

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
PETROLEUM DEVELOPMENT LEVY  
FUND**

**FOR THE YEAR ENDED  
30 JUNE 2017**

**STATE DEPARTMENT OF PETROLEUM**



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**MINISTRY OF ENERGY AND PETROLEUM**

**STATE DEPARTMENT FOR PETROLEUM**

**PETROLEUM DEVELOPMENT LEVY FUND**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2017**

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

PETROLEUM DEVELOPMENT FUND  
Reports and Financial Statements  
For the year June 30, 2017

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## **I. KEY FUND INFORMATION AND MANAGEMENT**

### **STATE DEPARTMENT FOR PETROLEUM 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, the State Department for Petroleum is represented by the Cabinet Secretary for Ministry of Energy and Petroleum, who is responsible for the general policy and strategic direction of the State Department for Petroleum. The operations of the Fund of the State Department of Petroleum started in July 2016 when the State Department separated from the State Department of Energy.

#### **(b) Key Management**

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

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Cabinet Secretary	Hon. Charles Keter, (MGH)
2.	Principal Secretary	Mr. Andrew N. Kamau (CBS)
3.	Senior Deputy Secretary	Mr. Francis Ongaki
4.	Secretary Petroleum	Martin Heya
5.	Senior Ass. Director HRM&D	Agnes Muthuo
6.	Senior Chief Finance Officer	Melissa Musoma
7.	Deputy Chief Economist	Electine Nanzala
8.	Ag. Ass. Accountant General	CPA Mary A. C. Wanyonyi
9.	PSCMO	Samuel Mativo

#### **(c) Ministry of Energy and Petroleum, Headquarters**

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

PETROLEUM DEVELOPMENT FUND  
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**(d) State Department for Petroleum**

Telephone: (254) (020) 3310112  
E-mail: [pspetroleum@energy.go.ke](mailto:pspetroleum@energy.go.ke)  
Website: [www.go.ke](http://www.go.ke)

**(e) Independent Auditors**

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

**(f) Principal Legal Adviser**

Attorney General  
E-mail: [info@ag.go.ke](mailto:info@ag.go.ke)  
Tel : 2542227461.  
Website: [www.ag.go.ke](http://www.ag.go.ke)

**(g) State Department for Petroleum Bankers**

**Central Bank of Kenya**  
Haile Selassie Avenue  
**NAIROBI, KENYA**

## PETROLEUM DEVELOPMENT FUND




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### KEY FUND INFORMATION AND MANAGEMENT ( CONTINUED)

 <p><b>Hon. Charles Keter, EGH</b> Cabinet Secretary, Ministry of Energy and Petroleum</p>	<p>Hon. Charles Keter was appointed Cabinet Secretary, Ministry of Energy &amp; Petroleum, in December 2015. He had previously served as an Assistant Minister in the same Ministry between 2008 and 2010. As Kenya's Cabinet Secretary Hon. Charles Keter is responsible for the oversight, policy and governance of the Ministry's mandate which is to facilitate the provision of clean, sustainable, affordable, reliable, secure and quality energy and Petroleum services for national development while protecting the environment. He holds a Global Executive MBA from the United States International University (USIU) - Africa and a Bachelor's Degree in Double Maths from Kenyatta University.</p>
 <p><b>Mr. Andrew N. Kamau, CBS</b> Principal Secretary, STATE DEPARTMENT of Petroleum</p>	<p>Mr. Andrew Ng'ang'a Kamau has wide experience in Petroleum energy gained from several years in leadership positions in the private sector. Prior to his appointment as Principal Secretary for Petroleum, he was the Chief Executive Officer of Bracewell Energy which has interests in mining, energy and natural resources. As PS, he steers the Petroleum docket at the Ministry where he will oversee implementation of Petroleum projects. He holds a Bachelor of Science degree in Chemistry from the University of Nairobi.</p>
 <p><b>Mr. Martin M. Heya, OGW,</b> Secretary, Petroleum</p>	<p>Mr. Martin Heya was appointed Secretary, Petroleum in June 2017 having served as Commissioner for Petroleum in from 2009. Among others, Mr. Heya 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 in Petroleum Geoscience from the University of Adelaide, Australian.</p>
 <p><b>Mr. Francis M. Ongaki, OGW</b> Senior Deputy Secretary</p>	<p>Mr. Francis M. Ongaki is the Senior Deputy Secretary, STATE DEPARTMENT of Petroleum. He has held similar positions in the Ministry of East African Community as well as the then Ministry of Lands. His professional courses, undertaken both locally and internationally, include Policy Formulation, Financial Management, Corporate Governance and Strategic Leadership Development.</p>
 <p><b>Ms. Melisa Musoma</b> Senior Chef Finance Officer</p>	<p>Ms. Melisa Musoma has served in the Civil Service for over 30 years and as a Senior Chief Finance Officer for more than seven years. She joined the STATE DEPARTMENT of Petroleum in August 2016 where she is responsible for all Budget matters. Ms Musoma holds a Bachelor's Degree in Economics from the University of Nairobi.</p>

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 <p><b>Ms. Electine M. Nanzala</b> 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><b>MS. Agnes Muthuo,</b> SAD/HRM&amp;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 Masters of Science 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>
 <p><b>Mrs. Mary A. C. Wanyonyi</b> Ag Assistant Accountant General</p>	<p>Mrs. Mary .A. C. Wanyonyi assumed the position of Head of Accounting Unit State Department for Petroleum in May 2016. She is in charge of Accounting and Financial Reporting as well as designing, implementing and monitoring internal control relevant to the preparation and for presentation of financial statements in line with the relevant International Public Sector Accounting Standards (IPSAS). She holds an MBA from ESAMI and Bachelor of Commerce (Accounting) from Panjab University. She is a CPA (K), FA and also a member of the ICPAK and ICIFA. She has served on the Board of Cooperative University College, Kenyatta National Hospital and Maasai Mara University.</p>
 <p><b>Mr. Samuel N. Mativo,</b> PSCMO</p>	<p>Mr. Samuel Ngenzi Mativo assumed the position of HSCMS in the STATE DEPARTMENT of Petroleum in May, 2015. He is in charge of providing Procurement Services and Overseeing implementation of PPADA 2016 ACT. He holds a MSC in Economics from Marathwada University, India.</p>

## II. STATEMENT OF STATE DEPARTMENT FOR PETROLEUM MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 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.

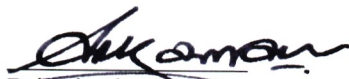
The Accounting Officer in charge of the *Ministry of Energy and Petroleum State Department for Petroleum* is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2017. 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 Energy and Petroleum State Department for Petroleum* accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2017, and of the entity's financial position as at that date. The Accounting Officer charge of the *Ministry of Energy and Petroleum State Department for Petroleum* further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the *Ministry of Energy and Petroleum State Department for Petroleum* confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's 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 entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

### Approval of the financial statements

The financial statements were approved and signed by the Accounting Officer on 30th September 2017.

  
Principal Secretary  
Andrew Kamau CBS

  
Principal Accounts Controller  
CPA Mary A C Wanyonyi  
ICPAK Member Number: 10366

# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON PETROLEUM DEVELOPMENT LEVY FUND - STATE DEPARTMENT OF PETROLEUM FOR THE YEAR ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

##### Opinion

I have audited the accompanying financial statements of Petroleum Development Levy Fund set out on pages 8 to 17, which comprise the statement of assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya, and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Petroleum Development Levy Fund – State Department of Petroleum, Ministry of Energy and Petroleum as at 30 June 2017, 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 Petroleum Development Fund Act, Cap 426C.

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

##### Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Petroleum Development Levy Fund – State Department of Petroleum in accordance with ISSAI 30 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 which, in my professional judgment, are of most significant in the audit of the financial statements. There were no Key Audit Matters to report in the year under review.

## **Responsibilities of Management and those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements which are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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. Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

## **Auditor-General's Responsibilities for the Audit of the Financial Statements**

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 which 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 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.

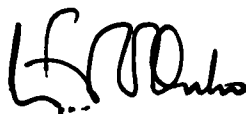
As part of an audit in conducted accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures which are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Fund's ability to sustain 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 to cease 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 of the 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 which 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 which may reasonably be thought to bear on my independence, and where applicable, related safeguards.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**


**02 March 2018**


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**III. STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2016-2017	2015-2016
		Kshs	Kshs
<b>RECEIPTS</b>			
Petroleum Development Levy	<b>1</b>	1,052,500,000	-
<b>TOTAL REVENUES</b>		<b>1,052,500,000</b>	-
<b>PAYMENTS</b>			
Use of goods and services - Transferred to Ministry		80,000,000	-
Transfers to Other Government Units NOCK	<b>2</b>	250,000,000	-
Acquisition of Assets - Transferred to Ministry	<b>3</b>	240,000,000	-
<b>TOTAL PAYMENTS</b>		<b>570,000,000</b>	-
<b>SURPLUS/DEFICIT</b>		<b>482,500,000</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 30th September 2017 and signed by:

  
 Principal Secretary  
 Andrew Kamau CBS


  
 Principal Accounts Controller  
 CPA Mary A C Wanyonyi  
 ICPAK Member Number: 10366


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**IV. STATEMENT OF ASSETS AND LIABILITIES**

	Note	2016-2017	2015-2016
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	4	482,500,000	-
<b>Total Cash And Cash Equivalents</b>		<b>482,500,000</b>	-
<b>TOTAL FINANCIAL ASSETS</b>		<b>482,500,000</b>	-
<b>NET FINANCIAL ASSETS</b>		<b>482,500,000</b>	-
<b>REPRESENTED BY</b>			
<b>Fund balance b/fwd</b>		-	
<b>Surplus/Deficit for the year</b>		<b>482,500,000</b>	-
<b>NET FINANCIAL POSITION</b>		<b>482,500,000</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 30th September 2017 and signed by:

  
 Principal Secretary  
 Andrew Kamau CBS

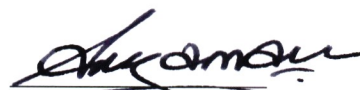
  
 Principal Accounts Controller  
 CPA Mary A C Wanyonyi  
 ICPAK Member Number:10366


PETROLEUM DEVELOPMENT FUND  
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**V. STATEMENT OF CASH FLOWS**

	Note	2016-2017	2015-2016
		Kshs	Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Petroleum Development Levy	1	1,052,500,000	
<b>Payments for operating expenses</b>			
Use of goods and services		80,000,000	-
Transfers to Other Government Units	2	250,000,000	-
		<b>330,000,000</b>	
Adjusted for:			
Changes in payables		-	
<b>Net cashflow from operating activities</b>		<b>722,500,000</b>	-
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	3	(240,000,000)	-
<b>Net cash flows from Investing Activities</b>		<b>(240,000,000)</b>	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>482,500,000</b>	-
<b>Cash and cash equivalent at BEGINNING of the year</b>		-	
<b>Cash and cash equivalent at END of the year</b>		<b>482,500,000</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 30th September 2017 and signed by:

  
 Principal Secretary  
 Andrew Kamau CBS

  
 Principal Accounts Controller  
 CPA Mary A C Wanyonyi  
 ICPAK Member Number:10366

**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=d-c	f=d/c %
<b>RECEIPTS</b>						
Tax Receipts	1,052,500,000		1,052,500,000	1,052,500,000		100%
<b>TOTAL RECEIPTS</b>	<b>1,052,500,000</b>	-	<b>1,052,500,000</b>	<b>1,052,500,000</b>	-	<b>1</b>
<b>PAYMENTS</b>						
Use of goods and services	85,000,000		85,000,000	80,000,000	5,000,000	94%
Transfers to Other Government Units	250,000,000		250,000,000	250,000,000	-	100%
Acquisition of Assets	717,500,000		717,500,000	240,000,000	477,500,000	33%
<b>TOTAL PAYMENTS</b>	<b>1,052,500,000</b>		<b>1,052,500,000</b>	<b>570,000,000</b>	<b>482,500,000</b>	<b>54%</b>

## 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) financial reporting under the cash basis of Accounting, as prescribed by the Public Sector Accounting Standard Board (PSASB) and set out from time to time.

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 receivables and payables are disclosed in the Statement of Assets and Liabilities. The Statement of Assets and Liabilities is not mandatory statement under the IPSAS Cash basis but is encouraged in order to disclose information on assets and liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

### 2. **Reporting entity**

The financial statements are for the **Ministry of Energy State Department for Petroleum** The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

### 3. **Recognition of receipts and payments**

#### **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 is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

## **SIGNIFICANT ACCOUNTING POLICIES (CONT)**

### **Transfers from the Exchequer**

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

### **External Assistance**

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

#### **Donations and grants**

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

#### **Proceeds from borrowing**

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the entity or any other debt the Entity may take on will be treated on cash basis and recognized as receipts during the year of receipt.

#### **Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30th June 20XX, 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 expenses when the event occurs and the related cash has actually 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.

## SIGNIFICANT ACCOUNTING POLICIES (CONT)

### **Use of goods and services**

Goods and services are recognized as payments in the period when the goods/services are consumed and 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 incurred and 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 disclosure. This summary is disclosed as an annexure to the entity's financial statements.

#### **4. 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 an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

#### **5. 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.

**SIGNIFICANT ACCOUNTING POLICIES (CONT)**

**Restriction on cash**

Restricted cash represents amounts that are limited /restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits.

There were no other restrictions on cash during the year

**6. 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.

PETROLEUM DEVELOPMENT FUND  
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**VIII. NOTES TO THE FINANCIAL STATEMENTS**

**1) TAX REVENUES**

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Petroleum Development Levy ( AIA)		-
AIA	789,375,000	-
AIA	263,125,000	
<b>TOTAL</b>	<b>1,052,500,000</b>	-

**2) GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES**

	2016 - 2017	2015 - 2016
	Kshs	Kshs
Transfers to National Oil Corporation Kenya (NOCK)	62,500,000	-
Transfers to National Oil Corporation Kenya (NOCK)	187,500,000	
<b>TOTAL</b>	<b>250,000,000</b>	-

**NB; The inter Fund reconciliations have been done.**

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3) ACQUISITION OF ASSETS

	2016 – 2017	2015 – 2016
	Kshs	Kshs
<b>Non-Financial Assets</b>		
Pre-feasibility, feasibility and appraisal studies other infrastructure and civil works	50,000,000	-
Pre-feasibility , feasibility and Appraisal studies other infrastructure and civil works	60,000,000	-
Pre-feasibility , feasibility and appraisal studies other infrastructure and civil works	60,000,000	-
Pre- feasibility and appraisal studies other infrastructure and civil works	70,000,00	-
<b>TOTAL</b>	<b>240,000,000</b>	<b>-</b>

4) BANK ACCOUNTS

Name of Bank, Account No. & currency	Currency	Type of Account	2016 – 2017	2015 - 2016
Central Bank of Kenya-1000319275	ksh	Fund	482,500,000	-
<b>Total</b>			<b>482,500,000</b>	<b>-</b>

