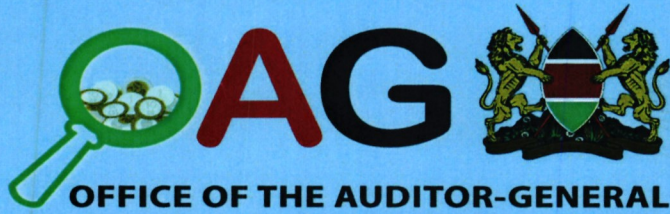


REPUBLIC OF KENYA



Enhancing Accountability

REPORT

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DATE: 11 MAY 2021

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THE AUDITOR-GENERAL

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THE TABLE:

**PETROLEUM DEVELOPMENT
LEVY FUND**

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

**STATE DEPARTMENT FOR
PETROLEUM**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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14 APR 2021
RECEIVED

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

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED

30TH JUNE 2020

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

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 11 MAY 2021 DAY:
TABLED BY:
CLERK AT THE TABLE:

PETROLEUM DEVELOPMENT LEVY FUND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30th JUNE 2020

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PETROLEUM DEVELOPMENT LEVY FUND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30TH JUNE 2020

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The **State Department for Petroleum** was formed in May 2016 following the Executive Order no.1 of May 2016 which split the Ministry of Energy and Petroleum into the State department of Energy and State department of Petroleum, At Cabinet level. However, the Executive Order no. 1 of June, 2018 split the State Department for Petroleum to form Ministry of Petroleum and Mining represented by the Cabinet Secretary who is responsible for the general policy and strategic direction of the State Department for Petroleum. The operations of the Ministry began in July 2018.

(b) Key Management

The Ministry of Petroleum & Mining State Department for Petroleum's day-to-day management is under the following key organs:

No.	Designation	Name
1.	Cabinet Secretary	Hon. John K. Munyes (EGH)
2.	Principal Secretary	Mr. Andrew N. Kamau (CBS)
3.	Secretary Administration	Mr. Chege Mwangi
4.	Ag. Secretary Petroleum	Mr. James Ng'ang'a Mbugua
5.	Deputy Director HRM&D	Ms. Agnes Muthuo
6.	Chief Finance Officer	CPA Matthew Musyoka
7.	Deputy Chief Economist	Ms. Electine Nanzala
8.	Assistant Accountant General	CPA Charles Liyayi Shidzugane
9.	Assistant Director, Supply Chain Management	Ms. Chepkemai Kerich

PETROLEUM DEVELOPMENT LEVY FUND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30TH JUNE 2020



Hon. John K. Munyes, EGH
Cabinet Secretary
Ministry of Petroleum and
Mining

Hon. John K Munyes, EGH was appointed Cabinet Secretary for Ministry of Petroleum and Mining by President Uhuru Kenyatta in January 2018. Prior to his appointment as Cabinet Secretary, Hon. John K Munyes served as the Senator for the oil-rich Turkana County for 5 years beginning 2013 and ending 2017.

Hon. John K Munyes has also previously served in various capacities as Minister of State for Special programmes (2005), Minister for Water and Irrigation (2003) as well as Minister for Labour & Social Services. He also served as the Member of Parliament (MP) for Turkana North Constituency for 15 years, beginning 1997.

Prior to joining politics, Hon. John K Munyes worked as UNESCO Project Assistant and later became a Programme Coordinator of the Intermediate Technology Development Group (ITDG) where he coordinated food security programmes in Turkana District including livestock projects, women empowerment and capacity building. He is awarded the Elder of the Order of the Golden Heart of Kenya (EGH) for his valuable service rendered to the nation.



Mr. Andrew N. Kamau, CBS
Principal Secretary





Mr. Andrew Ng'ang'a Kamau has wide experience in Petroleum energy gained from several years in leadership positions in the private sector. Prior to his appointment as Principal Secretary for Petroleum, he was the Chief Executive Officer of Bracewell Energy which has interests in mining, energy and natural resources. As PS, he steers the Petroleum docket at the Ministry where he will oversee implementation of Petroleum projects. He holds a Bachelor of Science degree in Chemistry from the University of Nairobi.



Mr. James Nganga
Ag. Secretary Petroleum

Mr. James Ng'ang'a was appointed Ag. Secretary, Petroleum in February 2019. He has been instrumental in oil and gas exploration in the country leading to the first oil discovery in Kenya in March, 2012, implementation of the early oil project as well as the review of the Petroleum policy, legal, regulatory and contractual framework for oil and gas. He holds an MSc. Bsc and PGDip.

PETROLEUM DEVELOPMENT LEVY FUND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30TH JUNE 2020

 <p>Mr. Chege Mwangi Secretary Administration</p>	<p>Mr. Mwangi has been the Secretary, Administration in the State Department for Petroleum from May 2018. He joined the Public Service in 1985 as an Assistant Secretary/District Officer, rising through the ranks to Senior Deputy Secretary/Senior District Commissioner in 2008. In 2011, he was appointed County Commissioner and was redeployed in 2016 as Secretary, Administration. He holds a Bachelor of Arts and a Master of Arts in Project Planning and Management from the University of Nairobi</p>
 <p>Mr Mathew K. Musyoka Chief Finance Officer</p>	<p>CPA Mathew K. Musyoka assumed the position of Head of Finance Unit in November 2018. He is in charge of budget preparation and implementation. He holds an MA (Economics) from Kenyatta University and Bachelor of Arts (economics) from University of Nairobi. He is a CPA (K), and also a member of the ICPAK</p>
 <p>Ms. Electine M. Nanzala Deputy Chief Economist</p>	<p>Ms. Electine M. Nanzala assumed the position of the Head of CPPMU in May, 2016. She is in charge of Economic planning function which involves planning and analysis of economic policy; undertaking economic analysis, evaluation and monitoring of development projects and programmes; co-ordination of strategic planning and performance contracting; and performance review of economic activities to inform policy and budgetary processes. She holds a Masters in Economics and a Bachelor of Arts Degree from Kenyatta University.</p>
 <p>Ms. Agnes Muthuo, Deputy Director/HRM&D</p>	<p>Ms. Agnes Muthuo assumed the position of Head, Human Resource Management and Development in January, 2017. She is in charge of managing the HR function in the Department including Training and Development for effective service delivery. She holds a Master of Science degree in Human Resource Development from the Jomo Kenyatta University of Science and Technology and a Bachelor of Arts degree in Anthropology from the University of Nairobi. She is a Member of IHRM.</p>

PETROLEUM DEVELOPMENT LEVY FUND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30TH JUNE 2020



Mr. Charles Liyayi Shidzugane
Assistant Accountant General

CPA Charles Liyayi Shidzugane assumed the position of Head of Accounting Unit in December 2018. He is in charge of Accounting and Financial Reporting as well as designing, implementing and monitoring internal controls relevant to the preparation and for presentation of financial reports in line with the relevant International Public Sector Accounting Standards (IPSAS). He holds an MSc (Finance Option) from The KCA University and Bachelor of Commerce (Finance) from Catholic University Of Eastern Africa. He is a CPA (K), and also a member of the ICPAK.



Ms. Chepkemai Kerich
Assistant Director Supply Chain
Management

Ms. Chepkemai Kerich assumed the position of Head of Supply Chain Management Unit in January 2019. She is in-charge of Procurement of goods and services and Overseeing implementation of the Department's Procurement Plan. She holds a Master's Degree and Bachelor's Degree in Economics from Nairobi University. She is also a member of KISM and CIPS

PETROLEUM DEVELOPMENT LEVY FUND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30TH JUNE 2020

(c) Ministry of Petroleum and Mining, Headquarters

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

(d) State Department for Petroleum

Telephone: (254) (020) 3310112
E-mail: ps@petroleum.go.ke
Website: www.go.ke

(e) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P. O. Box 30084
GPO 00100
Nairobi, Kenya

(f) Principal Legal Adviser

E-mail: info@ag.go.ke
Tel: 2542227461.
Website: www.wag.go.ke

(g) State Department for Petroleum Bankers

Central Bank of Kenya
Haile Selassie Avenuc
P. O. Box 60000
City Square 00200
Nairobi, Kenya

PETROLEUM DEVELOPMENT LEVY FUND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30TH JUNE 2020

II. STATEMENT OF RESPONSIBILITIES

Section 83 of the Public Finance Management Act, 2012 requires an Accounting Officer for a National Government owned Entity to prepare a report for each quarter of the financial year in respect of the entity.

In preparing a quarterly report for a National Government Entity, the Accounting Officer shall ensure that the report:


- (a) Contains information on the financial and non-financial performance of the entity; and
- (b) Is in a form that complies with the standards prescribed and published by the Public Sector Accounting Standards Board of Kenya from time to time.


In addition, not later than fifteen days after the end of each quarter, the Accounting Officer shall submit the quarterly report to the Cabinet Secretary responsible for the entity and the National Treasury. The Cabinet Secretary responsible for an entity shall forward a copy of the report to the Cabinet Secretary and Controller of Budget.

In the case of an entity that is a state corporation, the Accounting Officer for the corporation shall submit the quarterly report to the Cabinet Secretary responsible for the corporation who shall, upon approving it, forward a copy to the Cabinet Secretary.

Approval of the annual financial statements

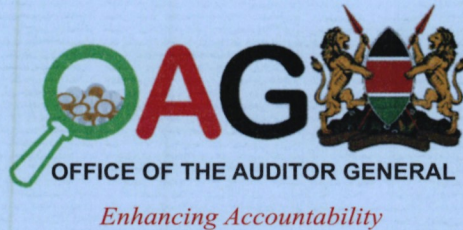
The Petroleum Development Levy Fund's quarterly financial statements have been prepared in accordance with Section 83 of the PFM Act and were approved by the Management on 30.09.2020 and signed on its behalf by:


Principal Secretary
Andrew N. Kamau CBS


Assistant Accountant General
CPA Charles Liyayi Shidzugane
ICPAK Number: 5068

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON PETROLEUM DEVELOPMENT LEVY FUND FOR THE YEAR ENDED 30 JUNE, 2020 – STATE DEPARTMENT FOR PETROLEUM

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Petroleum Development Levy Fund – State Department for Petroleum set out on pages 1 to 11, which comprise the statement of financial assets as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Petroleum Development Levy Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the Petroleum Development Fund Act.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Budget 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.625,202,017 or 39%. The under absorption affected the planned activities and could have negatively impacted on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way:

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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


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

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

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi


09 April, 2021


PETROLEUM DEVELOPMENT LEVY FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

III STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2019-2020	2018-2019
		shs	shs
Revenue from non-exchange transactions			
Fines, penalties and levies	1	1,622,000,000	1,873,500,000
Total revenue		1,622,000,000	1,873,500,000
Expenses			
Transfer to other government entities	2	996,797,982.50	1,637,570,568
Total expenses		996,797,982.50	1,637,570,568
Surplus for the year		625,202,017.50	235,929,432

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30-09-2020 and signed by:


 Principal Secretary
 Andrew N. Kamau CBS



 Assistant Accountant General
 CPA Charles Liyayi Shidzugane
 ICPAK Number: 5068

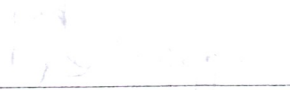
PETROLEUM DEVELOPMENT LEVY FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

IV. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020

	Note	2019-2020	2018-2019
		shs	shs
Financial Assets			
Current assets			
Cash and cash equivalents	4	625,202,017.50	235,929,432.00
Total financial assets		625,202,017.50	235,929,432.00
Represented by			
Fund balance b/fwd		235,929,432.00	307,676,074.00
Refund to National Treasury	3	(235,929,432.00)	(307,676,074.00)
Surplus for the year		625,202,017.50	235,929,432.00
Net financial position		625,202,017.50	235,929,432.00

The Accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30-09-2020 and signed by:


 Principal Secretary
 Andrew N. Kamau CBS


 Assistant Accountant General
 CPA Charles Liyayi Shidzugane
 ICPAK Number: 5068

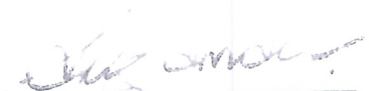
PETROLEUM DEVELOPMENT LEVY FUND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30TH JUNE 2020


V STATEMENT OF CASH FLOWS FOR THE PERIOD 30TH JUNE 2020

	Note	2019-2020	2018-2019
		shs	shs
Cash flows from operating activities			
Receipts for operating activities			
Fines, penalties and levies	1	1,622,000,000	1,873,500,000
Total Receipts		1,622,000,000	1,873,500,000
Payments for operating activities			
Grants and subsidies	2	996,797,982.50	1,637,570,568
Adjusted for;			
Refund to National Treasury	3	(235,929,432)	(307,676,074)
Net cash flows from operating activities		389,272,578	(71,746,642)
Net increase/(decrease) in cash and cash equivalents		389,272,578	(71,746,642)
Cash and cash equivalents at 1 JULY	4	235,929,432	307,676,074
Cash and cash equivalents at 30 JUNE	4	625,202,017.50	235,929,436

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

30-09-2020 and signed by:


Principal Secretary
Andrew N. Kamau CBS


Assistant Accountant General
CPA Charles Liyayi Shidzugane
ICPAK Number: 5068


PETROLEUM DEVELOPMENT LEVY FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

VI. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Tax Receipts	1,622,000,000	-	1,622,000,000	1,622,000,000	-	100%
Total Receipts	1,622,000,000	-	1,622,000,000	1,622,000,000	0	100%
PAYMENTS						
Transfers to Other Government Units	1,622,000,000	-	1,622,000,000	996,797,982.50	625,202,017.5	61%
Grand Total	1,622,000,000	0	1,622,000,000	996,797,982.50	625,202,017.5	61%

Notes: the under-absorption of 625,202,017.5 or 39% of the budgeted amount was 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 effected as outlined in the work plan for the financial year 2019/2020


Principal Secretary
Andrew N. Kamau CBS


Assistant Accountant General
CPA Charles Liyayi Shidzugane
ICPAK Number: 5068

PETROLEUM DEVELOPMENT LEVY FUND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30TH JUNE 2020

VII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

2. Reporting Entity

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

3. Reporting Currency

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

4. Significant Accounting Policies

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

a) Recognition of Receipts

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

Tax Receipts

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

Transfers from the Exchequer

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

PETROLEUM DEVELOPMENT LEVY FUND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30TH JUNE 2020

External Assistance

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

Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary.

In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30th June 2020, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

Other receipts

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

b) Recognition of payments

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

Compensation of Employees

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

Use of Goods and Services

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

Interest on Borrowing

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

Repayment of Borrowing (Principal Amount)

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

PETROLEUM DEVELOPMENT LEVY FUND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30TH JUNE 2020

Acquisition of Fixed Assets

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

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

5. In-kind contributions

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

6. Third Party Payments

Included in the receipts and payments, are payments made on its behalf to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties in the statement of receipts and payments as proceeds from foreign borrowings.

7. Cash and Cash Equivalents

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

8. Accounts Receivable

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

9. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an

PETROLEUM DEVELOPMENT LEVY FUND FINANCIAL STATEMENTS FOR THE
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enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

10. Pending Bills

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

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2020 for the period 1st July 2019 to 30th June 2020 as required by Law and there were two supplementary adjustments to the original budget during the year.

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

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

12. Comparative Figures

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

13. Subsequent Events

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

14. Errors

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

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

PETROLEUM DEVELOPMENT LEVY FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

15. Related Party Transactions

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

VIII . NOTES TO THE FINANCIAL STATEMENTS

1. Fines, penalties and Levies

Description	2019-2020	2018-2019
	shs	shs
Petroleum Development Levy (Appropriations In Aid)	1,622,000,000	1,873,500,000
Total	1,622,000,000	1,873,500,000

These refer to appropriations in Aid received through The National Treasury

2. Transfers to other Government Entities

Description	2019-2020	2018-2019
	Current year	Prior year
	shs	shs
Transfer to NOCK	110,000,000	250,000,000
Transfer to state Department of Petroleum (Development Account)	886,797,982.50	1,387,570,568
Total	996,797,982.50	1,637,570,568

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3. Refund to National Treasury

Description	2019-2020	2018-2019
	shs	shs
Surplus funds for the year	235,929,432	307,676,074
Total	235,929,432	307,676,074

4. Cash and cash equivalents

Description	2019-2020	2018-2019
	shs	shs
Current account	625,202,017.50	235,929,432.00
Total cash and cash equivalents	625,202,017.50	235,929,432.00

4 Cash and cash equivalents (continued)

4 (a) Detailed analysis of the cash and cash equivalents are as follows:

		2019-2020	2018-2019
Financial institution	Account number	shs	shs
a) Current account			
Central Bank of Kenya	1000319275	625,202,017.50	235,929,432.00
Sub- total		625,202,017.50	235,929,432.00

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5. Related party balances

Nature of related party relationships

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

- a) State Department of Petroleum,
- b) National Oil Corporation of Kenya (NOCK)

6. Related party balances (continued)

Related parties transactions

Description	2019-2020	2018-2019
	shs	shs
Transfer to NOCK	110,000,000	250,000,000
Transfer to state Department of Petroleum (Development Account)	886,797,982.50	1,387,570,568
Total	996,797,982.50	1,637,570,568

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STATE DEPARTMENT FOR PETROLEUM

TRIAL BALANCE AS AT 30TH JUNE 2020

	DEBIT	CREDIT
Receipts from the National Treasury		1,622,000,000
Transfer to state Department of Petroleum (Development Account)	886,797,982.50	
Transfer to NOCK	110,000,000.00	
Cash at Bank	625,202,017.50	
TOTAL	1,622,000,000.00	1,622,000,000