

REPUBLIC OF KENYA



*Enhancing Accountability*



# REPORT

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Leader, Majority party  
Miriam Mado

WEDNESDAY

CLERK AT THE TABLE

**THE AUDITOR-GENERAL**

**ON**

**PETROLEUM DEVELOPMENT  
LEVY FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2023**

**STATE DEPARTMENT FOR PETROLEUM**



**MINISTRY OF PETROLEUM AND MINING  
PETROLEUM DEVELOPMENT LEVY FUND**

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

**30<sup>TH</sup> JUNE, 2023**

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

**MINISTRY OF PETROLEUM & MINING - PETROLEUM DEVELOPMENT LEVY FUND**  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2023

**MINISTRY OF PETROLEUM & MINING - PETROLEUM DEVELOPMENT FUND**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2023**

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## **1. KEY ENTITY INFORMATION AND MANAGEMENT**

### **1.1 Background information**

The Ministry of Petroleum and Mining was established vide Executive Order No. 1 of 2020 on the Organization of the Government, with the mandate of providing policy and strategic management of the extractive sector. It was established to provide leadership in the management of the extractives sector in the country. Through the Executive Order No. 1 of 2023 on Organization of the Government of the Republic of Kenya, the Ministry was split into State Department for Petroleum, which was established as one of the two State Departments under the Ministry of Energy and Petroleum, and State Department for Mining, was established as a one of the State Departments in the ministry of Mining, Blue Economy and Maritime Affairs.

At Cabinet Level, the Ministry is represented by the Cabinet Secretary for Petroleum and Mining who is responsible for the general policy and strategic direction of the Ministry. The Ministry's mandate entails; development and implementation of Petroleum and Mining policies, programmes and projects, creating a favorable legal and regulatory environment for investments and building capacity among other functions.

#### **Vision statement**

Promote sustainable development of the extractive sector.

#### **Mission statement**

To enhance commercialization of discoveries, develop the requisite skills and infrastructure for production of oil, gas and mineral resources and improve access to competitive, reliable and secure supply of petroleum products.

#### **Core Values**

The Ministry is committed to developing and nurturing an organizational culture that supports effective realization of its mandate. The core values are aligned to the Constitution of Kenya, 2010.

- (i) Professional excellence;
- (ii) Integrity;
- (iii) Commitment to service delivery;
- (iv) Innovativeness;
- (v) Efficiency, transparency and accountability;
- (vi) Zero tolerance to corruption; and
- (vii) Non-partisan

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**1.2 Key Management**

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




No.	Designation	Name
1	Cabinet Secretary	Davis K. Chirchir
2	Principal Secretary, Petroleum	Mohamed Liban
3	Ag. Commissioner, Petroleum	Mr. Victor Mudachi
4	Secretary, Administration	Mr. M. B. Mohamed OGW
5	Senior Chief Finance Officer	CPA Dismas Ogot
6	D/D HRM&D	Mr. Eliud Mwaruah
7	Deputy Accountant General	Mrs. Veronica Kamau
8	Chief Economist	Ms. Lucy Gaithi
9	D/D SCMS	Ms. Joyce Ala

	<p><b>Mr. Mohamed Liban</b> <b>Principal Secretary</b></p> <p>Mr. Mohamed was appointed to the position in December, 2022. Prior to the appointment he was the Chairman of the Ewaso Ng'iro North Development Authority, a position he held from 2019. He has a wealth of Leadership capabilities having served as Regional Elections Coordinator under the Independent Electoral and Boundaries Commission from 2009 – 2017. Other Positions held include Regional Health manager with Kenya Red Cross Society of Kenya and Deputy Chief Clinical Officer at the Ministry of Health.</p>
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	<p>As the PS, he steers the Petroleum docket at the Ministry where he oversees implementation of Petroleum projects/operations. Mr. Liban holds a Masters of Public Health and Epidemiology from Kenyatta University, Higher National Diploma in Cataract Surgery from Kenya Medical Training college (KMTC), International Diploma in Community Eye Health from London University and Higher National Diploma in Ophthalmology from KMTC and have attended several Human Resource management Courses.</p>
	<p><b>Mr. Mohamed Birik Mohamed</b>  <b>Secretary, Administration</b></p> <p>Mr. Mohamed Birik assumed the position of Head of Administration in June, 2022. He is in charge of the overall Administration Function in the Department. Mr. Birik Holds a Master’s Degree in Peace and Conflict Resolution from Kenyatta University, Bachelors of Arts Degree in Education from University of Nairobi and Diploma in Public Administration. He has a wealth of expertise in Strategy &amp; Policy Development, Conflict Management &amp; Resolution, Financial Management, Performance Management and relationship skill.</p>
	<p><b>Mr. Victor Mudachi,</b>  <b>Ag. Commissioner, Petroleum</b></p> <p>Mr. Mudachi Victor assumed the position of Ag, Commissioner Petroleum in June, 2022. His Function include overall coordination of Petroleum Function: Upstream, Midstream and Downstream. Mr Mudachi holds BSC in Physics and Computer Science, Post Graduate Diploma in Management of Petroleum Operations and Development. Member of Society of Geophysicists (SEG) – USA, members of European Association of Geo-Scientists &amp; Engineers (EAGE)</p>

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	<p><b>CPA Dismas Ogot</b></p> <p><b>Senior Chief Finance Officer</b></p> <p>CPA Dismas Ogot assumed the position of Head of Finance Unit in 17<sup>th</sup> January, 2023. He is in charge of Public Finance Management; Budget preparation, coordination, implementation, control, monitoring and evaluation, budget reviews and periodic reporting, as by law provided. He holds an MBA (Strategic Management) and Honours Bachelor of Arts (Economics), of the University of Nairobi. He is a CPA (K) holder, and also a member of the ICPAK.</p>
	<p><b>Mr. Eliud Mwaruah,</b></p> <p><b>Deputy Director/HRM&amp;D</b></p> <p>Mr. Eliud Mwaruah assumed the position of Head, Human Resource Management and Development in March, 2023. He is in charge of managing the Human Resource Function in the Department including Training &amp; Development, and Governance Programmes for effective and efficient Service delivery. He holds an MBA Methodist University, a Bachelor of Arts degree in Political Science from the University of Nairobi and a Post graduate Diploma in Human Resource Management. A member of Institute of HRM and Institute of Directors Kenya.</p>
	<p><b>Ms. Veronica Kamau</b></p> <p><b>Deputy Accountant General</b></p> <p>Ms. Veronica Kamau assumed the position of Head of Accounting Unit in March, 2023 a position she holds to date. She is in charge of Accounting and Financial Reporting as well as designing, implementing and monitoring internal controls. She is responsible for the preparation of financial reports in line with the relevant International Public Sector Accounting Standards (IPSAS). She holds an MBA (Strategic Management), Bachelor of Commerce (Accounting Option) and she's a Certified Public Accountant of Kenya and a member of the Institute of Certified Public Accountants of</p>



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	<p>Kenya. She is a Certified ISO Auditor and attended several Management Courses including Women Managers Course, SLDP and others.</p>
	<p><b>Ms. Lucy Gaithi</b>  <b>Deputy Director, Planning and Project management</b></p> <p>Ms. Lucy Gaithi assumed the position of Head of Economic Planning in March, 2023 a position she holds to date. She is responsible for Coordination of Economic Planning and Monitoring implementation of Programmes and Projects in the State Department. She holds a Master of Management in Public and Development Management (MM P&amp;DM) from the University of Witswatersrand, Johannesburg South Africa and a Bachelor of Arts (Economics &amp; Statistics) from University of Nairobi. She is member of the Economist Society of Kenya (ESK).</p>

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	<p><b>Ms. Joyce Ala</b> <b>Deputy Director, Supply Chain Management Services (SCMS)</b></p> <p>Ms. Joyce Ala assumed the position of Head of Supply Chain Management Division in March, 2023 a position she holds to date. Her functions include: Procurement of Good and services and Disposal of Unserviceable/surplus Assets/Stores and Inventory Management. She holds an MBA (Strategic Managements) from Moi University, Bachelor of Arts in Business Administration from Daystar and Diploma in Supplies Management. She's a member of Kenya Institute of Supplies Management (No. 62400).</p>
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**2. Ministry of Petroleum and Mining, Headquarters**

P.O. Box 30582 – 00100  
KASNEB II Tower  
Hospital Road  
NAIROBI, KENYA

**3. Independent Auditors**

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

**4. Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi,  
E-mail: [info@ag.go.ke](mailto:info@ag.go.ke)  
Tel: 2542227461.  
Website: [www.ag.go.ke](http://www.ag.go.ke)

Kenya

**5. Ministry of Petroleum and Mining Bankers**

Kenya Commercial Bank

Kipande House Branch

**NAIROBI, KENYA**

## 2. STATEMENT OF RESPONSIBILITIES

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

The Accounting Officer in charge of the *Ministry of Petroleum and Mining* is responsible for the preparation and presentation of the Ministry of Petroleum and Mining financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

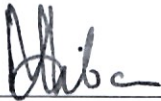
The Accounting Officer in charge of the *Ministry of Petroleum and Mining* accepts responsibility for the Ministry of Petroleum and Mining financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *Ministry of Petroleum and Mining* financial statements give a true and fair view of the state of Ministry of Petroleum and Mining transactions during the financial year ended June 30, 2023, and of the Ministry of Petroleum and Mining financial position as at that date. The Accounting Officer in charge of the *Ministry of Petroleum and Mining* further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the Ministry of Petroleum and Mining financial statements as well as the adequacy of the systems of internal financial control.

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


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**Approval of the financial statements**

The State Department for Petroleum's financial statements were approved and signed by the Accounting Officer on 18.01.24 and signed by



**Name: Mohamed Liban**  
**Accounting Officer**



**Name : Veronica Kamau**  
**Head of Accounting Unit**  
**ICPAK Number: 10669**

# REPUBLIC OF KENYA

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*Enhancing Accountability*

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON PETROLEUM DEVELOPMENT LEVY FUND FOR THE YEAR ENDED 30 JUNE, 2023 – STATE DEPARTMENT FOR PETROLEUM**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Petroleum Development Levy Fund set out on pages 1 to 16, which comprise of the statement of financial assets and

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*Report of the Auditor-General on Petroleum Development Levy Fund for the year ended 30 June, 2023 – State Department for Petroleum*

financial liabilities as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Petroleum Development Levy Fund as at 30 June, 2023, 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, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies in Receipts**

The statement of receipts and payments reflect total receipts totalling Kshs.22,566,128,572. However, review of bank statements revealed total receipts amounting to Ksh.22,591,370,481 resulting to an unexplained variance of Ksh.25,241,909.

In the circumstances, the accuracy and completeness of receipts amounting to Kshs.22,566,128,572 could not be confirmed.

#### **2. Unsupported Stabilization of Petroleum Pump Prices Payments**

The statement of receipts and payments reflects transfers to other Government entities amounting to Kshs.22,330,147,344, as disclosed in Note 3 to the financial statements. The amount includes Kshs.20,360,000,000 in respect of transfer to the Ministry of Petroleum and Mining - fuel subsidy (recurrent account). However, review of the fuel subsidy program revealed the following weaknesses and anomalies:

- i. During the year under review, a Multi-Agency Team was established by the Cabinet Secretary for Energy and Petroleum in line with The National Treasury recommendation communicated in July, 2022. However, the team was yet to review the total resource requirement and assess the sustainability of the fuel price stabilization programme in line with The National Treasury recommendation. This was despite continued funding requests for petroleum price stabilization during the year under review.
- ii. There was no governance framework for stabilization of fuel prices and compensation mechanisms as required by the Petroleum Development Levy Order, 2020 and The National Treasury recommendation.

- iii. During the year under review, the State Department settled an outstanding stabilization amount of Kshs.17,998,773,645 owed to forty-seven (47) oil marketing companies through Treasury Bond instrument. However, the amount was not supported by volumes compensated and the pricing cycles the amount related to was not indicated.
- iv. During the year under review, the State Department for Petroleum requested a total of Kshs.63,096,088,490 from The National Treasury for purposes of fuel price stabilization. The requests were in respect of June-July 2022, July-August, 2022 and August-September, 2022 pricing cycles. However, review of expenditure records revealed that payments amounting to Kshs.1,297,048,608 related to April-May,2022 and May-June, 2022 pricing cycles which were not part of the funding requests and computation schedules.
- v. An amount of Kshs.1,197,097 was paid in respect of pump prices stabilization of petroleum products imported under Government-to-Government (G to G) oil importation arrangement. However, bilateral agreements governing the purchase of refined petroleum products between the Government of Kenya and that of the United Arab Emirates (UAE) were not provided for audit review. In addition, Supply Purchase Agreements (SPAs) with three oil companies supplying the products were not provided for review.

In the circumstances, the accuracy, completeness, and regularity of subsidy payments totalling Kshs.20,360,000,000 could not be confirmed.

### **3. Unaccounted for Expenditure and Transfers to Other Government Entities**

The statement of receipts and payments and Note 3 to the financial statements reflects an amount of Kshs.22,330,147,344 in respect of transfers to other Government entities. The balance includes an amount of Kshs.220,000,000 and Kshs.75,000,000 transferred to the National Oil Corporation of Kenya (NOCK) and the Energy and Petroleum Regulatory Authority (EPRA) respectively. However, approved budgets from the two entities, work plans and cost statements for oil and gas exploration activities, oil exploration and monitoring reports to support the transfers were not provided for audit. In addition, no documentation including the framework agreement for the transfer was provided in support of the amount.

Further, Management transferred a total of Kshs.1,675,147,344 from the Fund to the State Department for Petroleum development account during the year. However, no supporting evidence was provided for audit, to demonstrate that the transferred funds were used in accordance with Section 4(4) of the Petroleum Development Act, 1991 states that; "there shall be paid out of the Fund such monies as necessary for development of common facilities for distribution or leasing of oil products and for matters relating to development of oil industry as the Minister may direct." Further, the Petroleum Development Levy Order No.124 issued on 10 July, 2020 provided that the levy should be used for matters relating to development of the oil industry including stabilization of local petroleum pump prices.



In the circumstances, the accuracy, completeness, and regularity of transferred amount of Kshs.22,330,147,344 could not be confirmed.

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

### **Key Audit Matters**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were

operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

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

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls 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 controls 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 controls 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 controls.
- 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 Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Fund to continue 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 continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

**Nairobi**

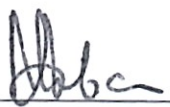
**23 February, 2024**


**MINISTRY OF PETROLEUM & MINING - PETROLEUM DEVELOPMENT FUND**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2023**

**4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2023**

Description	Note	2022-2023	2021-2022
		<b>Kshs</b>	<b>Kshs</b>
<b>Revenue from Non-exchange transactions</b>			
Fines, penalties and levies	1	2,206,128,572	1,663,528,571
Subsidies	2	20,360,000,000	22,112,877,759
<b>Total revenue</b>		<b>22,566,128,572</b>	<b>23,776,406,330</b>
<b>Payments</b>			
Transfers to other Government Entities	3	22,330,147,344	23,572,772,102
<b>Total Payments</b>		<b>22,330,147,344</b>	<b>23,572,772,102</b>
<b>Surplus</b>		<b>235,981,228</b>	<b>203,634,228</b>

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 18.01.24 and signed by:

  
 Name: Mohamed Liban  
 Accounting Officer

  
 Name: Veronica Kamau  
 Head of Accounting Unit  
 ICPAK Number: 10669

MINISTRY OF PETROLEUM & MINING - PETROLEUM DEVELOPMENT FUND  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2023


5. STATEMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS AT  
30<sup>TH</sup> JUNE, 2023

	Not e	2022-2023	2021-2022
<b>Financial Assets</b>			
<b>Current assets</b>			
Bank balances	6	237,733,213	203,634,228
Receivable from Treasury			0
<b>Total financial assets</b>		<b>237,733,213</b>	<b>203,634,228</b>
<b>Represented by</b>			
Fund balance b/fwd	4	203,634,228	300,322,197
Refund to National Treasury	5	(201,882,243)	(300,322,197)
Surplus for the year		235,981,228	203,634,228
<b>Net financial position</b>		<b>237,733,213</b>	<b>203,634,228</b>

The Accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 18.01.24 and signed by:



Name: Mohamed Liban  
Accounting Officer



Name : Veronica Kamau  
Head of Accounting Unit  
ICPAK Number: 10669

MINISTRY OF PETROLEUM & MINING - PETROLEUM DEVELOPMENT FUND  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2023

6. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2023

	Note	2022-2023	2021-2022
<b>Cash flows from operating activities</b>			
<b>Receipts for operating activities</b>			
Receipts from the National Treasury	1 & 2	22,566,128,572	23,776,406,330
<b>Total Receipts</b>		<b>22,566,128,572</b>	<b>23,776,406,330</b>
<b>Payments for operating activities</b>			
Grants and subsidies	3	22,330,147,344	23,572,772,102
Adjusted for;			
Refund to National Treasury/Adjustment	5	(201,882,243)	(300,322,197)
<b>Net cash flows from operating activities</b>		<b>34,098,985</b>	<b>(96,687,969)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>34,098,985</b>	<b>(96,687,969)</b>
Cash and cash equivalents at the beginning	8	203,634,228	300,322,197
<b>Cash and cash equivalents at end</b>	7	<b>237,733,213</b>	<b>203,634,228</b>

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 15.01.24 and signed by:



Name: Mohamed Liban  
Accounting Officer



Name: Veronica Kamau  
Head of Accounting Unit  
ICPAK Number: 10669

7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR FINANCIAL YEAR 2022/23

Revenue/Expense Item	Original Budget	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	A	c=a+b	D	e=c-d	f=d/c %
<b>RECEIPTS</b>					
Tax Receipts	2,206,128,572	2,206,128,572	2,206,128,572	0	100%
Subsidies		20,360,000,000	20,360,000,000		100%
<b>Total Receipts</b>	<b>2,206,128,572</b>	<b>22,566,128,572</b>	<b>22,566,128,572</b>	-	<b>100%</b>
<b>PAYMENTS</b>					
Transfers to other Government Entities	295,000,000	295,000,000	295,000,000	-	-
Transfer to Ministry of Petroleum and Mining	1,911,128,572	1,911,128,572	1,675,147,344	235,981,228	88%
Subsidies		20,360,000,000	20,360,000,000	-	100%
<b>Grand Total</b>	<b>2,206,128,572</b>	<b>22,566,128,572</b>	<b>22,330,147,344</b>	<b>235,981,228</b>	<b>99%</b>



Name: Mohamed Liban  
Accounting Officer



Name: Veronica Kamau  
Head of Accounting Unit  
ICPAK Number: 10669



## **8. 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.

### **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 30<sup>th</sup> June 2022, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

### **Other receipts**

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

#### **b) Recognition of payments**

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

### **Compensation of Employees**

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

### **Use of Goods and Services**

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

### **Interest on Borrowing**

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

### **Repayment of Borrowing (Principal Amount)**

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

### **Acquisition of Fixed Assets**

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

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

## **5. In-kind contributions**

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

## **6. Third Party Payments**

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

## **7. Cash and Cash Equivalents**

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

## **8. Accounts Receivable**

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

## **9. Accounts Payable**

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

## **10. Pending Bills**

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

## **11. Budget**

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

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

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

## **12. Comparative Figures**

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

## **13. Subsequent Events**

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

## **14. Errors**

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

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

## **15. Related Party Transactions**

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

**MINISTRY OF PETROLEUM & MINING - PETROLEUM DEVELOPMENT LEVY FUND**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2023**

**9. NOTES TO THE FINANCIAL STATEMENTS**

**1. Fines, penalties and levies**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Petroleum Development Levy (Appropriations In Aid)	2,206,128,572	1,663,528,571
<b>Total</b>	<b>2,206,128,572</b>	<b>1,663,528,571</b>

**2. Subsidies**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Fuel Subsidies	20,360,000,000	22,112,877,759
<b>Total</b>	<b>20,360,000,000</b>	<b>22,112,877,759</b>

**3. Transfers to other Government Entities**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>kshs</b>
Transfer to NOCK	220,000,000	220,000,000
Transfer to EPRA	75,000,000	200,000,000
Transfer to Ministry of Petroleum and Mining (Development Account)	1,675,147,344	1,041,646,328
Transfer to Ministry of Petroleum and Mining-Fuel Subsidy (Recurrent Account)	20,360,000,000	22,111,125,774
<b>Total</b>	<b>22,330,147,344</b>	<b>23,572,772,102</b>

**MINISTRY OF PETROLEUM & MINING - PETROLEUM DEVELOPMENT LEVY FUND**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2023**

NOTES TO THE FINANCIAL STATEMENTS Cont..

**4. Fund Balance Brought Forward**

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank	203,634,228	300,322,197
<b>Total</b>	<b>203,634,228</b>	<b>300,322,197</b>

**5. Refund to National Treasury/Adjustment**

Description	2022-2023	2021-2022
	Kshs	Kshs
Refund to National Treasury	201,882,243	300,322,197
<b>Total</b>	<b>201,882,243</b>	<b>300,322,197</b>

**6. Bank Balances**

Financial institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
<b>1. Current account</b>			
Central Bank of Kenya	1000513497	237,733,213	203,634,228
<b>Sub- total</b>		<b>237,733,213</b>	<b>203,634,228</b>

**MINISTRY OF PETROLEUM & MINING - PETROLEUM DEVELOPMENT LEVY FUND**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2023**

**7. Cash and cash equivalents at the end**

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank balance	237,733,213	203,634,228
<b>Total</b>	<b>237,733,213</b>	<b>203,634,228</b>

**8. Cash and cash equivalents at the beginning**

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank balance	203,634,228	300,322,197
<b>Total</b>	<b>203,634,228</b>	<b>300,322,197</b>



**MINISTRY OF PETROLEUM & MINING - PETROLEUM DEVELOPMENT LEVY FUND**

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2023

**MINISTRY OF PETROLEUM & MINING - PETROLEUM DEVELOPMENT LEVY FUND**  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2023

**10. ANNEXES**

**1. Related party balances**

**Nature of related party relationships**

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

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

**2. Related party balances**

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfer to NOCK	220,000,000	220,000,000
Transfer to EPRA	75,000,000	200,000,000
Transfer to Ministry of Petroleum and Mining (Development Account)	1,675,147,344	1,041,646,328
Transfer to Ministry of Petroleum and Mining (Recurrent Account)	20,360,000,000	22,111,12,774
<b>Total</b>	<b>22,330,147,344</b>	<b>23,572,772,102</b>

**MINISTRY OF PETROLEUM & MINING - PETROLEUM DEVELOPMENT LEVY FUND**  
 ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2023

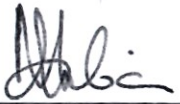
**3. Trial Balance For The Period 30th June, 2023**

Description	2022-2023	
	Dr. Kshs	Dr. Kshs
Bank Balance	237,733,213	
Transfer to NOCK	220,000,000	
Transfer to EPRA	75,000,000	
Transfer to Ministry of Petroleum and mining (Development Account)	1,675,147,344	
Transfer to Ministry of Petroleum and mining (Recurrent Account)	20,360,000,000	
Tax Receipts		22,566,128,572
Refund to National Treasury	201,882,243	
Bal b/f		203,634,228
<b>Total</b>	<b>22,769,762,800</b>	<b>22,769,762,800</b>

**11. PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITOR'S RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	Unaccounted expenditures and transfers to other Government entities	The transfers and expenditures were accounted for in he respective entities where disbursement was made	Accounting officer	Not resolved	

  
 \_\_\_\_\_  
 Principal Secretary

  
 \_\_\_\_\_  
 Head of Accounting Unit