainab Mohammed, CBS, MP - **Chairperson**
2. Hon. Dawood Abdul Rahim, CBS, HSC, MP - **Vice Chairperson**
3. Hon. Catherine Nakhabi Omanyo, MP
4. Hon. Erastus Kivasu Nzioka, MP
5. Hon. Otucho Mary Emaase, MP
6. Hon. Tom Mboya Odege, MP
7. Hon. Cecilia Asinyen Ngitit, MP
8. Hon. Paul Kibichi Biego, MP
9. Hon. Charles Ngusya Nguna, MP

APOLOGIES

1. Hon. Dr. Christine Ombaka Oduor, MP
2. Hon. Eve Akinyi Obara, MP
3. Hon Onchoke Charles Mamwacha, MP
4. Hon. Joseph Kimutai Cherorot, MP.
5. Hon. Joseph Majimbo Kalasinga, MP
6. Hon. Kahugu Erick Wamumbi, MP

IN ATTENDANCE

National Assembly Secretariat

1.	Ms. Ella Kendi	-	Clerk Assistant I
2.	Mr. Nimrod Mate	-	Clerk Assistant III
3.	Ms. Kathleen Nanzala	-	Clerk Assistant III
4.	Ms. Judith Kanyoko	-	Legal Counsel II
5.	Ms. Bevaline Mosoti	-	Research Officer II
6.	Mr. Derrick Kathurima	-	Media Relations Officer
7.	Ms. Felistus Muiya	-	Protocol Officer
8.	Mr. Joshua Lenambeti	-	SSAA
9.	Mr. Charles Mbuthia	-	Audio Officer III

Office of the Auditor General

1.	Mr. David Osiemo	-	Liaison Officer

MIN. NA/AA&GPC-SFAC/2026/005 - PRELIMINARIES

The Chairperson called the meeting to order at 10.00 am, followed by a word of prayer by the Hon. Dawood Abdul Rahim, M.P. and introductions thereafter. The following agenda was adopted as circulated:

1. Prayers.
2. Preliminaries/Introductions.
3. **Examination of the Auditor General's Report on the Financial Statements of the Agricultural and Food Authority Mortgage and Car Loan Scheme Fund for the Financial Year 2022/2023 and 2023/024.**
4. **Adoption of four (4) Reports concluded in the Fourth Session.**
5. **Any Other Business**
6. Adjournment Date of the next meeting.

MIN. NA/AA&GPC-SFAC/2026/006: EXAMINATION OF THE AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENTS OF THE AGRICULTURAL AND FOOD AUTHORITY MORTGAGE AND CAR LOAN SCHEME FUND FOR THE FINANCIAL YEAR 2022/2023 AND 2023/2024.

The Committee was informed that the Chief Executive Officer of the Agricultural and Food Authority had sent a letter requesting that the meeting be rescheduled to 10th March 2026 due to a prior official engagement in the Senate. Upon consideration of the request, the Committee acceded and resolved that the meeting be rescheduled to the proposed date.

MIN. NA/AA&GPC-SFAC/2026/007: CONSIDERATION AND ADOPTION OF THE PENDING REPORTS

The Committee considered and adopted the following four (4) Reports with the following amendments;

1. **Public Service Superannuation Fund – Financial Years 2021/2022 and 2022/2023**

   FY 2021/2022:

   i) Under the Committee's observations, to indicate the specific date on which the unremitted employer contributions amounting to *Kshs. 3,871,210,495* were settled by the National Treasury.

ii) To propose a recommendation addressing the delayed remittance, including measures to prevent recurrence.

FY 2022/2023:

With respect to the unremitted employer contributions amounting to *Kshs. 219,999,201*, the secretariat to confirm the exact dates when the amounts were paid by the National Treasury and confirm whether the remittances were made in full, together with any accrued penalties.

2. Equalization Fund – Financial Years 2021/2022 and 2022/2023

It was resolved that the relevant constitutional and statutory provisions be cited in the recommendations section.

3. Fish Levy Trust Fund – Financial Years 2021/2022 and 2022/2023

It was resolved that the relevant constitutional and statutory provisions be cited in the recommendations section.

4. State Officers and Public Officers Motor Car Loan Scheme Fund – Financial Years 2019/2020 and 2021/2022

MIN. NA/AA&GPC-SFAC/2026/008: ANY OTHER BUSINESS

Status update on foreign travel: The Secretariat was tasked to provide a brief on the Committee's foreign travel activities undertaken, the related expenditures, and the remaining balance as at the end of the third quarter of the financial year.

MIN. NA/AA&GPC-SFAC/2026/009: ADJOURNMENT/DATE OF NEXT MEETING

There being no other business, the meeting was adjourned at 12.30 p.m. The next meeting to be held on notice.

SIGNED.....**DATE**...12/03/2026.....

HON. FATUMA ZAINAB MOHAMMED, MP

(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTEE

MINUTES OF THE 8TH SITTING IN THE FIFTH SESSION OF SPECIAL FUNDS ACCOUNTS COMMITTEE HELD ON THURSDAY, 19TH MARCH, 2026, IN BARAZA 2 CONFERENCE ROOM, SAROVA WHITESANDS BEACH HOTEL AND SPA, MOMBASA AT 10.00 AM.

PRESENT

1. Hon. Fatuma Zainab Mohammed, CBS, MP - **Chairperson**
2. Hon. Dawood Abdul Rahim, CBS, HSC, MP - **Vice Chairperson**
3. Hon. Erastus Kivasu Nzioka, MP
4. Hon. Charles Ngusya Nguna, MP
5. Hon. Dr. Christine Ombaka Oduor, MP
6. Hon Onchoke Charles Mamwacha, MP
7. Hon. Eve Akinyi Obara, MP
8. Hon. Tom Mboya Odege, MP.
9. Hon. Joseph Kimutai Cherorot, MP
10. Hon. Erick Wamumbi, MP

APOLOGIES

1. Hon. Otucho Mary Emaase, MP
2. Hon. Catherine Nakhabi Omanyo, MP.
3. Hon. Cecilia Asinyen Ngitit, MP
4. Hon. Joseph Majimbo Kalasinga, MP
5. Hon. Leah Sopaito Sankaire, MP.

IN ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

1.	Ms. Ella Kendi	-	Clerk Assistant I
2.	Ms. Kathleen Nanzala	-	Clerk Assistant III
3.	Mr. Nimrod Mate	-	Clerk Assistant III
4.	Ms. Judith Kanyoko	-	Legal Counsel II
5.	Ms. Bevaline Mosoti	-	Research Officer II
6.	Mr. Robert Ngetich	-	Fiscal Analyst I
7.	Mr. Calvin Karungo	-	Media Relations Officer
8.	Mr. Mark Mbuthia	-	Audio Officer
9.	Ms. Felistus Muiya	-	Public Communications Officer III
10.	Mr. Joshua Lenambet	-	Senior Serjeant-at-Arms

OFFICE OF THE AUDITOR-GENERAL

1.	Mr. David Osiemo	-	Liaison Officer, OAG
2.	Dr. Jackson Ndungu	-	National Treasury

MIN. NA/AA&GPC-SFAC/2026/040 PRELIMINARIES

The Chairperson called the meeting to order at 10.30 am, followed by a word of prayer by the Hon. Charles Onchoke Mamwacha, MP, and introductions thereafter. The following agenda was adopted as circulated:

1. Prayers.
2. Preliminaries/Introductions.
3. **Consideration and adoption of the following draft reports;**
    a) *Petroleum Training Levy Fund for the financial years 2021/2022 to 2023/2024.*
    b) *Petroleum Development Levy Fund for the financial years 2018/2019 to 2023/24*
4. Any Other Business.
5. Adjournment and Date of the next meeting.

MIN. NA/AA&GPC-SFAC/2026/041: CONSIDERATION AND ADOPTION OF REPORTS

1. **The Petroleum Training Levy Fund for the Financial Years 2021/2022 to 2023/2024**

The Committee considered and adopted, with amendments, the report on the audited accounts of the Petroleum Training Levy Fund for the Financial Years 2021/2022 to 2023/2024. The adoption of the report was proposed by the Hon. Tom Mboya Odege, MP, and seconded by the Hon. Charles Onchoke Mamwacha, M.P.

2. **The Petroleum Development Levy Fund for the Financial Years 2018/2019 to 2023/2024**

The Committee considered and adopted, with amendments, the report on the audited accounts of the Petroleum Development Levy Fund for the Financial Years 2018/2019 to 2023/2024. The adoption of the report was proposed by the Hon. Charles Nguna Ngusya, MP, and seconded by the Hon. Tom Mboya Odege, M.P.

MIN. NA/AA&GPC-SFAC/2026/042: ADJOURNMENT/DATE OF NEXT MEETING

There being no other business, the meeting was adjourned at 12:30 p.m. The next meeting will be on the same day at 2:00 p.m.

SIGNED.....**DATE**.....19/03/2026.....

HON. FATUMA ZAINAB MOHAMMED,CBS, MP
(CHAIRPERSON)
SPECIAL FUNDS ACCOUNTS COMMITTEE

MINUTES OF THE 9TH SITTING IN THE FIFTH SESSION OF SPECIAL FUNDS ACCOUNTS COMMITTEE HELD ON THURSDAY, 19TH MARCH, 2026, IN BARAZA 2 CONFERENCE ROOM, SAROVA WHITESANDS BEACH HOTEL AND SPA, MOMBASA AT 2:00 P.M.

PRESENT

1. Hon. Fatuma Zainab Mohammed, CBS, MP - **Chairperson**
2. Hon. Dawood Abdul Rahim, CBS, HSC, MP - **Vice Chairperson**
3. Hon. Erastus Kivasu Nzioka, MP
4. Hon. Charles Ngusya Nguna, MP
5. Hon. Dr. Christine Ombaka Oduor, MP
6. Hon Onchoke Charles Mamwacha, MP
7. Hon. Eve Akinyi Obara, MP
8. Hon. Tom Mboya Odege, MP.
9. Hon. Joseph Kimutai Cherorot, MP
10. Hon. Erick Wamumbi, MP

APOLOGIES

1. Hon. Otucho Mary Emaase, MP
2. Hon. Catherine Nakhabi Omanyo, MP.
3. Hon. Cecilia Asinyen Ngitit, MP
4. Hon. Joseph Majimbo Kalasinga, MP
5. Hon. Leah Sopaito Sankaire, MP.

IN ATTENDANCE

NATIONAL ASSEMBLY SECRETARIAT

1.	Ms. Ella Kendi	-	Clerk Assistant I
2.	Ms. Kathleen Nanzala	-	Clerk Assistant III
3.	Mr. Nimrod Mate	-	Clerk Assistant III
4.	Ms. Judith Kanyoko	-	Legal Counsel II
5.	Ms. Bevaline Mosoti	-	Research Officer II
6.	Mr. Robert Ngetich	-	Fiscal Analyst I
7.	Mr. Calvin Karungo	-	Media Relations Officer
8.	Mr. Mark Mbuthia	-	Audio Officer
9.	Ms. Felistus Muiya	-	Public Communications Officer III
10.	Mr. Joshua Lenambet	-	Senior Serjeant-at-Arms

OFFICE OF THE AUDITOR-GENERAL

1.	Mr. David Osiemo	-	Liaison Officer, OAG
2.	Dr. Jackson Ndungu	-	National Treasury

MIN. NA/AA&GPC-SFAC/2026/043: PRELIMINARIES

The Chairperson called the meeting to order at 2:10 p.m, followed by a word of prayer by the Hon. Erastus Kivasu, MP, and introductions thereafter. The following agenda was adopted as circulated:

1. Prayers.
2. Preliminaries/Introductions.
3. **Consideration and adoption of the draft report on the consideration of the audited accounts for the National Research Fund for the Financial Years 2021/2022 to 2024/2025.**
4. Adjournment and Date of the next meeting.

MIN. NA/AA&GPC-SFAC/2026/044: CONSIDERATION AND ADOPTION OF REPORTS

The National Research Fund for the Financial Years 2021/2022 to 2024/2025

The Committee considered and adopted, with amendments, the report on the consideration of the audited accounts of the National Research Fund for the Financial Years 2021/2022 to 2024/2025. The adoption of the report was proposed by the Hon. Tom Mboya Odege, MP, and seconded by the Hon. Charles Onchoke Mamwacha, M.P.

MIN. NA/AA&GPC-SFAC/2026/045: ADJOURNMENT/DATE OF NEXT MEETING

There being no other business, the meeting was adjourned at 3:30 p.m. The next meeting will be on the next day at 10:00 a.m.

SIGNED.....**DATE**.....19/08/2026.....

HON. FATUMA ZAINAB MOHAMMED,CBS, MP
(CHAIRPERSON)
SPECIAL FUNDS ACCOUNTS COMMITTEE

ADOPTION SCHEDULES

THE NATIONAL ASSEMBLY
13TH PARLIAMENT –FIFTH SESSION - 2026
SPECIAL FUNDS ACCOUNTS COMMITTEE

ADOPTION SCHEDULE

Date: 24th February, 2026 **Venue:** Committee Room 17, 3rd Floor, Bunge Tower

Adoption of The Reports on the Consideration of the Audited Financial Statements of the following Funds:

(i) The State Officers and Public Officers Motor Car Loan Scheme Fund for the Financial Years 2019/2020 and 2021/2022

(ii) The Public Service Superannuation Fund for the Financial Years 2021/2022 and 2022/2023

(iii)The Equalization Fund for the Financial Years 2021/2022 and 2022/2023.

(iv) The Fish Levy Trust Fund for the Financial Years 2021/2022 and 2022/2023.

NO.	NAME	SIGNATURE
1.	Hon. Fatuma Zainab Mohammed, MP – **Chairperson**	
2.	Hon. Dawood Abdul Rahim, HSC, MP – **Vice-Chairperson**	
3.	Hon. Mary Emaase Otucho, MP	
4.	Hon. Dr. Christine Ombaka Oduor, MP	
5.	Hon. Charles Ngusya Nguna, MP	
6.	Hon. Erastus Kivasu Nzioka, MP	
7.	Hon. Eve Akinyi Obara, MP	
8.	Hon. Joseph Majimbo Kalasinga, MP	
9.	Hon. Tom Mboya Odege, MP	
10.	Hon. Catherine Nakhabi Omanyo, MP	
11.	Hon. Cecilia Asinyen Ngitit, MP	
12.	Hon. Joseph Kimutai Cherorot, MP	
13.	Hon. Onchoke Charles Mamwacha, MP	
14.	Hon. Erick Wamumbi, MP	
15.	Hon. Leah Sopiato Sankaire, MP	

THE NATIONAL ASSEMBLY
13TH PARLIAMENT –FIFTH SESSION - 2026
SPECIAL FUNDS ACCOUNTS COMMITTEE

ADOPTION SCHEDULE

Date: 19th March 2026 **Venue:** Baraza 2 Conference Room, Sarova Whitesands Hotel, Mombasa

Adoption of The Reports on the Consideration of the Audited Financial Statements of the following Funds:

(i) The Petroleum Development Levy Fund for the Financial Years 2018/2019 to 2021/2022

(ii) The Petroleum Training Levy Funds for the Financial Years 2021/2022 to 2023/2024

(iii) The National Research Fund for the Financial Years 2022/2023 to 2024/2025

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1.	Hon. Fatuma Zainab Mohammed, MP – **Chairperson**	
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3.	Hon. Mary Emaase Otucho, MP	
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12.	Hon. Joseph Kimutai Cherorot, MP	
13.	Hon. Onchoke Charles Mamwacha, MP	
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15.	Hon. Leah Sopiato Sankaire, MP	