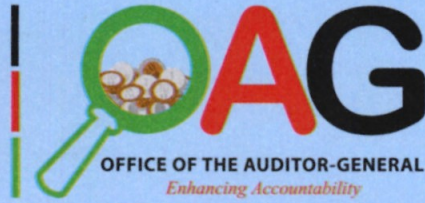



REPUBLIC OF KENYA



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|  THE NATIONAL ASSEMBLY PAPERS LAID | |
| DATE: 08 APR 2026 | DAY. WEDNESDAY |
| TABLED BY: | Hon. DIDO RASO, MP ON BEHALF OF LOM |
| CLERK-AT THE-TABLE: | J. LEMBRILLE |

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REPORT

OF

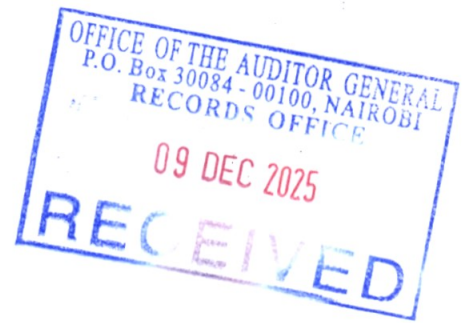
THE AUDITOR-GENERAL

ON

**RECEIVER OF REVENUE FINANCIAL
STATEMENTS**

**FOR THE YEAR ENDED
30 JUNE, 2025**

STATE DEPARTMENT FOR MINING



**STATE DEPARTMENT FOR MINING
NATIONAL GOVERNMENT**

**RECEIVER OF REVENUE ANNUAL REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 30th JUNE 25

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

STATE DEPARTMENT FOR MINING
Revenue Statements for the year ended 30th June 2025

1. Acronyms and Definitions of Key Terms

a) Acronyms

| | |
|-------|--|
| TNT | The National Treasury |
| PFM | Public Finance Management |
| PSASB | Public Sector Accounting Standards Board |
| RoR | Receiver of Revenue |
| CBK | Central Bank of Kenya |
| GRB | Geologist Registration Board |
| IPSAS | International Public Sector Accounting Standards |
| MRB | Mineral Rights Board |
| NAGS | National Airborne Geological Surveys |
| NMC | National Mining Corporation |

b) Definition of Key Terms

| | |
|---------------|--|
| Exchequer | The Government account into which all public revenues, including taxes, royalties, levies, and other receipts, are deposited, and from which withdrawals are made to fund government expenditure as authorized by Parliament. It constitutes the Consolidated Fund, managed by The National Treasury. (Public Finance Management Act, 2012) |
| Revenue | All the funds collected by the government from various sources, which are used to finance public expenditures and support economic development (PFM Act, 2012). |
| Royalty | A statutory payment made by a mineral rights holder to the Government of Kenya as compensation for the extraction of mineral resources. It is usually calculated as a percentage of the gross sales value or gross value of minerals produced, as prescribed in the First Schedule of the Act. Royalties constitute a form of consideration to the State for allowing private entities to exploit publicly owned natural resources (Mining Act, 2016) |
| Mineral right | A legal authorization granted to an individual or entity to undertake activities related to the exploration, prospecting, retention, mining, processing, or trading of minerals within Kenya. Mineral rights are issued in the form of licenses, permits, or leases, and they confer upon the holder specific rights and obligations, including payment of royalties, compliance with environmental and social safeguards, and adherence to reporting requirements (Mining Act, 2016). |

STATE DEPARTMENT FOR MINING
Revenue Statements for the year ended 30th June 2025

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2. Key Entity Information and Management

(a) Background information

The Ministry of Mining was first established by the Executive Order No.2 of 2013 with four departments, namely; Resource Surveys and Remote Sensing (DRSRS), Mines, Geological Surveys and Shared Services. During re-organization of the Government through Executive Order No.1 of 2016, the Ministry's mandate was expanded to include Mining Capacity Development. In the Executive Order No. 1 of 2018, The Ministry of Mining was merged with State Department for Petroleum to form the then Ministry of Mining and Petroleum. The Ministry comprised of two State Departments; the State Department for Petroleum and the State Department for Mining.

Following further re-organization of Government vide Executive Order No.1 of February 2021 the two State Departments were merged to constitute the Ministry of Petroleum and Mining under one Cabinet Secretary and Principal Secretary. The Executive Order No. 1 of January 2023 re-organized the Ministry of Mining and Petroleum and created the State Department for Mining in the Ministry of Mining, Blue Economy and Maritime Affairs whereas the State Department for Petroleum domiciled in the Ministry of Energy and Petroleum. The State Department for Mining is under the Ministry of Mining, Blue Economy and Maritime Affairs. At Cabinet level, the State Department for Mining is represented by the Cabinet Secretary for Mining, Blue Economy and Maritime Affairs, who is responsible for the general policy and strategic direction of the State Department for Mining. The State Department for Mining was designated as a Receiver on 15th August 2024 by the Cabinet Secretary, National Treasury in accordance with Section 75 of the PFM Act, 2012.

(b) Principal activities

The mandate of the State Department for Mining is derived from the Executive Order No.1 of January, 2023 on the Organization of Government of the Republic of Kenya includes: -

- (i) Development of policies on the extractive industry;
- (ii) Undertaking mineral exploration and mining policy management;
- (iii) Maintaining an inventory and mapping of mineral resources;
- (iv) Development of mining and minerals development policies and standards;
- (v) Maintenance of Geological Data (Research, Collection, Collation, Analysis);
- (vi) Policies on the Management of Quarrying of Rocks and Industrial Minerals;
- (vii) Mining Capacity Development and Value Addition; and
- (viii) Management of Health Conditions and Health and Safety in Mines.

The State Department for Mining collects revenue from Levy on Cement Minerals, Mineral Export Licence Fees, as well as royalties from companies such as: Carbon Dioxide CO₂ Ltd, Tata Chemicals Magadi and mining royalties from quarries and gemstone mining. Revenue collected is remitted to the National Treasury's Exchequer Account (Consolidated Fund).

STATE DEPARTMENT FOR MINING
Revenue Statements for the year ended 30th June 2025

Further, the State Department for Mining superintends over one Semi-Autonomous Agency (SAGA), one (1) Advisory and one (1) Regulatory Board:

- i. National Mining Corporation (NAMICO) - SAGA;
- ii. Mineral Rights Board (MRB) - Advisory; and
- iii. Geologists Registration Board (GRB) - Regulatory.

(c) Key Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

| No. | Designation | Name |
|-----|--|-----------------------------|
| 1 | Cabinet Secretary | Hon. Hassan Ali Joho, E.G.H |
| 2 | Accounting Officer | Harry Kimtai, C.B.S |
| 3 | Secretary Administration | David Onyancha, O.G.W |
| 4 | Secretary Geological Survey | Enoch Kipseba |
| 5 | Secretary Mining | Thomas Mutwiwa |
| 6 | Director of Licensing, compliance and Enforcement Services | Gregory N. Kituku |
| 7 | Director of Commercial Explosives | Abel Chumba |
| 8 | Director of Geological Survey and Research | Martin Nyakinye |
| 9 | Director of Mineral Exploration and Evaluation | Paul Mwadime |
| 10 | Director of Environmental and Engineering Geology | John Ogalo |
| 11 | Deputy Director- Supply Chain Management System | Samuel Muthama |
| 12 | Director- Human Resource Management and Development | Francis Mutisya |
| 13 | Director- Central Planning and Project Monitoring Department | Paul Mirie |
| 14 | Senior Chief Finance Officer | Samuel K. Waithaka |
| 15 | Senior Deputy Accountant General | Omuse Martin Ainea |
| 16 | Director Public Communications | Alex Kazungu Chai |
| 17 | Senior State Counsel | Patricia Mabil |
| 18 | Head of ICT | James Njiru |

Key Entity Information and Management (continued)

(d) Entity Headquarters

P.O BOX 30009-00100
Works Building
Ngong Road
NAIROBI, KENYA

(e) Entity Contacts

Telephone: **02-2721074**
E-mail: ps@Mining.go.ke
Website: Website:mibema.go.ke

(f) Independent Auditors

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

(g) Principal Legal Adviser

Office of the Attorney General and Department of Justice
Sheria House, Harambee Avenue
P.O. Box 40112
GPO 00100
Nairobi, Kenya

(h) Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
NAIROBI, KENYA

STATE DEPARTMENT FOR MINING
Revenue Statements for the year ended 30th June 2025

3. Statement by Receiver of Revenue

The year under review presented both opportunities and challenges for the economy, yet the State Department demonstrated resilience in revenue mobilization, recording a Ksh 3.812 billion in actual revenue against a target of Ksh 4.026 billion, which translates to 95% performance. While some revenue streams underperformed, others surpassed the target, demonstrating both resilience and untapped growth potential in the sector. The Cement Levy was the standout performer, generating Ksh 1.52 billion against a target of Ksh 1.16 billion, representing a 30% over performance, driven by strengthened field monitoring and compliance enforcement. Mining Royalties also performed exceptionally well, yielding Ksh 723.8 million compared to a projection of Ksh 211.5 million, while royalties on carbon dioxide reached Ksh 175.5 million against a target of Ksh 6.5 million. Although this included Ksh 142 million payment of arrears, the performance still reflects strong growth.

On the other hand, the Mineral Export License Fee generated Ksh 13.1 million against a target of Ksh 17.3 million, while Magadi Soda Royalties recorded Ksh 670.9 million compared to the target of Ksh 691.9 million. The most significant shortfall was in Base Titanium Royalties, which stood at Ksh 706 million against a projection of Ksh 1.93 billion. This was due to the phased closure of Base Titanium operations effective 31st December, 2024, which significantly reduced the export volumes. Base Titanium Limited has historically accounted for the largest share of the State Department's revenues, and its closure signals both a potential revenue shortfall and the serious importance of expanding and diversifying mineral revenue streams.

While the State Department recorded a revenue shortfall of Ksh 214 million against the set target, the performance underscores the resilience of the mining sector and the emerging opportunities. With deliberate reforms, stronger enforcement mechanisms, and strategic investments in underexplored minerals, Kenya's mining sector is poised to become a significant contributor to GDP growth, job creation, and sustainable development.

Going forward, the State Department will capitalize on momentum in high-performing areas such as the cement levy, Tata Magadi royalties, and royalties from quarrying activities. Furthermore, strategic focus will be on mobilizing new investments in the declared strategic minerals, strengthening compliance enforcement curb illegal mining, and broadening the royalty base to reduce such a dependence. To enhance efficiency and transparency in revenue management, a Royalty Management System, a digital platform for managing mining revenues, is at an advanced stage of development and will be rolled out in the second quarter of FY 2025/2026.

The State Departments's performance in the financial year is presented in the tables below:

STATE DEPARTMENT FOR MINING
Revenue Statements for the year ended 30th June 2025

Table 1: Review of Revenue targets and actual performance for Financial Year 2024/25

| Revenue Code | Revenue Item Description | Revenue Target (Ksh) | Actual Revenue (Ksh) |
|---------------------|---------------------------------|-----------------------------|-----------------------------|
| 1146001 | Cement Levy | 1,166,656,273 | 1,522,666,195 |
| 1145013 | Mineral Export Licence Fee | 17,354,914 | 13,152,000 |
| 1415003 | Royalty on Carbon Dioxide | 6,507,526 | 175,499,647 |
| 1415004 | Mining Royalties | 211,501,071 | 723,807,492 |
| 1415005 | Magadi Soda Royalty | 691,968,734 | 670,898,099 |
| 1415006 | Base Titanium Royalty | 1,932,255,617 | 706,037,996 |
| | Total | 4,026,244,135 | 3,812,061,429 |



.....
Principal Secretary

STATE DEPARTMENT FOR MINING
Revenue Statements for the year ended 30th June 2025

4. Management Discussion and Analysis

The Kenyan mining sector is endowed with immense mineral potential comprising industrial minerals such as soda ash (Trona), Fluorspar, Titanium, and Zirconium; fuel minerals such as Coal; and metallic minerals including Copper, Zinc, Gold, Silver, Manganese, and Iron ore. In addition, the country is resourced with non-metallic minerals such as Gypsum, Limestone, Diatomite, and Carbon Dioxide, alongside a wide range of gemstones including Rubies, Tourmaline, Tsavorite, and Sapphires. The Cabinet, in its sitting of 3rd October, 2023 declared 14 minerals as strategic minerals. Consequently, these minerals, among them Uranium, Thorium, Tantalum, Lithium, Coltan, Copper, Nickel, Graphite, Tin, Tsavorite, Chromite, Rare Earths, Niobium, and Cobalt were gazetted by the Cabinet Secretary for Mining, Blue Economy and Maritime Affairs under Gazette Notice No. 14732 of 25th October, 2023. Hence, activity touching on these strategic minerals, including prospecting, mining, trading, dealing, or processing, must be undertaken by or in partnership with the National Mining Corporation (NAMICO).

The State Departments revenue surpassed the set targets in various items while in some others the companies under-performed as seen in the tables below;

Table 1: The National Treasury Revenue targets for Financial Year 2024/25

| Code | Details | Estimates 2024/25 Kshs. |
|-------------|--|------------------------------------|
| 1146001 | Cement Levy | 1,166,656,273 |
| 1145013 | Mineral Export Licence Fee | 17,354,914 |
| 1415003 | Royalty on Carbon Dioxide | 6,507,526 |
| 1415004 | Mining Royalties | 211,501,071 |
| 1415005 | Magadi Soda Royalty | 691,968,734 |
| 1415006 | Base Titanium Royalty | 1932,255,617 |
| | Total for Vote 117 for FY 2024/2025 | 4,026,244,135 |

STATE DEPARTMENT FOR MINING

Revenue Statements for the year ended 30th June 2025

Table: 2 Review of Revenue targets and actual performance for the last five (5) FYs 2020/2021 - 2024/2025

| Item | Revenue Targets for FYs 2020/21-2024/25 in KSH (Millions) | | | | | Actual Revenue for FYs 2020/21-2024/25 in KSH (Millions) | | | | |
|----------------------------|---|-----------------|-----------------|-----------------|-----------------|--|-----------------|----------------|----------------|----------------|
| | 2020-2021 | 2021-2022 | 2022-2023 | 2023-2024 | 2024-2025 | 2020-2021 | 2021-2022 | 2022-2023 | 2023-2024 | 2024-2025 |
| Cement Levy | 651.67 | 991.47 | 1,161.93 | 1,241.94 | 1,166.75 | 882.50 | 988.39 | 1,041.66 | 1,146.77 | 1,522.77 |
| Mineral Export License Fee | 6.19 | 7.59 | 199.03 | 12.94 | 17.45 | 8.51 | 15.94 | 9.83 | 4.87 | 13.17 |
| Royalty on Carbon Dioxide | 25.07 | 23.47 | 11.46 | 4.87 | 6.58 | 18.41 | 3.76 | 4.12 | 32.66 | 175.55 |
| Mining Royalties | 100.59 | 161.08 | 9.11 | 241.64 | 211.55 | 163.58 | 242.74 | 242.74 | 263.97 | 723.88 |
| Magadi Soda Royalty | 156.83 | 193.49 | 247.09 | 244.44 | 691.95 | 235.18 | 3,371.70 | 448.64 | 715.37 | 670.98 |
| Base Titanium Royalty | 479.49 | 674.53 | 721.44 | 1,087.54 | 1,932.25 | 535.51 | 1,269.86 | 1,521.47 | 1,124.58 | 706.09 |
| Totals | 1419.84 | 2,051.63 | 2,350.03 | 2,833.14 | 4,026.25 | 1,843.6 | 5,892.39 | 3,721.4 | 3,288.0 | 3,812.0 |

STATE DEPARTMENT FOR MINING
Revenue Statements for the year ended 30th June 2025

5. Statement of Receiver of Revenue's Responsibilities

Section 82 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, a receiver of revenue shall prepare an account of the revenue received and collected by that receiver during that financial year.

The Principal Secretary / the designated receiver of revenue in charge of the State Department for Mining is responsible for the preparation and presentation of the State Department for Mining revenue accounts, which gives a true and fair view of the state of affairs of the State Department for Mining for and as at the end of the financial year ended on 30th June, 2025. 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 State Department for Mining; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Principal Secretary/ designated receiver of revenue in charge of the State Department for Mining accepts responsibility for the State Department for Mining revenue accounts, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that the State Department for Mining revenue accounts gives a true and fair view of the state of State Department for Mining transactions during the financial year ended June 30, 2025, and of the State Department for Mining's financial position as at that date. The Principal Secretary in charge of the State Department for Mining further confirms the completeness of the accounting records maintained for the State Department for Mining, which have been relied upon in the preparation of the State Department for Mining accounts as well as the adequacy of the systems of internal financial control.

The Principal Secretary in charge of the State Department for Mining 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 Principal Secretary confirms that the State Department for Mining's accounts have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

STATE DEPARTMENT FOR MINING
Revenue Statements for the year ended 30th June 2025



Approval of the Revenue Statements

The revenue statements were approved and signed on 8/12/2025 2025, by:

.....

Principal Secretary

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON RECEIVER OF REVENUE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2025 – STATE DEPARTMENT FOR MINING

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 transitional International Public Sector Accounting Standards (IPSAS) Revenue Statements for Receiver of Revenue for the State

Report of the Auditor-General on Receiver of Revenue Financial Statements for the year ended 30 June, 2025 - State Department for Mining

Department for Mining set out on pages 1 to 75, which comprise of the statement of financial position as at 30 June, 2025, the statement of financial performance, statement of cash flows, 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the transitional IPSAS revenue statements present fairly, in all material respects, the financial position of the Receiver of Revenue for the State Department for Mining as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with transitional International Public Sector Accounting Standards Accrual Basis (including the transitional provisions permitted under IPSAS 33), and comply with the Public Finance Management Act, 2012 and the Mining Act, 2019 and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

Basis for Qualified Opinion

1. Variances Between Financial Statements and Supporting Information

The statement of financial performance reflects property income amounting to Kshs.2,499,943,632 and as disclosed in Note 6 to the financial statements. Included in the amount is Kshs.833,966,899 in respect of cement levy from different companies. Review of revenue records revealed variances between the financial statements and supporting ledgers as indicated below:

- i. Review of the Cadastre System revealed that a local Cement Company declared cement levy of Kshs.236,515,769 for the period between January, 2025 and June, 2025 on self-assessment. However, no records were provided for cement levy payable by the Company for the period between July, 2024 and December, 2024. Further, the statement of financial performance reflected an amount of Kshs.270,438,255 due from the local Cement Company in cement levy during the year under review and thus overstating the revenue due from the Company.
- ii. Similarly, the Cadastre System indicated that five (5) Companies comprising of local based cement manufacturing companies did not file quarterly production and sales returns in the system as they did not have valid mining licenses, which is a requirement for online filing periodic returns. As a result, the basis for cement levy applied to those companies during the year was not confirmed in the absence an assessment or self-declaration of production and sales volumes.
- iii. The statement of arrears of revenue in Appendix 2 to the financial statements reflects additions in arrears for the current year totals of Kshs.431,265,719. However, casting of the make column revealed a total of Kshs.1,132,199,338 resulting in unreconciled and unexplained variance of Kshs.700,933,619.

In the circumstances, the accuracy and completeness of property income amounting to Kshs.2,498,887,646 could not be confirmed.

2. Unsupported Statement of Arrears of Revenue

The statement of arrears of revenue in Appendix 2 to the financial statements reflects total arrears of Kshs.1,482,853,858. The statement further reflects arrears of Kshs.1,306,495,663 received during the year. However, the arrears were not supported by a breakdown or statements from companies and individuals owed indicating the particulars of the arrears, production and sales records of the arrears, balances paid towards settlement of the arrears and the outstanding balance.

In addition, Management indicated measures taken including issuance of demand letters and out of court settlements. However, no evidence has been provided for audit review to indicate the extent to which the measures have yielded intended results and any additional measures to recover the remaining arrears which have been long outstanding.

In the circumstances, accuracy and completeness of the statement of arrears balance of Kshs.1,482,853,858 could not be confirmed.

3. Inconsistencies in Revenue Recognition

The statement of financial performance reflects total revenue of Kshs.2,513,095,632 as disclosed in Notes 5 and 6 to the financial statements. However, table 1 on review of revenue targets and actual performance for the financial year 2024/2025, statement by Receiver of Revenue reflects actual total revenue of Kshs.3,812,061,429 resulting to unreconciled variance of Kshs.1,298,965,797.

Additionally, the statement of comparison of budget and actual amounts reflects actual total revenues of Kshs.3,812,061,429 while the statement of financial performance reflects a balance of Kshs. 2,513,095,632 and there was no a reconciliation statement to reconcile the two varying balances as required by the applicable financial reporting template.

In the circumstances, the accuracy, completeness and existence of the total revenue balance of Kshs.2,513,095,632 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department for Mining Management in accordance with ISSAI 130 on the 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 the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

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

| No. | Financial Year | Audit Issue |
|-----|----------------|---|
| 1. | 2023/2024 | Inaccuracies in the Financial Statements |
| 2. | 2023/2024 | Unsupported Arrears of Revenue |
| 3. | 2023/2024 | Lack of Revenue sharing Framework |
| 4. | 2023/2024 | Un-Procedural Export of Gold Samples |
| 5. | 2023/2024 | Unsupported Geological Survey |
| 6. | 2023/2024 | Unlicenced Use of Blasting Materials |
| 7. | 2023/2024 | Unrehabilitated Quarry sites |
| 8. | 2023/2024 | Unused Laboratory Machines |
| 9. | 2023/2024 | Un-Updated Applicants and Rights Holder Information |
| 10. | 2023/2024 | Application of Mineral Rights in Protected Areas |
| 11. | 2023/2024 | Inconsistencies in the Mineral Rights Board Meetings |
| 12. | 2023/2024 | Ineffective Artisanal Mining Committees |
| 13. | 2023/2024 | Lack of Designation of Areas for Artisanal Mining |
| 14. | 2023/2024 | Unlicenced Mineral Leaching Operations |
| 15. | 2023/2024 | Stalled Value Addition Centers |
| 16. | 2023/2024 | Unutilized Mineral Testing Laboratory Containers |
| 17. | 2023/2024 | Weaknesses in IT Internal Control Systems |
| 18. | 2023/2024 | Insufficient Mechanisms for Identification of Construction Minerals Revenue |
| 19. | 2023/2024 | Lack of Border Controls |

Other Information

Management is responsible for the Other Information set out on page iii to xi which comprise of Key Entity Information and Management, Statement by Receiver of Revenue, Management Discussion and Analysis and Statement of Receiver of Revenue's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Receiver of Revenue Statements for the State Department for Mining, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements, or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else 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

1. Weakness in Identification and Collection of Mining Royalties

Review of records at the State Department for Mining revealed that mineral royalties received during the year were based on self-declaration of production and sales quantities by mining companies. In addition, the State Department lacked mechanisms to verify the self-declared production and sales quantities by the companies, which may have resulted in under-declaration or non-declaration of royalties.

In addition, the State Department had not been issuing mining permits during the year under review and did not maintain a database of active companies. During the period under review, there were no records at the State Department of the companies engaged in mineral extraction from whom royalties were due. Further, exact quantities of minerals extracted and royalties due from companies and individuals engaged in mineral exploitation during the year under review could not be ascertained.

In the circumstances, accurate identification and computation of royalties due from mining activities by the State Department could not be ascertained.

2. Irregular Composition of the Mineral Rights Board

The State Department administers the Mineral Rights Board which was constituted on 19 October, 2023 through a Gazette Notice No. 14099. Review of composition of the Board revealed that it comprised eight (8) members made up of seven (7) males and one

(1) female, which violated the gender equality principle outlined in the Constitution, which stipulates that no single gender shall occupy more than two-thirds of all positions, was not complied with.

In addition, review of the Board composition revealed several inconsistencies and anomalies as outlined below:

- i. The background information of two (2) industry representatives was not confirmed as their respective profiles and biodata was not provided for review.
- ii. The Board had not been inducted since appointment and thus, their awareness of strategic priorities, obligations, and risk management could not be confirmed.
- iii. There was no approved workplan for the Board during the year under review, which made it difficult to confirm that Board activities were guided by predetermined objectives.
- iv. The committees of the Board were not operational during the period under review. As a result, strategic responsibilities bestowed upon committees such as Mineral Rights Board, Audit committee and the Mineral Rights Board Technical Committees were being undertaken by the State Department.
- v. During the year under review, Board members were paid allowances directly to their individual accounts. However, appointment letters for alternate Board members required allowances payable to them and paid to their respective parent Ministries.
- vi. Since appointment and inauguration of the Board, the Board has held several meetings and undertaken activities mandated by the Act. However, the Board did not maintain a register of Conflict of Interest as set out in Annexure II of the Mwongozo Code of Conduct.

In the circumstances, constitution of the Mineral Rights Board was in breach of the law.

3. Noncompliance with Timelines for Issuance of Licences

Review of the mining cadastre register used by the State Department to manage issuance of licences to mineral rights applicants revealed the following anomalies:

- i. There were one hundred and twenty-three (123) applications for mining license as at 13 June, 2025. However, only one (1) application for titanium mining which was made on 29 November, 2024 had been approved. In addition, the approved application had been left pending for 174 days before the licence was granted. Further, a total of sixty-four (64) applications were pending for periods exceeding the one hundred and twenty (120) days within which a licence application ought to be granted or rejected.
- ii. A total of one hundred and five (105) applications had been made for prospecting licenses. However, no prospecting licence had been issued as at the time of Audit in June, 2025. In addition, out of the 105 prospecting license applications, sixty-two (62) had stayed beyond 90 days in which they ought to have been granted or rejected.

- iii. As at 13 June, 2025 there were only two 2 applications for reconnaissance licenses during the year. However, both of them remained unprocessed despite 90 days having lapsed since the application were made.

Management did not provide reasons for not processing mineral rights applications despite opening the system for applications.

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

4. Unlicensed Magadi Soda Mining Operations

Review of cadastre records maintained at the State Department revealed that Tata Chemicals Magadi Limited had two pending applications for mining licenses during the year. However, the Company continued to undertake mining activities in the areas applied for and dealing in minerals contrary to Mining Act, 2016.

Further, the Company continued to undertake soda ash mining without a valid licence. No explanations were provided by the State Department Management on actions taken to enforce the law.

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

5. Delay in Establishment of Revenue Sharing Framework with County Government and Communities

Review of records maintained at the State Department revealed that there was no evidence was provided to indicate that the royalties were distributed to the County Governments and Communities during the year under review.

Further, the State Department for Mining and The National Treasury were yet to put in place a mechanism to ensure that the revenue is shared with the County Governments and local community.

This is contrary to Section 183(5) of the Mining Act, 2016 provides that royalties shall be shared between the National Government, respective County Governments and the community where the mining operation occurs at a ratio of seventy (70) percent, twenty (20) percent and ten (10) percent respectively. This implies that the County Governments and local communities where the mining activities are taking place continue to be deprived their fair share of revenue.

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

6. Lack of Artisanal Mining Committees

During the year under review, the State Department had only thirty-three (33) established County Artisanal Mining Committees out of the required forty-seven (47) contrary to Section 94 (1) of the Mining Act, (2016). In addition, review of operations of the established County Artisanal Mining Committees revealed that ten (10) committees did

not hold meetings during the year under review to deliberate on issuance of artisanal mining permits.

In the circumstances, Management was in breach of the law and the effectiveness of the artisanal committee's registration of artisanal and small-scale minors could not be ascertained.

7. Lack of Designated Artisanal Mining Areas

During the year under review the State Department had not designated areas for artisanal mining as required by Section 13(1) of the Mining Act 2016. The Cabinet Secretary is required to designate any area of land to be an area reserved exclusively for small scale mining operations. Although the Mineral Rights Board had recommended thirty-six (36) areas in 17 Counties to be and designated as Artisanal Mining Areas these areas had not been gazetted.

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

8. Unlicensed Artisanal Mining Operations

Review of the application in Cadastre System indicated that seventy-eight (78) applications had been made for artisanal permits. However, none had been issued or rejected. At the time of review of the cadastre system on 13 June, 2025 these applications were pending for more than sixty (60) days contrary to Regulation 76 of the Mining (License and Permit) Regulations. In addition, it was not clear how the Director of Mines through the County Mines Officers was supervising and monitoring operations of the artisanal miners who did not have permits to carry out the mining activities.

In the circumstances, Management was in breach of the Regulations and monitoring of operations and activities, and collection of mineral permits revenue from artisanal miners could not be confirmed.

9. Lack of Repository for Geological Data and Information

Review of records at the State Department revealed that there was no established National Repository of Geoscience Information as required by Section 21(1) of the Mining Act, 2016. Management indicated that the State Department was in the process of acquiring a library management system for the geological surveys. However, no documentary evidence was provided on the stage or status of acquisition and implementation of the System.

In addition, a status report of the Cabinet Secretary for Mining Blue Economy and Maritime affairs on Kenyan Mining Sector by the Cabinet Secretary dated 4 October, 2023 indicated that a report on Nationwide Airborne Geophysical Survey (NAGS) conducted by the Government in 2022 indicated that a report on the survey was substantially complete. However, the report was not provided for review and thus it was not confirmed whether the same had been finalized.

In the circumstances, effectiveness of performance of geological functions stipulated in the Mining Act, 2016 by the State Department Could not be ascertained.

10. Unlicensed Gold Mining at Narok County

Review of cadastre records and mineral areas map revealed that a local Company was issued with a prospecting license no PL/2xx8/00xx on 1 August, 2018 which expired on 31 July, 2021. However, a visit to prospecting area in June, 2025 located in Narok County revealed that the Company was actively undertaking mining operations. No documentary evidence was provided to indicate that the Company was issued with a mining licence after expiry of the prospecting licence or its renewal.

Further, the Company had set a processing plant within the area and where processing of the tailings was taking place as confirmed by regional mineral inspectors and witness accounts from the local community.

In the circumstances, legality of mining operations in Kilimapesa mines could not be confirmed.

11. Illegal Processing of Gold Tailings at Kilimapesa Mine

Review of records provided by Management revealed that Kilimapesa Gold Mine in Kilgoris area of Narok County, ceased mining operations in June, 2019. However, a visit to the mine during the audit in June, 2025 revealed active processing of tailings by an unknown operator. Lorries carrying leaching materials were seen moving out of the mine indicating active processing operations. The same was corroborated by a community relations officer who indicated frequent deposit of waste material from processing plants in the area.

In the circumstances, legality of mining operations in Kilimapesa mines could not be confirmed.

12. Unlicensed Mineral Leaching Operations in Migori, Kakamega and Narok Counties

Site visits to sampled mining areas in Migori, Kakamega and Narok Counties in the month of June, 2025 revealed several gold leaching plants were operating which lacked requisite mineral processing licenses and permits as provided by law. The plants were processing gold which is the major mineral mined by artisanal miners in the regions.

The unlicensed miners made supervision and monitoring of their activities difficult and thus enforcing safety and health concerns a challenge. In addition, collection of royalties from the miners was difficult since they were not licensed.

In the circumstances, the legality of mining operations in these Counties could not be ascertained.

13. Use of Invalid Mining Licence

A visit to Wundanyi area in Taita-Taveta County in June, 2025 revealed active mining operations by a local mining Company. However, the Company was operating on a mining licence which had been issued under the repealed Mining Act of 1940. Although the Company had made an application for a new licence, the same was yet to be approved. Management of the Company cited several challenges in the licensing process including being required to provide additional documents which had not been part of the initial application requirements, and despite complying to the new requirement no feedback was provided.

The delays in reissuing of the licence to the Company has led to loss of royalties' revenue arising from the mining operations undertaken by the Company and others which were operating in the area and had since closed operations.

In the circumstances, Management was in breach of the law

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Use of Prohibited Chemicals by Miners

Site visits in Kakamega County during the audit in the month of June, 2025 revealed instances where small scale miners used mercury in extraction of gold from crushed ores or through amalgamation process. The gold-mercury amalgam would then be heated over an open flame, vaporizing the mercury to the atmosphere. However, mercury vapor contamination with soil, water, and air posed serious health risks to miners and surrounding communities due to its high toxicity.

Additionally, discharges were not properly disposed and instead were abandoned at the sites since most leaching plants lacked proper protective and disposal mechanisms, innate soils community water sources which were in close proximity to community settlements.

In the circumstances, existence of sufficient and effective mechanisms to monitor and identify harmful mining practices by mining operators could not be confirmed.

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 controls, 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 (Accrual Basis) and for maintaining effective internal controls 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 its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the State Department's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to 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 the preparation and presentation of 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 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error

and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


16 December, 2025

STATE DEPARTMENT FOR MINING
Revenue Statements for the year ended 30th June 2025

Statement of Financial Performance for the year ended 30th June 2025

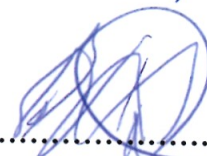
| Description | Notes | FY 2024/2025 |
|---|-------|------------------------|
| | | Kshs |
| Revenue from exchange transactions | | |
| Fees on use of goods and services | 5 | 13,152,000 |
| Property Income | 6 | 2,499,943,632 |
| Total revenue | | 2,513,095,632 |
| Expenses | | |
| Disbursements to Exchequer Account | 7 | (3,812,061,429) |
| Total expenses | | (2,513,095,632) |
| Other gains/(losses) | | |
| Decrease in Disbursements Due to Exchequer | | (1,298,965,797) |

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on 21/2/25, 2025, and signed by:



.....
Name: Harry Kimtai, C.B.S
Principal Secretary

(Ref: PFM ACT section 82,2(a))



.....
Name: CPA Martin Omuse
Head of Accounting Unit
ICPAK No. 14340

STATE DEPARTMENT FOR MINING
Revenue Statements for the year ended 30th June 2025

7. Statement of Financial Position as at 30th June 2025

| Description | Note | FY | Opening |
|--|------|----------------------|---------------------------|
| | | 2024/2025 | Statement 1 st |
| | | Kshs | July 2024 |
| | | | Kshs |
| Current Assets | | | |
| Cash and Cash Equivalents | 8 | 0 | 0 |
| Receivables from exchange transactions | 9 | 1,482,853,858 | 2,781,818,882 |
| Total Current Assets | | 1,482,853,858 | 2,781,818,882 |
| Total Assets | | 1,482,853,858 | 2,781,818,882 |
| Current Liabilities | | | |
| Dues to Exchequer | 10 | 1,482,853,858 | 2,781,818,882 |
| Revenue received in advance | 12 | 0 | 0 |
| Total Current Liabilities | | 1,482,853,858 | 2,781,818,882 |

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on ... 21/2/2025, and signed by:



Name: Harry Kimtai, C.B.S
Principal Secretary



Name: CPA Martin Omuse
Head of Accounting Unit
ICPAK No. 14340

STATE DEPARTMENT FOR MINING
Revenue Statements for the year ended 30th June 2025

8. Statement of Cash Flows for the Year Ended 2025

| Description | Note | FY 2024/2025 |
|---|------|------------------------|
| | | Kshs |
| Operating Activities | | |
| Receipts | | |
| Fees on use of Goods/Services | 5 | 13,152,000 |
| Property income | 6 | 3,798,909,429 |
| Total Receipts | | 3,812,061,429 |
| Payments | | |
| Disbursements To Exchequer Account | 7 | (3,812,061,429) |
| Total Payments | | (3,812,061,429) |
| Net Cash from operating Activities | | 0 |
| Cash and Cash Equivalent as at 1 st July 24 | | 0 |
| Cash and Cash Equivalent as at 30th June 25 | | 0 |

STATE DEPARTMENT FOR MINING
Revenue Statements for the year ended 30th June 2025

9. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2025

| Description | Original Targets | Adjustments | Final Targets | Actual | % Realized |
|--|-------------------------|--------------------|----------------------|----------------------|-------------------|
| Revenue from exchange transactions | Kshs | Kshs | Kshs | Kshs | |
| Property Income | | | | | |
| Cement Levy | 1,166,656,273 | - | 1,166,656,273 | 1,522,666,195 | 130.52% |
| Royalty on Carbon Dioxide | 6,507,526 | - | 6,507,526 | 175,499,647 | 2696.87% |
| Royalty on Tata Chemicals Magadi | 691,968,734 | | 691,968,734 | 670,898,099 | 96.95% |
| Mineral Export License Fee | 17,354,914 | - | 17,354,914 | 13,152,000 | 75.78% |
| Base Titanium Royalty | 1,932,255,617 | - | 1,932,255,617 | 706,037,996 | 36.54% |
| Fees on Use of Goods & Services | | | | | |
| Mining royalties | 211,501,071 | - | 211,501,071 | 723,807,492 | 342.22% |
| Total | 4,026,244,135 | - | 4,026,244,135 | 3,812,061,429 | 94.68% |

Budget Notes:

1. Carbacid Ltd's payments of Kshs. 175M includes Kshs. 142M representing long outstanding arrears received during the second quarter. The adjusted percentage realized for the company based on the current period receipts is at 106 percent.
2. There was a significant improvement in revenue collection from quarries which have beefed up the SDM's revenue. This was due to increased monitoring
3. Base Titanium Ltd was undergoing phased mine closure since ceasing mining activities as from 31st December 2024.

10. Notes to the Financial Statements

1. General Information

The State Department for Mining Receiver of Revenue was appointed by the Cabinet Secretary, National Treasury in accordance with section 75 of the PFM Act. The Entity's principal activity is to collect and account for the revenue that the receiver of revenue has been designated, as outlined in the appointment letter pursuant to section 75 of the PFM Act.

2. Statement of Compliance and Basis of Preparation

The revenue statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) and Section 82 of the Public Finance Management Act, 2012. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The State Department for Mining has taken advantage of the transitional provisions under IPSAS 33 and therefore this first year's financial statements are transitional financial statements. Not all assets and liabilities have been recognized as the State Department is progressively implementing the transition to accrual based reporting. The entity has taken advantage of the transition provisions outlined in IPSAS 33. During this transitional period, recognition of certain elements such as assets and liabilities will be phased over this period. Full recognition is expected to be achieved in the third year of transitioning.

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

The revenue statements have been prepared on the Accrual Basis of accounting.

These financial statements were authorized for issue by the accounting officer on
..... 21.12.1, 2025

3. Adoption of New and Revised Standards.

- i) *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

(When an IPSAS becomes effective on 1st January 2024, it is applicable in Kenya from 1st July 2025)

- ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025*

| Standard | Effective date and impact: |
|--|--|
| IPSAS 43 | <p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>The standard is not relevant. There is no expected impact on SDM Receiver of Revenue</i></p> |
| IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations | <p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>The standard is not relevant. There is no expected impact</i></p> |
| IPSAS 45- Property Plant and Equipment | <p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>The standard is not relevant. There is no expected impact</i></p> |

| Standard | Effective date and impact: |
|--|---|
| <p>IPSAS 46 Measurement</p> | <p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>The standard is not relevant. There is no expected impact</p> |
| <p>IPSAS 47- Revenue</p> | <p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>The standard may have effect on the entity operations</p> |
| <p>IPSAS 48- Transfer Expenses</p> | <p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>The standard is not relevant. There is no expected impact</p> |
| <p>IPSAS 49- Retirement Benefit Plans</p> | <p>Applicable 1st January 2026</p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>The standard is not relevant. There is no expected impact</p> |
| <p>IPSAS 50: Exploration For & Evaluation of</p> | <p>Applicable 1st January 2027</p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. |

STATE DEPARTMENT FOR MINING
Revenue Statements for the year ended 30th June 2025

| Standard | Effective date and impact: |
|-------------------|--|
| Mineral Resources | <ul style="list-style-type: none"> ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <p><i>The Standard does not address accounting by the State Department as an issuer of exploration rights (licenses). The SDM can use other IPSASs for example Revenue from exchange transactions to account for royalties and license incomes.</i></p> |

iii) Early adoption of standards

The State Department for Mining's early adoption of IPSAS 33 (First-time Adoption of Accrual Basis IPSASs) facilitates an appropriate recognition and accounting for long-outstanding royalty arrears owed by various mining companies, including those mining in quarries and in gemstones. By transitioning to accrual accounting, the State Department will record the receivables as assets rather than merely disclosing them when cash is received as has been the practice under cash basis of reporting. This enhances the transparency and credibility of financial reports, improves on accountability, and provides more reliable information for decision-making on the recoverability and enforcement of royalty in arrears. Adoption of IPSAS 33, therefore supports improved debt recovery strategies, and evidence-based policy interventions that the State Department for Mining can apply to safeguard revenue income.

4. Significant Accounting Policies

a) Revenue

i. Revenue from non-exchange Transactions

Revenue from taxes, grants, fines, penalties and forfeitures is recognized when the event occurs and the asset recognition criteria is met. Revenue billed/assessed during the year but not yet collected is reported as a receivable in the statement of financial position.

ii. Revenue from exchange Transactions

Rendering of services

The State Department for Mining recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Entity.

b) Budget

The budget is developed on the cash basis, the same accounts classification basis, and for the same period as these revenue statements. The revenue budget was approved as required by law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the revenue's actual performance against the comparable budget for the financial year under review has been included in these revenue statements.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Central Bank of Kenya and any other commercial bank.

d) Disbursements to the Exchequer

The State Department for Mining has a daily arrangement for sweeping of funds from its bank account to the Exchequer account. Total disbursements to the exchequer are as a result of the sweeping arrangement during the year.

e) Comparative Figures

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

f) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended 30th June, 2025

STATE DEPARTMENT FOR MINING
Revenue Statements for the year ended 30th June 2025

5. Fees On Use of Goods/Services

| Description | 2024/2025 |
|------------------------------------|-------------------|
| | FY |
| | Kshs |
| Mineral Export License Fee | 13,152,000 |
| Balance brought forward | |
| Total | 13,152,000 |
| Transfers to the Exchequer account | 13,152,000 |
| Balance carried forward | 0 |

6. Property Income

| Description | 2024/2025 |
|-----------------------------|----------------------|
| | Kshs |
| Cement Levy: | |
| East African Portland Plc | 131,936,000 |
| Bamburi Cement Co. Ltd | 293,141,949 |
| National Cement Ltd | 138,450,695 |
| Mombasa Cement | 270,438,255 |
| Total | 833,966,899 |
| Royalties: | |
| Royalties on Carbon Dioxide | 49,263,061 |
| Mining Royalties | 712,777,336 |
| Magadi Soda Royalty | 197,898,340 |
| Base Titanium Royalty | 706,037,996 |
| | 1,665,976,733 |
| Totals | 2,499,943,632 |

STATE DEPARTMENT FOR MINING
Revenue Statements for the year ended 30th June 2025

Notes to the financial statements

7. Disbursement to Exchequer Account

| Descriptions | FY 2024/2025 |
|-----------------------------------|----------------------|
| | Kshs |
| Disbursement to Exchequer Account | 3,812,061,429 |
| Total | 3,812,061,429 |

Note:

Kshs. 3,812,061,429 was total actual cash inflow to Statement of Cash flows during the year 2024/2025. This amount includes previous years arrears received from various companies. The Statement of financial performance reflects the items accruing in the year under review under accrual basis of reporting. Kshs. 1,298,965,797 being the difference between Kshs 3,812,061,429 and 2,513,095,632 (prior years' arrears that were received during the year) was also swept into the exchequer.

8. Cash and Cash Equivalents

| Name of Bank, Account No. & currency | Amount in bank account (local currency) | Exc. rate (if in foreign currency) | FY 2024/2025 | Opening Bal as at 1st Jul 2024 |
|--|--|---|---------------------|--|
| | | | Kshs | Kshs |
| Central Bank of Kenya Account No: 1000696559 Currency: Kenya Shilling | 0 | 0 | 0 | 0 |
| Central Bank of Kenya Account No: 1000762411 Currency: Kenya Shilling | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |

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9. Receivables from exchange transactions

| Description | FY 2024/2025 | Opening Bal as at 1st July 2024 |
|------------------------|----------------------|---|
| | Kshs | Kshs |
| Property Income | | |
| Tata Magadi | 0 | 691,767,260 |
| African Diatomite | 0 | 11,030,156 |
| Carbacid (CO2) Ltd | 0 | 99,427,289 |
| National Cement | 0 | 859,084,734 |
| Bamburi Cement | 0 | 15,828,943 |
| Mombasa Cement | 270,438,255 | 0 |
| EA Portland | 551,320,475 | 443,585,372 |
| Athi River Mining | 290,232,493 | 290,232,493 |
| Savannah | 370,862,635 | 370,862,635 |
| Total | 1,482,853,858 | 2,781,818,882 |

10. Payables- Due to Exchequer

| Payables | FY 2024/2025 | Opening Statement 1st July 2024 |
|--|----------------------|---|
| | Kshs | Kshs |
| Amount collected yet to be disbursed to Exchequer | 0 | 0 |
| Amount billed and yet to be collected for disbursement to Exchequer | 1,482,853,858 | 2,781,818,882 |
| Total Due to Exchequer | 1,482,853,858 | 2,781,818,882 |

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Notes to the financial statements

11. Movement Disclosure on Dues to Exchequer

| Description | Amount |
|---|----------------------|
| | Kshs |
| Opening Dues to Exchequer | 2,781,818,882 |
| Increase/Decrease in Dues to Exchequer | (1,298,965,797) |
| Closing Dues to Exchequer (Receivables) | 1,482,853,858 |

12. Revenue Received In Advance

| Description | FY 2024/2025 | Opening Bal as at 1st Jul 2024 |
|--|---------------------|--|
| | Kshs | Kshs |
| Revenue from exchange transactions (specify) | 0 | 0 |
| Total | 0 | 0 |

11. Appendices

Appendix 1: Progress on Follow Up of Prior Year Auditor-General Recommendations

The following is the summary of issues raised by the Auditor –General and management comments that were provided. 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 2022/2023 | Issue / Observations from Auditor | Management comments | Status: <i>(Resolved / Not Resolved)</i> | Timeframe: <i>(Put a date when you expect the issue to be resolved)</i> |
|---|--|---|--|---|
| 1666 Long Outstanding Arrears | : Kshs. 404,759,572 owed by East Africa Portland Cement Company (EAPC) which accrued in the financial years 2014/2015 to 2020/2021. Issue was on why levies that were due and chargeable to the Company and were not assessed in the relevant periods. Further, the company had carried out operations without a | The State Department has placed payments demands to the company and have had several discussions concerning the arrangement to clear the arrears and despite East African Portland Cement Company Limited (EAPC) indicating that they are undergoing financial difficulties | Not resolved | On going |

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| | <p>mining License contrary to Section 159 of the Mining Act, 2016.</p> <p>Under the circumstances, the recoverability and accuracy of the Kshs. 404,759,572 as at 30 June, 2022 could not be ascertained</p> | <p>the company has been reducing the arrears but at a slow pace. An amount of Kshs. 700,000 has been recovered so far, this financial year. The company has shown willingness to pay the arrears and has since undertaken to pay Kshs. 1,000,000 on monthly basis. Further, the company has since applied for a mining license i.e.ML/2024/0110 which is currently under review. The Ministry has continued to put in place several measures to ensure recoverability including limiting access to Explosives.</p> | | |
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| | <p>Savanna Cement Company</p> <p>cement minerals levy which accrued in 2020/2021 and earlier years.- Although a payment plan agreement was signed in August, 2017 between the Ministry and the company requiring settlement of the arrears in twenty-four (24) monthly instalments starting from September, 2017, the Company had reneged on the plan stating that it did not hold a mineral license from the Ministry and therefore was not liable to pay the levy. The Company had also moved to the High Court challenging Legal Notice No.222 of 2013 which required payment of cement</p> | <p>Savannah Ltd</p> <p>Following the recommendation of PAC, notwithstanding court consent order arising from legal notice No222 of 2020; The management has since written to the receiver manager demanding the full payment of the arrears.</p> <p>African Diatomite</p> <p>African Diatomite had raised issues on the high royalty rates charged on their products,</p> | <p>Not resolved</p> | <p>On going</p> |
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| | <p>minerals levy by all cement producing companies in Kenya. The Cabinet Secretary for Petroleum and Mining subsequently entered into consent with the company where the Ministry committed to forego the demand against the company.</p> <p>Further, the company had not filed any self-declaration assessment since 2018/2019 financial year to the year ended 30th June 2022 and had, therefore, not been assessed for cement levy. In addition, the company remitted Kshs. 5,000,000 during the 2021/2022 financial year, but the remittance was not supported by</p> | <p>and had petitioned the Ministry for reduction of the same.</p> <p>African Diatomite Factories Limited has so far paid the arrears of Kshs. 10,000,000. The Ministry continues to engage all the companies who are in arrears to make good the debts.</p> <p>The Ministry on 12th September 2023 suspended their operations due to non-payment of royalty.</p> | | |
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| | <p>production and sales reports.</p> <p>Under the circumstances, the recoverability of the arrears of Kshs. 370,862,635 could not be confirmed.</p> <p>The balance of Kshs. 2,675,311,892 also includes of arrears of Kshs. 21,030,156 due from African Diatomite Factories Limited out of which arrears amounting to Kshs. 17,520,857 relating to financial year 2020/2021 and earlier years and Kshs. 3,509,299 to the year under review. Although, the Ministry issued default Notice and</p> | <p>Carbacid (CO2) Limited The Company has attributed their inability to pay royalties to poor business environment and stiff competition in the industry. The management undertakes to ensure payment of the arrears and as such, stringent measures have been put in place, which includes: follow-ups on Royalties' payments to minimize</p> | | |
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| | <p>reminders, the arrears remain outstanding and continue to increase.</p> <p>In the circumstances the, recoverability of the arrears of revenue of Kshs. 21,030,156 could not be confirmed.</p> <p>African Diatomite</p> <p>African Diatomite Factories Limited arrears amounting to Kshs. 17,520,857 relating to financial year 2020/2021 and earlier years and Kshs. 3,509,299 to the year under review. Although, the Ministry issued default Notice and reminders, the arrears remain outstanding and continue to increase.</p> <p>In the circumstances the, recoverability of the</p> | <p>accumulation of arrears and also measures to recover the pending arrears. The State Department on 14th May 21, 2024 sent demand letters to the company These efforts have seen Carbacid Ltd repay the arrears amounting Kshs. 16,814,900.00</p> <p>ARM Cement Limited was purchased by National Cement Company Limited after being placed under administration.</p> | | |
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| | <p>arrears of revenue of Kshs. 21,030,156 could not be confirmed.</p> <p>Carbacid (CO2) Limited</p> <p>The arrears of Kshs. 99,122,674 accrued from 2017/2018 financial years to 2021/2022. recoverability of the arrears of revenue of Kshs. 99,122,674 could not be confirmed</p> <p>ARM Cement</p> <p>arrears of Kshs. 290,232,493 due relating to 2020/2021 and earlier years due from ARM Cement Limited. The Ministry stated that the arrears are unrecoverable as the Company is under insolvency.</p> | <p>Upon demand for payment The administrator indicated that the amounts due will be dealt with in accordance with the provisions of the insolvency Act 2015 (specifically in accordance with the provision relating to priority of payments to preferential creditors under the second schedule of the Act. The management has since conditioned the transfer of ARM licenses to National cement</p> | | |
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| | <p>Under the circumstances, the recoverability of the arrears of revenue of Kshs. 290,232,493 is doubtful.</p> | <p>company ltd to full payment of this arrears</p> | | |
| <p>1667 Unsupported Non-Tax Receipts</p> | <p>: The cadaster system or register of mineral rights or records of licenses issued for each category were not provided for audit. Section 191 of the Mining Act, 2016 provides for establishment and maintenance of an up-to-date computerized mining cadaster and registry system, including a register of mineral rights. Due to the unavailability of these records, the accuracy of revenue from mining and exploration licenses, export permits and mining royalties from various</p> | <p><i>The records of royalty payments are managed through physical files of mineral rights holders where tracking of payments is done. The State Department has commenced procurement process of installing Royalty Management System that would serve the need for a Royalties' cadastral register</i></p> | <p>Not resolved</p> | <p>On going</p> |

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| | licensees could not be confirmed. | | | |
| 1668 Irregular variation of cement levy rates- | <p>Cement levy received for National Cement Limited:</p> <p>As a result of the variation, the Government lost revenue amounting to Kshs. 167,838,286.</p> <p>Unconfirmed Cement Levy</p> <p>The reported amount Kshs. 348,842,612 received from the company differs with Kshs. 413, 565, 362 analysed from the production and sales reports, resulting to an</p> | <p>National Cement Company Limited has been paying the cement levy at the rate of KShs.100 per tonne of cement sold against the rate of KShs.140 per tonne. prescribed in Legal Notice No. 222 of 2013. The Ministry has since revoked this arrangement as</p> | Not resolved | ongoing |

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| | <p>unreconciled variance of Kshs. 67, 722,750.</p> <p>In the circumstances the accuracy and completeness of the reported cement levy received form National Cement Limited of Kshs. 345, 842,612 could not be confirmed.</p> | <p>per the attached letter and demanded the arrears resulting from the difference.</p> <p>Further, The Ministry has instituted measures to recover the arrears i.e limiting access to explosives and issuing demand notices. To date, Kshs. 525,646,259.00 has been received, which includes the current years from National Cement Ltd production/sales. The arrears are currently fully settled.</p> | | |
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| <p>1669 Un-authorized Use of Prospecting Fees:</p> | <p>Kshs. 28,137,769 was collected and paid into the Department's recurrent bank account and utilized as Appropriations - In- Aid (AIA) without approval from the Cabinet Secretary for The National Treasury. This was contrary to Regulation 64 (4) of the Public Finance management (National Government) regulations, 2015 which states that all public moneys collected by a receiver of revenue or collector of revenue or collected and retained by a National Government entity, shall be paid into the designated bank account of the National Government and shall not be used by any Public officer in any manner between the time of their receipt and payment into</p> | <p>The state department is authorized to collect fees as per legal Notice No:38 dated 28th February, 2014. The fees items in the Notice gazette above are categorized as Appropriation-in-Aid; These are; Ground Rent, Laboratory Fees, Explosive License Fee, Library Fee, mining permit and Mining License Application and Renewal Fee and Dealers License Application & Renewal Fee</p> <p>There have been earlier instances of contestation and</p> | | |
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| | <p>the bank expect as provided by law.</p> <p>In the circumstances, the Management was in breach of the law</p> | <p>misrepresentation of prospecting fees as an A-I-A item and Ground Rent as prospecting fees. During the year, Ground rent of Ksh.. 28,137,769.00 was erroneously receipted/recorded as prospecting fees but going forward, ground rent will be receipted as miscellaneous receipt and accounted accordingly. It has been noted that the two items are distinct fees items and they should be recognized independently in the financial books. The prospecting fees will be</p> | | |
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| | | accounted as Revenue item as directed by the National Treasury while ground rent will be treated as an A-I-A item. To minimize misclassification, a/ senior officer has been posted to be in charge of the revenue and A.I.A section. | | |
| 1670 Underutilisation of Voi Gemstone Centre | The Ministry operates a Gemstone Centre situated in Voi Town as a value addition Centre which was constructed between 2015 and 2017. However, the Centre was underutilized and not generating revenues for the government due to the following reasons: | The Centre was official commissioned on 25 th September, 2023 by H.E the President. The management is in the process of procuring laboratory and lapidary equipment in the current financial year. | Not resolved | On going |



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| | <p>i) The services to the public and customers could not be priced due to absence of gazette rates on gem identification and value addition at the gem laboratory and lapidary.</p> <p>ii) The laboratory and lapidary were inadequately equipped and staffed.</p> <p>iii) Being a business Centre, occupation of dealers' booths and restaurant through</p> | <p>More still, staffing is underway with the newly employed geologists and miners. The Ministry has allocated booths to interested parties Further, the regulation anchoring the fees chargeable for value addition and storage of gem stones at the Gem Center was gazetted and tabled before the National Assembly for public scrutiny pursuant to the Statutory Instrument Act. Equipping of the laboratory and lapidary together</p> | | |
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| | <p>competitive bidding had not been done.</p> <p>iv) The Centre was yet to be officially commissioned.</p> <p>Under the Circumstances, the Government is not obtaining value for money spent in the construction and equipping the Centre.</p> | <p>with staff issue will be done in phases.</p> | | |
| <p>1671 Non-Issuance of Mining Permits to Artisanal miners:</p> | <p>The Mining Act, 2016 outlines the functions of the representatives of the Director of Mines in the county offices. The functions include compiling a register of artisanal miners, renewing, revoking and granting artisanal mining permits guided by the recommendations of</p> | <p>The role of Artisanal Mining Committees (AMCs) is to advise the Director of Mines on the granting, revocation, and renewal of the Artisanal Mining Permits. It is true that Artisanal Mining Committees</p> | <p>Not resolved</p> | <p>On going</p> |

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| | <p>Artisanal Mining Committees. Review of operations in County offices revealed the following;</p> <p>i) Artisanal Mining Committees had been established in Kakamega, Vihiga, Siaya, Migori, Taita Taveta and Narok County back to year 2020. However, no evidence was provided to show that these committees held meetings and deliberations concerning recommendations for issuance of artisanal mining permits. There is a likelihood that the</p> | <p>had not recommended any artisanal miners to be issued with mining permits as stipulated in the Mining Act, 2016. The issuance was initially affected by the moratorium on issuance of mining and prospecting licenses of 2019, as well as lack of funding. There was no issuance of Mineral Rights Permits when the Moratorium was in place and as such the AMCs did not hold meetings. Since the lifting of the Moratorium, the State Department has gazetted 24 Artisanal Mining Committees,</p> | | |
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| | <p>terms for the gazetted committees may lapse without the members engaging in any meaningful activities.</p> <p>ii) Although a register of artisanal miners was maintained for the regions indicated above, but there was no record of artisanal mining permits issued to the registered miners.</p> <p>In the circumstances, the Ministry was not able to monitor operations of the miners and lost opportunity to collect revenue from artisanal mining permits</p> | <p>allocated and issued with adequate funds to start operating. The Ministry has since launched the meetings and they are now going on.</p> | | |
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| <p>1672 Failure to Enforce Surrender Mineral Rights</p> | <p>Review of the mineral rights register maintained in the online Mining Cadaster revealed that companies holding prospecting mineral rights whose term had expired had not applied for renewal of the rights or made applications to surrender them. Further, majority of the companies had not paid ground rent for the year under review or complied with the requirement of</p> | <p>The Cabinet Secretary revoked such non-performing mineral rights through the Gazette Notice No. 5720 of 2021. The revocation created an outcry because it affected holders who then appealed for reconsideration of the action. The Cabinet Secretary, in Response formed a committee to establish non-performing mineral rights existence and</p> | <p>Not resolve</p> | <p>On going</p> |

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| | <p>submitting quarterly reports. In addition, there was no record of activities reported for some companies that held these prospecting licences.</p> <p>In the circumstance, there is a likelihood that the mineral rights holders may have advanced their operations from prospecting to mining without following due process or abandoned the site without rehabilitating them or were just merely hoarding the mineral rights.</p> | <p>status. The recommendations are being reviewed by the Mineral Rights Board for advice and recommendation to the Cabinet Secretary</p> | | |
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| <p>1673 Dealing in Minerals Without Valid Licenses</p> | <p>The mining cadastral records maintained by the Ministry of Petroleum and Mining indicated that Tata Chemical Magadi Ltd. had a pending Mining License application as at the time of in-year audit carried out on 5 September, 2022, yet the company continued to undertake mining activities and dealing in minerals contrary to Mining Act, 2016. Management indicated that the company was operating on a licence that was issued before the enactment of the Mining Act, 2016.</p> <p>Similarly, a review of the mining cadastral records revealed that an International Mining Company had not been</p> | <p>It is true that Tata Chemicals Magadi Limited has operated without a mining licence since they started operations in 1911. This is because they had a land lease document that authorizes them to extract trona and salt from Lake Magadi.</p> <p>The Ministry has put effort to have the company regularize their operations under the Mining Act, 2016, the company has since made applications of four licenses which are</p> | <p>Not resolved</p> | <p>On going</p> |
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| | <p>issued with mineral dealer's licence or permit and did not possess a valid mining permit yet continued to deal in minerals contrary to Section 159 of the Mining Act, 2016. According to the cadastral records, the Company's prospecting licence expired in 2015 while its Mining Permit expired in 2018. However, during the year under review, the Company exported 5800 tonnes of Manganese ore without a valid mineral dealer's licence.</p> <p>Under the circumstances, the company was in breach of the law.</p> | <p>currently being processed.</p> | | |
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| <p>1674 Lack of Revenue Sharing Framework</p> | <p>of Kshs. 10,224,771,968 in royalties was collected from various mineral right holders. However, no support evidence of minerals revenue sharing between the National Government, County governments and Local Communities was provided for audit. Section 183(5) of the Mining Act, 2016, requires royalties paid by a holder of mineral right to be distributed as follows: seventy percent (70%) to the National Government, twenty percent (20%) to the County Governments and ten percent (10%) to the Community where the mining operations occur. The Management attributed the situation to lack of a framework for remission of royalties share</p> | <p>Royalty sharing framework has been prepared by a joint committee between the Ministry and the National Treasury. The 20% due to the County Government is to be disbursed through conditional grants to be paid into the county governments accounting structures. and the amounts receivable by each county has been determined Further, A regulatory framework on sharing the 10%</p> | | |
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| | <p>to the communities and County Governments. Further, if the shares for the County Governments and communities are not set aside, the citizens in areas where mining activities are carried out might not benefit from royalties as the minerals being extracted are finite and might get depleted by the time structures for revenue sharing are established. In addition, the county governments and communities that hosted mining activities during the six (6) years may lose a total of Kshs. 3,067,596</p> | <p>to the communities to support the sharing of funds meant for the consolidated fund is being developed</p> | | |
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| <p>1675 Unlicensed Mining Operations</p> | <p>Field visits done in September, 2022 on artisanal miners in Siaya and Migori counties revealed that operators of gold leaching plants did not possess requisite mineral processing licences and permits as provided by the Mining Act, 2016. Further, the plants and small scale gold operators in those counties were using cyanidation to extract gold from tailings. Cyanidation is widely used to process tailings due to its efficiency in reacting with gold thus lowering the cost of mining. However, the contaminated waste material from the leaching process were abandoned at the sites</p> | <p>The disconnect between government agencies; State Department for Mining, NEMA and County Government has created a loophole that the owners of processing plants are exploiting. Some plants have EIA All unlicensed miners in Migori were in August 2023 instructed to cease operations until they were licensed. The order was copied to the County Commissioner and county police officers to assist in the enforcement of the closure directive. Note that,</p> | <p>Not resolved</p> | <p>On going</p> |
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| | <p>since most leaching sites lacked proper disposal mechanism. The leaching plants are also situated in proximity to human habitats.</p> <p>In the circumstances, activities of the operations of gold leaching plants in Siaya and Migori counties were unlawful. Further, the highly toxic cyanide chemical may result in negative environmental impacts and public health risks if released into the environment.</p> | <p>all illegal mining operations have been suspended until the entities acquire the requisite license. This is being enforced by the Ministry through Migori Regional Mining Office in conjunction with the newly formed Mining Police Unit. The Government has now funded and equipped Regional Mining Offices in order to regulate this activity appropriately. Stoppage orders have also been issued for such activities sampled</p> | | |
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| <p>1676 Non-adherence to Prospecting Licence Conditions</p> | <p>Site inspection of prospecting map area in Bondo, Siaya County for Lake Mining Company conducted on 27 September, 2022 revealed that the Company had commenced processing of gold tailings. However, a review of operations of the company revealed the following anomalies:</p> <p>i) Cadastral records show that the Company was granted prospecting licence No. PL/2017/0054 in 2019. However, the Mineral right expired in July 2022 but there was no record of renewal</p> | <p>It is true that Lake Side Mining Company do not have the necessary mineral right for the kind of activities observed on site. An application for a mining licence had been approved, offer letter issued and the Company accepted the offer but the license was never granted as the Moratorium against issuance of mineral rights took effect. However, after the lifting of the moratorium all the mineral right applicants were advised to re submit applications supporting documents such</p> | <p>Not resolved</p> | <p>On going</p> |
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| | <p>application lodged in the Cadastre system.</p> <p>ii) The Company personnel at the site explained that the Company had already commenced processing of tailings in July, 2022. The gold ore processing equipment found at the site included a rock crusher/grinding mill, leaching tanks, concentration table among others. Such operations would require a mining licence</p> | <p>mining work program. This particular company did not comply with this requirement and its application is awaiting review by the Mineral Right Board. In enforcement of current reforms in the mining sector on the fight against illegal mining the company was served with a stoppage order to suspend the operations until the company requisite acquired documents</p> | | |
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| | <p>or mineral dealings licence as provided for in Section 159 of the Mining Act, 2016 but none was provided for audit.</p> <p>iii) The nature of activities seen on the ground were not indicative of prospecting.</p> <p>In the circumstances, the management was in breach of the law</p> | | | |
| <p>1677 Irregular Issuance of Mineral Exploration Rights</p> | <p>Site inspection of Copper Hill Exploration and Mining Resources Company Limited situated in Migori-Nyatike area revealed that the following:</p> <p>i) Whereas the</p> | <p>The Ministry revoked the Permit due to irregular issuance. The case is subject of a law suit at Migori court ELC Suit No. 95 of 2021 and ELC</p> | <p>Not resolved</p> | <p>On going</p> |

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| | <p>company holds Mining Permit No. MP/2021/0418 issued on 19th March 2021 with an expiry date of March 2026, cadastral records indicate that the mineral right was at application stage.</p> <p>ii) The Moratorium issued on 18 December, 2019 froze issuance of permits and licences regarding any new potential mineral areas, thus it remains unclear, how the company was awarded the</p> | <p>Appeal No. 7 of 2022. The Ministry is awaiting the outcome of the court process</p> | | |
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| | <p>Mining Permit, yet it had no continuing obligations such as prospecting or mineral dealings.</p> <p>iii) Second Schedule of the Mining Act 2016 provides that a mining or prospecting operation may be classified as small-scale operation if the operations do not employ specialized prospecting, mechanized mining technologies, chemicals including</p> | | | |
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| | <p>mercury and cyanide or explosives. However, the scale of operations at the site and the heaps of waste removed from the site was indicative of capital-intensive activities that required heavy machinery such as large trucks, excavators, and dozers.</p> <p>In the circumstances, the legality of the mining activities of the Copper Hill Exploration and Mining Resources</p> | | | |
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| | Company could not be confirmed. | | | |
| 1678 Aurum Utalum Mining Company | <p>Site inspection of Aurum Utalum Mining Company prospecting location situated in Rongo, Migori County revealed the following anomalies:</p> <p>i) Although the company claimed to hold a valid Prospecting Licence, Cadastral records indicate that the company's</p> | <p>The Ministry through the Migori Regional office has since issued a stop order against Aurum Utalum Mining Company for breach of the Prospecting License for engaging in activities beyond what their mineral right authorizes. (See annex 1678). Also, the foreign operators were arrested and processed for</p> | Not resolved | On going |

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| | <p>prospecting licence No. PL/2018/0107 expired on 11 November, 2021. There was no record of application of renewal lodged in the cadastre system.</p> <p>ii) The nature of activities observed at the time of the site visit entailed removal of tailings from a colonial mine and testing for mineral recoverability per sample of the tailings extracted. However, the company declined to</p> | <p>deportation after being presented in court</p> | | |
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| | <p>provide the lab test results and the use of the heaps of tailings that had been piled over the years by the company could not be ascertained.</p> <p>In the circumstances, licence holders were using prospecting licences to undertake mining operations thus denying Government the mineral extraction revenue.</p> | | | |
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| <p>1679 Delayed issuance of Prospecting Licenses</p> | <p>Field inspection carried out in the Ministry’s regional office in Kwale County between 26 September, 2022 to 27 September,2022, revealed that Base Titanium had applied for prospecting Licenses in the year 2019. However, as at the time of the audit the application was still pending and no satisfactory explanation was provided for the delay.</p> <p>In the circumstances, any royalties the Government may have earned on mining activities following successful prospecting were lost</p> | <p>It is true that the application for prospecting licensee by Base Titanium Limited has been pending since 2019. A Moratorium on issuance of permits and Licenses had been issued against the issuance of new mineral rights on 2nd December, 2019. The Moratorium was lifted in October 2023 and since then 4 of the company’s applications have been evaluated and are undergoing public</p> | <p>Not resolved</p> | <p>On going</p> |
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| | | participation in preparation for issuance. | | |
| 1680 Lack of updated cadaster records | Review of mining cadastral records maintained by the Ministry of Petroleum and Mining revealed that the ministry did not maintain an up-to-date cadastre records. Some of the records indicated that the actions were open, yet they were supposed to be closed. Further, the system was not fully supported by the contracted service provider. Management attributed this to lack of requisite clauses in the contract to enable | A National Multi Agency team was tasked to in develop Mining Cadaster, which is still work in progress, however the current cadaster supplied by a south African company is undergoing an upgrade which will facilitate more reliable records This will be rectified once the ongoing recruitment is complete. In | Not resolved | On going |

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| | <p>payments for maintenance.</p> <p>In the circumstances the integrity of the information stored in the cadaster could not be confirmed</p> | <p>addition, Royalty Management System (RMS) being procured is expected to fill in the gaps experienced in the mining cadaster</p> | | |
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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|-----------------------------------|---------------------|-----------------------------------|--|
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| <p>1531. Unsupported Non-Tax Receipts</p> | <p>Of the Kshs.1,843,684,919 as total non-tax receipts collected from cement levy, mining royalties and licence and permits fees from various licensees;</p> <p>cadastre system was maintained. However, there was no register of mineral rights or records of licences issued for each category. Due to the unavailability of these records, the reported receipts in respect of mining and exploration licences, export permits and mining royalties from various licensees could not be verified against any supporting records.</p> <p>Under the circumstances, the accuracy, validity, and completeness of the total non-tax receipts amounting to Kshs.1,843,684,919 for the year ended 30 June, 2021 could not be confirmed</p> | <p>It is true that there is no cadastral register for outstanding royalty payments. The records of royalty payments are managed through physical files of mineral rights holders where tracking of payments is done. The Ministry has been desirous of installing a digital royalty management system that would serve the need for a royalties cadastral register, unfortunately underfunding for the project has flopped several procurement attempts including last financial year when the bidder overshot the budget.</p> | <p>Not Resolved</p> | <p>Six (6) months</p> |
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| <p>1532. Unreported and Unauthorized Use of Prospecting Fees</p> | <p>The Cabinet Secretary, The National Treasury designated the Principal Secretary of the State Department for Mining as a Receiver of revenue through a letter REF:AG.1/021 Vol.111/91 dated 24 July, 2020. The letter classified classes of revenue for collection and to be accounted for by the Receiver of revenue, which included prospecting fees among others.</p> <p>The revenue statements for the year ended 30 June, 2021 did not include prospecting fees revenue or arrears in the class of revenue. A review of accounting records at the State Department revealed prospecting fees amounting to Kshs.25,048,358 was collected and deposited into the Department's recurrent bank account where it was utilized as Appropriations-In-Aid (AIA) without approval of the Cabinet Secretary for National Treasury. This was contrary to Regulation 64(4) of the Public Finance Management (National Government) Regulations, 2015 which provides that moneys received by the Receiver of revenue shall be paid into the</p> | <p>The Ministry's Budget for FY 2021/22 included Ksh 100,000,000 as the approved Appropriation in Aid (A.I.A). The A.I.A was to be realized from sale of goods and services at the Directorate of Mines as listed below:</p> <p>Key services offered by the Directorate of mines include;</p> <ul style="list-style-type: none"> • Laboratory services, • Inspection of Mines, • Licensing of explosives, • Geological Library services and, • Issuance and Minerals Rights Management (Licenses). <p>The issuance and management of Mineral Rights (Reconnaissance, Prospecting, Retention, and Mining Licenses, prospecting permit and mining permit) form the core mandate vide Section 32 of the Mining Act, 2016 and thus service charges and fees are charged against these services as provided in Legal Notice No. 38 on The Mining (Amendment of Third Schedule) Order, 2014, dated 28th February 2014.</p> <p>Pursuant to Regulation 60 (1) of the Public Finance Management (National Government) Regulations, 2015 and in concurrence with the National Treasury vide Letter Ref: RES 1192/18/01 (8) dated 20th August 2018 The Ministry has been accounting receipts in relations to prospecting fee (License) as AIA. (see annex4.16)</p> <p>Further to the Public Finance Management (National Government) Regulations, 2015 guidance on Basic principles in deciding whether sums shall be applied as AIA, the Legal Notice No. 38 on The Mining</p> | | |
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| | <p>designated bank accounts of the National Government and is not to be used by any public officer. Consequently, the accuracy of the nil balance on prospecting fees in the revenue statements for the year under review could not be confirmed. In addition, the Management is in breach of the law.</p> | <p>(Amendment of Third Schedule) Order, 2014, dated 28th February 2014 defines Prospecting and Mining fees as services charges. In light of the above, Directorate of Mines has been collecting AIA mainly through sales of services (service charges/fees) as detailed here-in under:</p> <table border="1" data-bbox="1055 376 1637 667"> <thead> <tr> <th>Item</th> <th>Account</th> </tr> </thead> <tbody> <tr> <td>Laboratory Fees</td> <td>0-1194-0000-35404001</td> </tr> <tr> <td>Explosive Licensing Fees</td> <td>0-1194-0000-35404001</td> </tr> <tr> <td>Prospecting Fees</td> <td>0-1194-0000-35404001</td> </tr> <tr> <td>Library Fees</td> <td>0-1194-0000-35404001</td> </tr> <tr> <td>Miscellaneous and other charges</td> <td>0-1194-0000-35404001</td> </tr> </tbody> </table> <p>It is also noted that the Ministry on receiving the National Treasury Letter Ref: AG.1/021 Vol.4/9 dated 30th July 2021 on appointment of the Principal Secretary, Ministry of Petroleum and Mining as a designated collector of revenue, wrote to the National Treasury vide letter Ref: MOPM/P/CONF/3/34 VOL. V (7) dated 9th September,2022 requesting for reclassification of prospecting fees as revenue to Appropriation in Aid (copy attached). The National Treasury vide letter Ref: TNT/ZZ81/015'B' (21) dated 19th October,2022 (copy attached) respondent to the Ministry request and clarify that the prospecting fees are correctly classified as Exchequer Revenue and not Appropriation in Aid (A.I.A). Treatment of Prospecting Fees as service charges/fees by the Ministry led to erroneous misclassification of the Prospecting Fees as A.I.A instead of Revenue and it resulted in utilization of Kshs. 28,137,769.20 as Appropriation in Aid (A.I.A).</p> | Item | Account | Laboratory Fees | 0-1194-0000-35404001 | Explosive Licensing Fees | 0-1194-0000-35404001 | Prospecting Fees | 0-1194-0000-35404001 | Library Fees | 0-1194-0000-35404001 | Miscellaneous and other charges | 0-1194-0000-35404001 | | |
|---------------------------------|--|--|------|---------|-----------------|----------------------|--------------------------|----------------------|------------------|----------------------|--------------|----------------------|---------------------------------|----------------------|--|--|
| Item | Account | | | | | | | | | | | | | | | |
| Laboratory Fees | 0-1194-0000-35404001 | | | | | | | | | | | | | | | |
| Explosive Licensing Fees | 0-1194-0000-35404001 | | | | | | | | | | | | | | | |
| Prospecting Fees | 0-1194-0000-35404001 | | | | | | | | | | | | | | | |
| Library Fees | 0-1194-0000-35404001 | | | | | | | | | | | | | | | |
| Miscellaneous and other charges | 0-1194-0000-35404001 | | | | | | | | | | | | | | | |

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| | | In adherence to the Public Finance Management (National Government) Regulations, 2015, the Ministry will fulfil its responsibility of receiving revenue and submit to the exchequer all receipts related to not only Prospecting Fees but also Cement Levy, Mineral Export License Fees and other Mining Royalties and Levies for the FY 2022/23. | | |
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| <p>1533. Unreported Cement Levy Arrears by East Africa Portland Cement Company</p> | <p>Kshs. 404,759,572 owed by East Africa Portland Cement Company (EAPCC) accrued in the financial years 2014/2015 to 2020/2021. Further, the Company has since 2018/2019 filed incomplete self-declaration assessments and was therefore, not assessed for cement levy from 2018/2019 to 2020/2021 financial years. Management did not provide any explanation on why levies that were due and chargeable to the Company were not assessed in the relevant periods and reported in the financial statements. Under the circumstances, the recoverability and accuracy of the Kshs. 404,759,572 as at 30 June, 2021 could not be ascertained.</p> | <p>It is true that the National Cement Company Limited has been paying the cement levy at the rate of KShs.100 per tonne of cement sold against the Legal Notice No. 222 of 2013 which prescribes a rate of KShs.140 per tonne. The Company was allowed to pay the reduced rate after their application for the same to the Cabinet Secretary was considered favourably in accordance with section 188(1) of the Mining Act, 2016. East African Portland Cement Company Limited has attributed its poor financial position for its inability to pay the cement levy.</p> | <p>Not resolved</p> | <p>Three months</p> |
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| <p>1534. Long Outstanding Arrears from Savanna Cement Company</p> | <p>Included in the arrears of revenue of Kshs. 2,115,612,977 is Kshs.370,862,635 due from Savanna Cement Company in respect of cement minerals levy as at 30 June, 2021. Although a payment plan agreement was signed in August, 2017 between the State Department and the Company requiring settlement of the arrears in twenty-four (24) monthly instalments starting from September, 2017, the Company had reneged on the plan, stating that it did not hold a mineral license from the State Department and therefore was not liable to pay the levy. The Company had also moved to the High Court challenging Legal Notice No.222 of 2013 which required payment of cement minerals levy by all cement producing companies in Kenya. Although Management indicated that a consent has been recorded in Court for settlement of the matter, the same was not provided for audit review.</p> | <p>The consent has been recorded in Court for settlement of the matter, the same is hereby attached for audit review. The Ministry has undertaken steps to recover Kshs. 370,862,635 as at 30 June, 2022. Court order issued to forgo the arrears</p> | <p>Not resolved</p> | <p>Three months</p> |
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| | <p>Further, the Company has not filed any self-declaration assessment since 2018/2019 financial year to the time of the audit in February, 2022 and has, therefore, not been assessed for cement levy. In addition, the Company remitted Kshs. 5,000,000 during the year, but the remittance was not supported by production and sales reports.</p> <p>Under the circumstances, the recoverability of the Kshs. 370,862,635 as at 30 June, 2021 could not be confirmed.</p> | | | |
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| <p>1535.</p> <p>Long Outstanding Dues from Tata Chemicals Magadi Limited</p> | <p>The statement of arrears of revenue as at 30 June, 2021 reflects royalty arrears totaling Kshs.675,023,295 owed by Tata Chemicals Magadi Limited which has accrued since the financial year 2015/2016. Although the Company undertook to settle the arrears with the State Department, no significant progress was made during the year. Further, review of correspondences between the Company and the State Department revealed that the Company had cited serious operational and financial challenges as the reason for inability to pay the royalties at the gazetted rates. The Company Management proposed to pay negotiated rate of 3% and to be applied retrospectively from 01 July, 2017. However, the Ministry of Petroleum and Mining asserts on application of the gazetted rates of 4% of gross sales value from 1 July, 2017 and 5% of gross sales value from 01 July, 2019. The Company has not proposed any payment plan to settle the accrued royalties.</p> | <p>It is true that Tata Chemicals Magadi Ltd, African Diatomite Industries Limited, Carbacid (CO2) Limited and East African Portland Cement Company Limited have accumulated debts of unpaid revenues despite demand letters from the Ministry. Tata Chemicals Magadi Ltd, African Diatomite Industries and Carbacid have raised issues on the high royalty rates charged for their products, and have petitioned the Ministry for the reduction of the same. Subsequently the arrears are as a result of the operators applying lower rates from the ones in the gazette. The Ministry continues to engage the companies to clear the arrears as the royalty rates review is a work in progress, having undergone public participation.</p> | <p>Not Resolved</p> | <p>Three months</p> |
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| | Consequently, the recoverability of the arrears of revenue of Kshs.675,023,295 as at 30 June, 2022 could not be confirmed. | | | |
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| <p>1536. Unreported and Long Outstanding Dues from Carbacid (CO2) Limited</p> | <p>The statement of arrears of revenue reflects arrears of revenue of Kshs.78,490,587 due from Carbacid (CO2) Limited. The arrears relate to the financial years 2017/2018 to 2020/2021. However, a review of correspondences revealed that the Company Management had expressed reservations regarding payment of the royalties before a consensus on payment rates was reached. In addition, the Company did not file a selfdeclaration assessment and was, therefore, not assessed for royalties due in the year under review.</p> <p>Consequently, the recoverability of the arrears of revenue of Kshs.78,490,587 as at 30 June, 2022 could not be confirmed</p> | <p>It is true that Carbacid Limited has outstanding royalty payments. The Company has attributed the inability to pay the royalties on time to poor business environment where their competitors who extract carbon dioxide from industrial sources and are not subjected to payment of royalties, thus undercutting prices to Carbacid's disadvantage. Carbacid has petitioned the Ministry to reduce royalty rate for carbon dioxide gas to even the playing field. Royalty rates review is work in progress having undergone public participation</p> | <p>Not resolved</p> | <p>Three months</p> |
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| <p>1537. Unremitted Mining Royalties</p> | <p>The statement of arrears in revenue for the year under review includes outstanding mining royalties totalling Kshs.47,717,596. The royalty arrears comprise of Kshs.30,196,739 and Kshs.17,520,857 accruing from Kilimapesa Gold Pty Limited and Africa Diatomite Industries Limited respectively. Management did not provide evidence of any efforts made to recover the arrears of revenue. Further, a review of records maintained by the State Department revealed that, declared and assessed sales records in respect of Kilimapesa Gold Pty Limited were not up to date and thus the royalty arrears could not be accurately estimated. In addition, a review of Cadastre records revealed that Chauhshan International Mining Company was granted a license to mine diatomite in 2016. However, no documents were</p> | <p>Kilimapesa Gold Pty td has since cleared as in MR attaches Of Kshs. 31,428,381.65</p> | <p>Not resolved</p> | <p>Three months</p> |
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| | <p>provided for audit review to confirm the validity and the status of the mining license since 2016. Further, it was not clear whether the company pays ground rent for the rights held.</p> <p>In the circumstances, the accuracy and recoverability of the royalty arrears of Kshs.47,717,596 as at 30 June, 2021 could not be confirmed.</p> | | | |
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| <p>1538.</p> <p>Irregular underpayment of Cement Levy by National Cement Company Limited</p> | <p>Kshs.289,263,087</p> <p>received from National Cement Company Limited as shown in Note 1 to the revenue</p> <p>statement. However, analysis of production reports from the Company revealed a</p> <p>variance of Kshs.51,181,322 between cement levy remitted to Ministry</p> <p>Further, review of records at the State Department in respect of the cement Company</p> <p>revealed that on 4 March, 2021, the Cabinet Secretary through a letter Ref: No. MOPM/(S)6/1 granted consent to the Company to pay a reduced cement levy at a rate Kshs.100 per tonne instead of Kshs.140 per tonne. However, Section 188(2) of the Mining Act, 2016 requires the Cabinet Secretary to make regulations to provide for the conditions and criteria for determining application for reduction or suspension of payment of royalties which had not been done at the time of granting the reduction and have also not been done by the time of the audit in February, 2022.</p> | <p>It is true that the National Cement Company Limited has been paying the cement levy at the rate of KShs.100 per tonne of cement sold against the Legal Notice No. 222 of 2013 that prescribes a rate of KShs.140 per tonne.</p> <p>The Company was allowed to pay the reduced rate after their application for the same to the Cabinet Secretary was considered favorably in accordance with section 188(1) of the Mining Act, 2016.</p> | <p>Not resolve</p> | <p>One (1) year</p> |
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| | <p>In addition, there was no evidence of gazettment of the revised cement levy rate as provided for in the Section 183(2) of the Mining Act, 2016. In addition, it was not clear why the reduced levy rate of Kshs.100 applied only to one Company while the sector had several players manufacturing the same product</p> | | | |
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| <p>1539. Failure to Collect Annual Ground Rents</p> | <p>The Mining (Amendment of Third Schedule) Order, 2014 provides for payment of annual ground rents for an exclusive prospective licence or special licence, and annual ground rent for a lease area per hectare. Review of mining cadastral records maintained by the State Department revealed that the Receiver of revenue failed to identify and collect annual ground rents payable by holders of exclusive prospecting licence, mining permit, prospecting permit and mining license amounting to Kshs.133,335,448 contrary to Section 182(1) of the Mining Act, 2016 which provides that an applicant or a holder of a mineral right, a mineral dealer's license or a diamond dealer's license, shall pay such fees or charges and at such time as may be prescribed, by notice in the gazette.</p> | <p>The mineral rights holders are up to date in payment of ground rent. The Ministry has since moved to revoke such non performing rights in a Gazette notice where 182 such rights were revoked. 122 appeals were received are were being considered for renewal. The Ministry was still sending demand letters fr payment of the dues most of which were ignored due to lack of capacity to enforce compliance and lack of funds for field activities</p> | <p>Not resolved</p> | <p>On going</p> |
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| <p>1540. Dealing in Minerals Without Valid Licenses</p> | <p>Review of the mining cadastral records maintained by the State Department for Mining</p> <p>revealed that East Africa Portland Cement Company (EAPCC) and Savanna Cement</p> <p>Company had not been issued with mineral dealer’s licences or mineral dealer’s permit.</p> <p>However, the Companies continued to undertake mining activities and deal in minerals</p> <p>without valid licenses or permits contrary to Section 159 of the Mining Act, 2016.</p> <p>Management explained that Savannah Cement Company do not undertake mining</p> <p>activities but instead imports the clinker, the main ingredient for cement manufacturing.</p> <p>However, cement manufacturing involves mixing clinker with other minerals such as</p> <p>Gypsum and Pozzolona among others. The additive minerals are sourced locally, and a</p> | <p>It is true that EAPC is yet to formalise limestone quarrying but efforts to pursue the company to apply for the mining license had been put on hold due to Moratorium of 2019.</p> <p>Following the High Court order of petition, the Ministry ordered the company to comply with the consent but which had not been responded to.</p> | <p>Not Resolved</p> | <p>Ongoing</p> |
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| | <p>request to the Company to disclose the suppliers of the other minerals was not responded</p> <p>to. Consequently, the Management was in breach of the law</p> | | | |
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| <p>1541.</p> <p>Failure to Share Royalties and Lack of Mechanism for Sharing Royalties</p> | <p>During five financial years following enactment of the Act, of 2016, a total of Kshs. 7,503,885,961 in royalties was collected from various mineral right holders translating to Kshs. 750,388,596 that the National Treasury should have paid to the communities and Kshs. 1,500,777,192 to the devolved units.</p> <p>However, all revenue collected was transferred to the Exchequer Account at The National Treasury and was not shared with County Governments or communities. The Ministry of Petroleum and Mining attributed the situation to lack of a framework for remission of royalties share to the communities and County Governments. Further, the Ministry of Petroleum and Mining and The National Treasury are yet to put in place a mechanism to</p> | <p>It is true that the royalty sharing mechanism as prescribed by the Mining Act, 2016 has never been operationalized. This is due to the lack of a regulatory framework to support the sharing of funds meant for the consolidated fund. However, the National Treasury is spearheading a committee to come up with means of sharing the royalties. It has been proposed that the share to the counties be included in the county's share of revenue allocation from the Exchequer. The share to communities is still a work in progress. Subsequently, a task force has been constituted to develop a framework/regulation for the transfer of the ten percent (10%) share of the royalties to the communities</p> <p>Royalty sharing framework has been prepared by a joint committee between the Ministry and the National Treasury. Disbursement of the county governments share has been agreed upon to be paid into the county governments accounting structures. The means by which the community share will be disbursed is yet to be settled. Subsequently, a task force has been constituted to develop a framework/regulation for the transfer of the ten percent (10%) share of the royalties to the communities</p> | <p>Not resolved</p> | <p>On going</p> |
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| | <p>ensure that the share of the County Governments and the communities are safeguarded</p> <p>until such a time when structures are in place for sharing collected royalties.</p> <p>In addition, if the share for the County Governments and communities amounting to</p> <p>Kshs. 2,251,165,788 is not set aside, the citizens in areas where mining activities are</p> <p>carried out might not benefit from royalties as the minerals being extracted are finite and</p> <p>might get depleted by the time structures for revenue sharing are established.</p> <p>Consequently, the Management was in breach of the law</p> | | | |
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| <p>1542. Failure to Establish Artisanal Mining Committees</p> | <p>Section 94 of the Mining Act, 2016 requires establishment of Artisanal Mining Committee</p> <p>in every County. However, only six Artisanal Mining Committees have been established</p> <p>in the counties of Kakamega, Vihiga, Siaya/Kisumu, Migori, Kitui and Taita Taveta. The</p> <p>Committees are expected to advise the representative of the Director of Mines in the</p> <p>granting, renewal, or revocation of artisanal mining permits. Some of the counties without</p> <p>established Committees have large groups of unregulated artisanal miners that continue</p> <p>to operate without permits and hence denying the country revenues from mining activities.</p> | | <p>Not resolved</p> | <p>On going</p> |
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| <p>1543. Lack of Artisanal Miners Register</p> | <p>Regional mining officers did not maintain register of artisanal miners in their respective regions as required under Section 93(3) of the Mining Act, 2016. A check at sampled regional mining offices established that the regional offices did not maintain a register of artisanal miners in their areas. Although the Management attributed this to lack of Artisanal Mining Committees, it was established that even in Counties where there are Artisanal Mining Committees, the Ministry has not issued artisanal mining permits hence no artisanal mining register. This hinder efforts to supervise and monitor the operation and activities of artisanal miners and denies the Country revenues.</p> | <p>Due to Moratorium of 2019, All mining operations were curtailed hence no register.</p> | <p>Not resolved</p> | <p>On going</p> |
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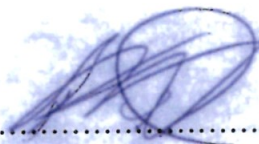
| | | | | |
|---|--|--|---------------------|-----------------|
| <p>1544. Lack of Monitoring of Mining Operations</p> | <p>The Ministry relies on data, and self-declarations by the mining companies to assess revenue payable, which may not be accurate and could lead to loss of revenue due to under declaration or non-declaration of production and sales figures.</p> <p>Further, failure to undertake inspections and monitoring of operations has brought about laxity by the companies in implementing the licensing conditions leading to accumulation of revenue arrears to Kshs. 2,115,612,977 excluding those yet to be assessed and declared.</p> <p>In view of the forgoing, the accuracy and validity of companies self-assessed sales and production reports used as basis for payments of royalties/levies of Kshs. 1,843,684,919 as disclosed in the statement of receipts and disbursements was not confirmed.</p> | <p>The Directorate of Mines budget has been suffering budgetary and mobility constraints over the years despite the coming into force of the Mining Act, 2016, that has imposed extra responsibilities on the Directorate in terms of compliance and enforcement of exploration mining operations. Despite this the Directorate has endeavored to conduct the inspections of the operations using the regional mining offices causing the officers struggle with the few resources available</p> | <p>Not resolved</p> | <p>On going</p> |
|---|--|--|---------------------|-----------------|

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| | | | | |
|--|--|--|---------------------|-----------------|
| | | | | |
| | <p>Base Titanium had applied for prospecting Licenses in the year 2019. However, as at the time of the audit the application was still pending and no satisfactory explanation was provided for the delay.</p> <p>In the circumstances, any royalties the Government may have earned on mining activities following successful prospecting were lost</p> | <p>It is true that the application for prospecting licensee by Base Titanium Limited has been pending since 2019. A Moratorium on issuance of permits and Licenses had been issued against the issuance of new mineral rights on 2nd December, 2019. The Moratorium was lifted in October 2023 and since then 4 of the company's applications have been evaluated and are undergoing public participation in preparation for issuance.</p> | <p>Not resolved</p> | <p>On going</p> |



Name: Harry Kimtai, C.B.S
Principal Secretary



Name: CPA Martin Omuse
Head of Accounting Unit
ICPAK No: 14340

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Appendix 2: Statement of Arrears of Revenue as at 30th June 2025

| Classification of Revenue | Balance as at 1st July 2024 | Arrears received during the year | Additions in arrears for the current year to 30th June 2025 | Total arrears as at 30th June 2025 | Measures taken to recover the arrears | Assessment to the recoverability of the arrears |
|--|---|---|---|--|--|--|
| Arrears of Revenue from exchange transactions | | | | | | |
| Property Income | Kshs | Kshs | Kshs | Kshs | | |
| Tata Magadi | 691,767,260 | 472,999,759 | 197,898,340 | 0 | Demand letters issued | Recoverable |
| African Diatomite | 11,030,156 | 11,030,156 | 13,496,733 | 0 | Demand letters issued | Recoverable |
| Carbacid (CO2) Ltd | 99,427,289 | 99,427,289 | 49,263,061 | 0 | Demand letters issued | Recoverable |
| National Cement | 859,084,734 | 701,709,516 | 317,591,297 | 0 | Demand letters issued | Recoverable |
| Bamburi Cement | 15,828,943 | 15,828,943 | 0 | 0 | Demand letters issued | Recoverable |
| Mombasa Cement | 0 | 0 | 422,513,907 | 270,438,255 | Demand letters issued | Recoverable |
| EA Portland Cement | 443,585,372 | 5,500,000 | 131,436,000 | 551,320,475 | Steps have been taken including stoppage | Recoverable |
| Athi River Mining | 290,232,493 | 0 | 0 | 290,232,493 | Demand letters issued | Recoverable |
| Savannah | 370,862,635 | 0 | 0 | 370,862,635 | The matter is still pending | Recoverable |
| Total | 2,781,818,882 | 1,306,495,663 | 431,265,719 | 1,482,853,858 | | |

NOTE: The Kshs. 370,862,635 owed by Savannah is subject to investigation by the DCI after PAC recommendation on the report of Auditor General on audit of financial statements of the Ministry of Petroleum and Mining for the FY 2021/2022. There is a pending court case.
126,236,586

STATE DEPARTMENT FOR MINING
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These arrears are disclosed as required under the PFM Act section 82 (2) of 2012



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Principal Secretary

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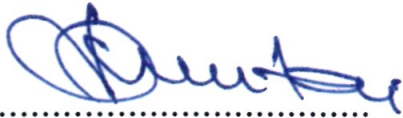
Appendix 3: Ageing Analysis of Revenue in Arrears

| Description | Less than 1 year | Between 1-2 years | Between 2-3 years | Over 3 years | Total |
|---|--------------------|-------------------|-------------------|----------------------|----------------------|
| Arrears of Revenue from exchange transactions | Kshs | Kshs | Kshs | Kshs | Kshs |
| Property Income | | | | | |
| African Diatomite | 0 | 0 | 0 | 0 | 0 |
| Athi River Mining | 0 | 0 | 0 | 290,232,493 | 290,232,493 |
| East African Portland Cement PLC | 0 | 0 | 0 | 551,320,475 | 551,320,475 |
| National Cement | 0 | 0 | 0 | 0 | 0 |
| Mombasa Cement | 270,438,255 | 0 | 0 | 0 | 270,438,255 |
| Tata Magadi | 0 | 0 | 0 | 0 | 0 |
| Savannah Ltd | 0 | 0 | 0 | 370,862,635 | 370,862,635 |
| Total | 270,438,255 | 0 | 0 | 1,212,415,603 | 1,482,853,858 |
| | 18.24% | | | 81.76% | |

Appendix 4: Report of Waivers and Variations of Taxes, Fees or Charges granted by the Receiver of Revenue during the year.

| Name of person / organisation benefitting from waiver/ variation | Year in which waiver/ variation relates | Amount of variation/ waiver (tax, fee, or charge) | Reasons for waiver/ variation | The law in terms of which the variation/waiver was granted |
|--|---|---|-------------------------------|--|
| N/A | N/A | N/A | N/A | N/A |

(PFM ACT Section 82 sub section 4, 5)



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Name: Harry Kimtai, C.B.S
Principal Secretary