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THE NATIONAL ASSEMBLY
DATE: 19 APR 2023

REPORT

TABLED
BY:

DEPUTY MAJORITY
LEADER

OF

CLERK AT
THE TABLE:

THE AUDITOR-GENERAL

ON

**REVENUE STATEMENTS OF THE MINISTRY
OF PETROLEUM AND MINING**

**FOR THE YEAR ENDED
30 JUNE, 2022**

20 JAN 2023

RECEIVED



MINISTRY OF PETROLEUM AND MINING

REVENUE STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30 JUNE 2022**

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

Ministry of Petroleum & Mining
Revenue Statements
For the year ended 30 June 2022

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I. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Ministry of Petroleum and Mining was created in 2021 through Executive Order No. 1 of February, 2021. Prior to this, the State Department for Petroleum fell under the Ministry of Energy and Petroleum. Before then, petroleum pricing was under the then Ministry of Finance which represented the Government interests in the Kenya Petroleum Refineries Limited.

Under the Executive Order No. 1 of June, 2018 on the Organization of the Government of the Republic of Kenya, the Ministry was split into two State Departments with each drawing its mandate from the Executive Order. At the Cabinet level, the Ministry was headed by the Cabinet Secretary, Hon John K. Munyes, EGH who was responsible for general policy and strategic direction of the Ministry. He relinquished this position and in his place Amb. (Dr) Monica Juma (Oxon), EGH was appointed to Act. The principal secretary of the Ministry of Petroleum and Mining was designated as a Receiver on 30 July 2021 by the Cabinet Secretary, the National Treasury in accordance with Section 75 of the PFM Act, 2012.

The State Departments under the Ministry are:

- i. The State Department for Petroleum administered by Andrew Kamau, CBS, and
- ii. The State Department for Mining administered by Amb. Kirimi P. Kaberia, CBS but since the merger of the 2 State Departments to form the Ministry of Petroleum and Mining, Mr. Andrew Kamau, CBS is the Principal Secretary

The Ministry of Petroleum and Mining is a Public Institution whose responsibility is to ensure adequate, quality, cost effective and affordable development of the extractives Sector to meet national development needs while protecting and conserving the environment

The Vision, Mission, Core Values, Strategic Objectives and core functions of the Ministry of Petroleum and Mining are:

Vision

Promote sustainable development of the extractives sector.

Mission

Enhance commercialization of discoveries, develop the requisite skills and infrastructure for production in the oil, gas and improve access to competitive, reliable and secure supply of petroleum products

Core Functions

- Formulation of policy, review of fiscal, legal and regulatory framework for oil and gas exploration, development and production.

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- Acquisition, interpretation and modeling of primary data, primary geotechnical data for geophysical (gravity, magnetic), geological and geochemical surveys in unlicensed or open petroleum exploration blocks. The purpose is to upgrade exploration data base and to accelerate or bring forward, seismic acquisition programmes by oil and gas companies that will be licensed to operate in those blocks.
- Monitoring operations and compliance of oil and gas exploration, in the implementation of their minimum geological, geophysical, geochemical and drilling obligations in licensed blocks.
- Evaluation of results and reports submitted by licensed oil and gas companies, operationalise Production Sharing Contracts in the country's exploration blocks.
- Carrying out continuous review, subdivision and reduction of petroleum exploration block sizes on basis of additional data and to increase commitment to implementation of minimum work in smaller blocks by licensed oil and gas companies.
- Carrying out evaluation and negotiation of Production Sharing Contracts terms submitted by oil and gas companies which express interest in the country's exploration blocks.
- Exploratory drilling operations in prospective areas;
- Promotion and licensing of acreage:
- Facilitating exemption of Duty, VAT and Income Declaration Forms (IDF) by the National Treasury and Planning, in respect of goods and equipment imported into the country by licensed oil companies specific to oil and gas operations.
- Promotion of regional and international programmes on data exchange and technology transfer between the Ministry of Petroleum and Mining and relevant oil and gas – based organizations.
- Formulation of policies on oil and gas operations with upstream segment of the oil industry.
- Continuous monitoring and coordination of Distribution, Supply and Market situations of finished petroleum products in the country.
- Ensure Security and supply of Petroleum products.
- Promote investment in petroleum infrastructure.

Strategic Objectives

- Enabling regulatory framework for the Petroleum Sector;
- Affordable, reliable and safe supply of petroleum to Kenyans;
- Sustainable petroleum self-sufficiency;
- Efficient utilization and conservation of petroleum;
- Development of new petroleum resources and;
- Optimal utilization of both human and financial resources.

Core Values

- (i) Professional integrity and excellence
- (ii) Commitment to work
- (iii) Commitment to customer service
- (iv) Efficiency, transparency and accountability
- (v) Zero tolerance to corruption
- (vi) Non-partisan

Our Stakeholders

The stakeholders that the Ministry of Petroleum and Mining targets in order to encourage cleaner petroleum consumption and conservation includes:-

- Kenya Petroleum Refineries Limited (KPRL)
- National Oil Corporation of Kenya (NOCK)
- Kenya Pipeline Company (KPC)
- Ministries, Departments and Agencies
- Oil Marketing Companies

(b) Principal activities

The State Department for petroleum and Mining collects revenue from Levy from cement minerals, Base Titanium, and in addition, Royalties:

- On Carbon Dioxide fee
- On exports and extraction of minerals
- On Tata chemicals Magadi Soda and,

Mineral dealers licence/Export permit fee.

The Revenue collected is remitted to the National Treasury's Exchequer Account (Consolidated Fund).

(c) Key Management

The Ministry of Petroleum and Mining derives its mandate from Executive order No.1 of 2021 and other Acts of Parliament relevant to Petroleum. To effectively provide services per our mandate, the Ministry has two divisions namely Petroleum and the Administration and Support Services. The Ministry has ten units namely:

- HRM&D
- Public Communications
- Central Project Planning
- Supply Chain Management Services
- Information Communication Technology (ICT)

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- Finance
- Accounts
- Legal
- Audit
- Gender

The State Department for petroleum and Mining's day-to-day management is under the following key organs:

Designation	Name
Cabinet Secretary	Amb. (Dr) Monica K. Juma (Oxon), EGH
Principal Secretary	Mr. Andrew N. Kamau CBS
Ag. Commissioner Mining	Mr. Raymond Mutie Mutiso
Secretary, Administration	Mr. M. B. Mohamed OGW
Chief Finance Officer	CPA Mathew Musyoka
D/HRM&D	Ms Agnes Muthuo
Director Macro Planning	Ms Electine M Nanzala

(ii) Fiduciary Management

The key management personnel who held office in the Ministry of Petroleum and Mining during the financial year ended 30th June, 2022 and who had direct fiduciary responsibility were:

Designation	Name
Cabinet Secretary	Amb. (Dr) Monica K. Juma (Oxon), EGH
Principal Secretary	Mr. Andrew N. Kamau CBS
Ag. Commissioner Mining	Mr. Raymond Mutie Mutiso
Secretary, Administration	Mr. M. B. Mohamed OGW
Chief Finance Officer	CPA Mathew Musyoka
D/HRM&D	Ms Agnes Muthuo
Director Macro Planning	Ms Electine M Nanzala
Deputy Accountant General	CPA Charles Liyayi
Deputy Director Supply Chain Mgt	Ms. Chepkemoi Kerich



**Amb. (Dr) Monica K. Juma
(Oxon), EGH**
Ag. Cabinet Secretary
**Ministry of Petroleum and
Mining**

Amb. (Dr) Monica K. Juma (Oxon), EGH was appointed Ag. Cabinet Secretary for Ministry of Petroleum and Mining by President Uhuru Kenyatta in February 2022. She currently serves as Cabinet Secretary, Ministry of Energy and Petroleum. She previously served as the Cabinet Secretary for Ministry of Defence of the Republic of Kenya and Cabinet Secretary for Foreign Affairs. She is a distinguished diplomat, with grounded expertise in strategic management, policy making and analysis in international affairs, defense, peace, security and governance. She combines in-depth expertise with experience drawn from public, diplomatic service, research and academia, accumulated over three decades from across the world. As a person, she is a consensus builder, who is known for building fit-for purpose institutions and for creating teams around their strategic visions. She conducts her private public affairs with integrity and utmost professionalism.

Amb. (Dr.) Juma was appointed to the Ministry of Defence from the Ministry of Foreign affairs, where she served first as Principal Secretary (2016-2018) and then as Cabinet Secretary (2018-2020). During her tenure, Kenya became a demonstrative thought leader and championed numerous agenda that brought like-minded countries and regions together. She led Kenya in championing and convening on critical global agenda such as environment, terrorism, and blue economy to mention a few. She also led efforts in deepening Kenya's Pan-African and global south engagements. She served as Chair of the Commonwealth Ministerial Action Group (2018-2020). Before serving





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	<p>at the helm of Kenya’s diplomacy, Dr Juma served as Principal Secretary in the security triad of government. In the Ministry of Interior and Coordination of National Government (2014-2015) she championed national security and administrative reforms. Prior to this, Dr. Juma was the Principal Secretary in the Ministry of Defence (2013-2014) where she was instrumental in strengthening the business process systems within the Ministry, clarifying the defence strategic orientation and bolstering the professional stature of the Kenya Defence Forces.</p> <p>Previously, Amb. Dr. Juma was Ambassador Extra-Ordinary and Plenipotentiary of Kenya to Ethiopia and Djibouti, and Permanent Representative of Kenya to the African Union, the Inter-Governmental Authority on Development (IGAD) and United Nations Commission for Africa (UNECA), (2010-2013). She Forged consensus around complex issues facing the continent and the United Nations at the time, such as the Arab Spring, Rise of fundamentalism, terrorism, international migration, political fragility and state formation.</p>
 <p>Mr. Andrew N. Kamau, CBS Principal Secretary</p>	<p>Mr. Andrew Ng’ang’a Kamau has wide experience in Petroleum energy gained from several years in leadership positions in the private sector. Prior to his appointment as Principal Secretary for Petroleum, he was the Chief Executive Officer of Bracewell Energy which has interests in mining, energy and natural resources. As PS, he steers the Petroleum docket at the Ministry where he will oversee implementation of Petroleum projects. He holds a Bachelor of Science degree in Chemistry from the University of Nairobi.</p>
 <p>Mr. Raymond Mutie Mutiso – Acting Commissioner of Mines and Geology</p>	<p>Mr. Raymond Mutie Mutiso, Ag. Commissioner of Mines and Geology, is a Holder of a Master of Mining Degree (Mine Geo-Mechanics) from the University of New South Wales, Australia as well as a Bachelor of Science in Civil Engineering Degree from the University of Nairobi. Undertaken various professional and leadership courses including; Minerals Industry Risk Management (University of Queensland, Australia), Mineral Economics and Finance (Curtin University, Australia), Mining and the Environment (Lulea University, Sweden), Environmental Impact Assessment and Audit (KSG), Strategic Leadership Development Programme (KSG) and Senior Management Course (KSG)</p> <p>Over 30 years’ experience in regulation and administration of the Mining the Sector.</p>

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	<p>Started as an Inspector of Mines, rising through the ranks to become the Acting Director of Mines / as well as the Secretary to the Mineral Rights Board from May 2016 to March 2022, and currently the Acting Commissioner of Mines and Geology with effect from 17th March 2022.</p> <p>Among the milestones achieved in service include the Kwale Heavy Minerals Sands Project from its inception in 1996 as a member of the technical advisory committee and the subsequent over sighting of its implementation, involvement in the drafting of the Mining Bill which was enacted into Mining Act 2016 and drafting of the attendant Mining Regulations thereafter, involvement in the successful arbitration proceedings (as a key witness) of the Cortec (K) Limited claim against the Kenya Government at the International Center for Settlement of Investment Disputes (ICSID)</p>
 <p>Ms. Agnes Muthuo, <i>Director/HRM&D</i></p>	<p>Ms. Agnes Muthuo assumed the position of Head, Human Resource Management and Development in January, 2017. She is in charge of managing the HR function in the Department including Training and Development for effective service delivery. She holds a Master of Science degree in Human Resource Development from the Jomo Kenyatta University of Science and Technology and a Bachelor of Arts degree in Anthropology from the University of Nairobi. She is a Member of IHRM.</p>
 <p>Mr. M. B. Mohamed OGW Secretary Administration</p>	<p>Mr. Mohamed Birik Mohamed, OGW, assumed the position of Secretary Administration in the Ministry of Petroleum and Mining in June 2022. He joined the Public Service in 1993 as a District Officer and rose through the ranks to become District Commissioner, County Commissioner and a Regional Commissioner.</p> <p>He is currently in charge of General Policy Co-ordination and provision of Support Services in the Ministry and has 29 years' experience in Public Service Co-ordination and Management. He is a peace champion having been trained on Peace and Conflict Resolutions. He holds a Bachelor's degree in Education, majoring in Economics from the University of Nairobi and Advanced Public Administration course from Kenya Institute of Administration (K.I.A).</p>

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 <p>CPA Mathew K. Musyoka Chief Finance Officer</p>	<p>CPA Mathew K. Musyoka assumed the position of Head of Finance Unit in November 2018. He is in charge of budget preparation and implementation. He holds an MA (Economics) from Kenyatta University and Bachelor of Arts (economics) from University of Nairobi. He is a CPA (K), and also a member of the ICPAK</p>
 <p>Ms. Electine M. Nanzala Director Macro Planning</p>	<p>Ms. Electine M. Nanzala assumed the position of the Head of CPPMU in May, 2016. She is in charge of Economic planning function which involves planning and analysis of economic policy; undertaking economic analysis, evaluation and monitoring of development projects and programmes; co-ordination of strategic planning and performance contracting; and performance review of economic activities to inform policy and budgetary processes. She holds a Masters in Economics and a Bachelor of Arts Degree from Kenyatta University.</p>
 <p>CPA Charles Liyayi Shidzugane Deputy Accountant General</p>	<p>CPA Charles Liyayi Shidzugane assumed the position of Head of Accounting Unit in December 2018. He is in charge of Accounting and Financial Reporting as well as designing, implementing and monitoring internal controls relevant to the preparation and for presentation of financial reports in line with the relevant International Public Sector Accounting Standards (IPSAS). He holds an MSc (Finance and Accounting) from The KCA University and Bachelor of Commerce (Finance) from Catholic University Of Eastern Africa. He is a CPA (K), and also a member of the ICPAK.</p>
 <p>Ms. Chepkemoi Kerich Deputy Director Supply Chain Management</p>	<p>Ms Chepkemoi Kerich assumed the position of Head of Supply Chain Management Unit in January 2019. She is in-charge of Procurement of goods and services and Overseeing implementation of the Department's Procurement Plan. She holds a Master's Degree and Bachelor's Degree in Economics from Nairobi University. She is also a member of KISM and CIPS</p>

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Mr. Evans Khamala Masachi

Ag. Director, Geological Surveys And Geo-Information Management

Mr. Masachi is a holder of Post-Graduate Diploma in Mineral Exploration Bachelors Degree in Geology. He joined Public Service on 26th August 1991 to date.

He has held several positions in the Public Service as Regional Geologist, Ag. Director-Mineral Promotion and Value Addition, Ag. Director-Geological Surveys and Geo-Information Management. Member Of Geological Society Of Kenya,

He is a member of Geological Society of Kenya, Registered With Geologists' Registrtrion Board (Grb), Gained Experience In Geological Mapping, Remote Sensing Applications, Gis, Mineral exploration, Mineral Resource Evaluation, Geo-Technical Site Investigations, Geoharzaeds Mapping, Geochemical Sampling, Sample Preparation And Analysis

Among the milestones achieved in service include Provision of eight (8) extra Dealers Booths and Safe Deposit Boxes at Voi Gemstone Centre, Equipping of the Gemmological Laboratory, Fixing of Window Grills to enhance security, Procurement and facilitation of the Contract for construction of Chain-Link fence Ablution Block, Sundry offices for Vihiga Granite Processing Plant, Documentation of Coltan occurrences in West Pokot, Tharaka Nithi, Kitui and Embu Counties, Development of Kenya Mining Handbook 2022, to promote investment attractiveness of the country.

The committee comprises the following members drawn from various departments:

No	Name	Designation
1	Mr. Andrew Kamau, CBS	Principal Secretary- Petroleum (Chairman)
2	Mr. Raymond Mutiso	Ag. Commissioner Mining
3	Ms. Agnes Muthuo	Director/HRM&D – Secretary
4	Mr. M. B. Mohamed, OGW	Secretary Administration
6	Ms. Electine Nanzala	Director Macro Planning
7	Ms. Chepkemai Kerich	Deputy Director Supply Chain Management

This is the committee charged with the responsibilities of human resource needs. Its duties include but are not limited to:

- Promotion of officers in Job Groups A-P
- Confirmation in appointment
- Disciplinary matters
- Review of re-designation of officers from one cadre to another and
- Confirmation of surcharge of officers found to have misused government resources.

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i. Training Committee

This committee comprises the following members drawn from various departments:

No	Names	Designation
1.	Mr. Andrew Kamau, CBS	Principal Secretary- Petroleum (Chairman)
2.	Mr. Raymond Mutiso	Ag. Commissioner Mining
3.	Ms. Agnes Muthuo	Director/HRM&D – Secretary
4.	Mr. M. B. Mohamed, OGW	Secretary Administration
6.	Ms. Electine Nanzala	Director Macro Planning
7.	Ms. Chepkemoi Kerich	Deputy Director Supply Chain Management

This is the committee charged with the responsibility of training and human resource development (capacity building). Its duties include but are not limited to:

- Overall co-ordination of the training function in the Ministry;
- Review and implementation of the State Department’s training plan based on Training Needs Assessment (TNA) and approved Training Projections;
- Induction of newly appointed/promoted and transferred officers; and
- Long/short term courses.

N.B: During the year under review, Training Committee Activities were performed by the Ministerial Human Resource Management Advisory Committee as described in (i) above.

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(d) Ministry of Petroleum and Mining, Headquarters

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(e) contacts

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E-mail: ps@petroleum.go.ke
Website: www.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
Tel: 2542227461.
E-mail: info@ag.go.ke
Website: wwwag.go.ke

(h) Bankers

Central Bank of Kenya
Haile Selassie Avenue
P. O. Box 60000 - 00200
Nairobi, Kenya

II. 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.

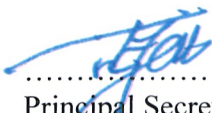
The Principal Secretary in charge of the Ministry of Petroleum and Mining is responsible for the preparation and presentation of the Ministry of Petroleum and Mining accounts, which gives a true and fair view of the state of affairs of the Ministry for and as at the end of the financial year (period) ended on June 30, 2022. 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 Ministry of Petroleum and Mining, (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

Petroleum and Mining further confirms the completeness of the accounting records maintained for the Ministry of Petroleum and Mining, which have been relied upon in the preparation of the ministry's revenue account as well as the adequacy of the systems of internal financial control.

The Principal Secretary in charge of the Ministry of Petroleum and Mining confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the 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 *ministry's* accounts have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

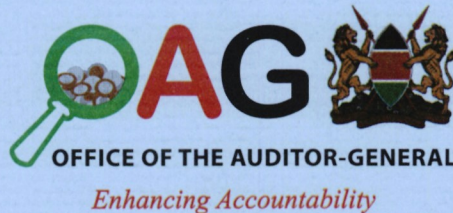
Approval of the Revenue Statements

The revenue statements were approved and signed by the Principal Secretary on
..... 18/1/2023 2022


.....
Principal Secretary
Elijah G. Mwangi

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON REVENUE STATEMENTS OF THE MINISTRY OF PETROLEUM AND MINING FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE REVENUE STATEMENTS

Qualified Opinion

I have audited the accompanying revenue statements of the Ministry of Petroleum and Mining set out on pages 1 to 15, which comprise the statement of arrears of revenue

and statement of financial assets and liabilities as at 30 June, 2022, statement of receipts and disbursements and the 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 revenue statements present fairly, in all material respects, the arrears of revenue of the Ministry of Petroleum and Mining as at 30 June, 2022, and the revenue performance for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the Mining Act, 2016.

Basis for Qualified Opinion

1.0 Long Outstanding Arrears

The statement of arrears of revenue reflects arrears totalling Kshs.2,675,311,892 owed by various companies as at 30 June, 2022. However, out of the six (6) Companies with long outstanding arrears, only Magadi Soda and Carbacid (CO₂) Limited made partial payments of Kshs.216,114,540 and Kshs.3,763,833 respectively during the year. Further, and although the Receiver of Revenue sent out demand letters to the companies during the year, no significant progress was made to collect the long outstanding arrears as detailed below:

1.1 East Africa Portland Cement Company

Included in the arrears of revenue balance of Kshs.2,675,311,892 is an amount of Kshs.404,759,572 owed by the East Africa Portland Cement Company, which accrued in the financial years 2014/2015 to 2020/2021. Further, the Company had since 2018/2019 filed incomplete self-declaration assessments and was, therefore, not assessed for cement levy from 2018/2019 to 2021/2022 financial years. Management did not provide an explanation on why levies that were due and chargeable to the Company were not assessed in the relevant periods. Further, the Company had carried out its operations without a mining licence, contrary to Section 159 of the Mining Act, 2016.

Under the circumstances, the recoverability and accuracy of the arrears of revenue of Kshs.404,759,572 could not be confirmed.

1.2 Savanna Cement Company

Included in the balance of Kshs.2,675,311,892 is also an amount of Kshs.370,862,635 due from Savanna Cement Company in respect of 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 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.

Further, the Company had not filed any self-declaration assessment since 2018/2019 financial year to the year ended 30 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 production and sales reports.

Under the circumstances, the recoverability of the arrears of Kshs.370,862,635 could not be confirmed.

1.3 Tata Chemicals Magadi Limited

The arrears of revenue balance of Kshs.2,675,311,892 further includes royalty arrears of Kshs.1,050,467,818 owed by Tata Chemicals Magadi Limited which has accrued since the financial year 2015/2016. The Company settled arrears amounting to Kshs.216,114,540 during the year under review.

Further, review of correspondences between the Company and the Ministry 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% applied retrospectively from 1 July, 2017. However, the Ministry of Petroleum and Mining insisted on application of the gazetted rates of 4% of gross sales value from 1 July, 2017 and 5% of gross sales value from 1 July, 2019.

In the circumstances, the recoverability of the arrears of revenue of Kshs.1,050,467,818 could not be confirmed.

1.4 African Diatomite

The balance of Kshs.2,675,311,892 also includes arrears of Kshs.21,030,156 due from African Diatomite, out of which arrears amounting to Kshs.17,520,857 relates to 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 remained outstanding and continued to increase.

In the circumstances, the recoverability of the arrears of revenue of Kshs.21,030,156 could not be confirmed.

1.5 Carbacid (CO₂) Limited

The arrears of revenue balance of Kshs.2,675,311,892 includes an amount of Kshs.99,122,674 due from Carbacid (CO₂) Limited accrued from 2017/2018 financial year to 2020/2021 financial year. However, review of correspondences revealed that the Company's 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 self-declaration assessment and was, therefore, not assessed for royalties due in the year under review.

In the circumstances, the recoverability of the arrears of revenue of Kshs.99,122,674 could not be confirmed.

1.6 ARM Cement

The balance of Kshs.2,675,311,892, in addition, includes arrears of Kshs.290,232,493 relating to 2020/2021 and earlier years, due from ARM Cement. The Ministry stated that the arrears are unrecoverable as the Company is under Insolvency.

Under the circumstances, the recoverability of arrears of revenue totalling Kshs.2,675,311,892 as at 30 June, 2022 is doubtful.

2.0 Unsupported Non-Tax Receipts

The statement of receipts and disbursements reflects non-tax receipts of Kshs.4,838,661,230 which, as disclosed in Note 1 to the revenue statements, consists of balance brought forward of Kshs.2,101,834,223 and receipts for the year under review of Kshs.2,736,827,007. The receipts comprise revenue collected from cement levy, mining royalties and licence and permits fees from various licensees. However, established cadastre system or register of mineral rights or records of licences issued for each category were not provided for audit, contrary to Section 191 of the Mining Act, 2016, which provides for establishment and maintenance of an up-to-date computerized mining cadastre and registry system, including a register of mineral rights. Due to the unavailability of these records, the accuracy of revenue from mining and exploration licences, export permits and mining royalties from various licensees could not be confirmed.

Under the circumstances, the accuracy, validity and completeness of the non-tax receipts amounting to Kshs.4,838,661,230 could not be confirmed.

3.0 Cement Levy Received from National Cement Limited

The statement of receipts and disbursements reflects Cement levy and royalties receipts amount of Kshs.4,838,661,230 which, as disclosed in Note 1 to the revenue statements, includes cement levy of Kshs.345,842,612 received from National Cement Limited. However, the following unsatisfactory matters were noted:

3.1 Irregular Variation of Cement Levy Rates

Analysis of production and sales reports from the Company revealed a variance of Kshs.167,799,898 between cement levy remitted to the Ministry of Kshs.413,565,362 and the levy due on sales of Kshs.581,365,260 as shown below:

Period	Production in Tons	Rate Used (Kshs.)	Levy as Per Reports (Kshs.)	Levy Payable at 140/Ton (Kshs.)	Variance (Kshs.)
July, 2021 - Sep, 2021	1,010,632	100.00	101,063,200	141,488,480	40,425,280
Oct -Dec 2021	1,023,573	100.00	102,357,300	143,300,220	40,942,920
Jan-March 2022	1,055,127	99.30	104,774,111	147,717,780	42,943,669
April, 2021 - June, 2021	1,063,277	99.10	105,370,751	148,858,780	43,488,029
Total			413,565,362	581,365,260	167,799,898

According to Section 183(2) and 188(2) of the Mining Act, 2016, the Cabinet Secretary is required to make regulations to provide for the conditions and criteria for determining application for reduction or suspension of payment of royalties. Although a letter from

the Cabinet Secretary dated 14 March, 2021 provided for audit authorized the Company to pay a reduced cement levy rate different from the gazette rate of Kshs.140 per ton, the letter was not based on any existing regulations as required.

As a result of the variation, the Government lost revenue amounting to Kshs.167,799,898.

3.2 Unconfirmed Accuracy of Cement Levy Received

The reported amount of Kshs.345,842,612 received from the Company differs with Kshs.413,565,362 analysed from the production and sales reports, resulting to an unreconciled variance of Kshs.67,722,750.

In the circumstance, the accuracy and completeness of the reported cement levy received from National Cement Limited of Kshs.345,842,612 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Ministry of Petroleum and Mining Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of revenue 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 judgment, are of most significance in the audit of the revenue statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in use of Public Resources, 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

1.0 Un-Authorized Use of Prospecting Fees

During the year under review, revenue in respect of prospecting fees amounting to Kshs.28,137,769 was collected and paid into the Department's recurrent bank account and utilized as Appropriations-In-Aid (A.I.A) 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 accounts of the national government and shall not be used by any

public officer in any manner between the time of their receipts and payment into the bank except as provided by law.

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

2.0 Underutilized Gemstone Centre in Voi

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:

- i. The services to the public and customers could not be priced due to absence of gazetted rates on gem identification and value addition at the gem laboratory and lapidary.
- ii. The laboratory and lapidary were inadequately equipped and staffed.
- iii. Being a business centre, occupation of dealers' booths and restaurant through competitive bidding had not been done.
- iv. The Centre was yet to be officially commissioned.

Under the circumstances, the Government was not obtaining value for money spent in the construction and equipping the Centre.

3.0 Non-Issuance of Mining Permits to Artisanal miners

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 Artisanal Mining Committees. Review of operations in County Offices revealed the following;

- i) Artisanal Mining Committees had been established in Kakamega, Vihiga, Siaya, Migori, Taita Taveta and Narok County back in the year 2020. However, no evidence was provided for audit to indicate that the Committees held meetings and deliberations concerning recommendations for issuance of artisanal mining permits. The terms for the gazetted Committees may lapse without the Members engaging in any activity.
- ii) Although a register of artisanal miners was maintained for the regions mentioned above, but there was no record of artisanal mining permits issued to the registered miners.

In the circumstances, the Ministry was not able to monitor operations of the miners and lost opportunity to collect revenue from artisanal mining permits.

4.0 Failure to Enforce Surrender Mineral Rights

Review of the mineral rights register maintained in the online Mining Cadastre revealed that Companies holding prospecting mineral rights whose term had expired had not applied for renewal of mineral rights or made applications to surrender the mineral rights. Further, majority of the Companies had not paid ground rent for the year under review or complied with the requirement of submitting quarterly reports. In

addition, there were no records of activities reported for some Companies that held these prospecting licences.

In the circumstances, 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 sites without rehabilitating them or were just merely hoarding the mineral rights.

5.0 Dealing in Minerals Without Valid Licenses

The mining cadastral records maintained by the Ministry of Petroleum and Mining indicated that Tata Chemical Magadi Limited had a pending Mining License application as at the time of audit carried out on 5 September, 2022. However, the Company continued to undertake mining activities and dealing in minerals contrary to the Mining Act, 2016. Management indicated that the Company was operating on a licence that was issued before the enactment of the Mining Act, 2016.

Similarly, review of the mining cadastral records revealed that an international mining Company had not been issued with mineral dealer's licence or mineral dealer's permit and did not possess a valid mining permit but 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 5,800 tonnes of Manganese ore without a valid mineral dealer's licence.

Under the circumstances, the mining operations by the two companies were unlawful.

6.0 Lack of Revenue Sharing Framework

Since enactment of the Mining Act, 2016, a total of Kshs.10,224,771,968 in royalties was collected from various mineral right holders. However, no supporting evidence of minerals revenue sharing among the National Government, County Governments and local communities was provided for audit. This was contrary to Section 183(5) of the Mining Act, 2016, which 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.

Had the amount been shared as per the law, a total of Kshs.1,022,477,203 would have been paid to the communities and Kshs.2,044,954,393 to the devolved units as detailed in the table below:

Year	Amount Kshs.	70% Payable to the National Government Kshs.	20% Payable to the County Governments Kshs.	10% Payable to the Local Community Kshs.
2016/2017	1,065,421,154	745,794,808	213,084,231	106,542,115
2017/2018	1,364,759,144	955,331,401	272,951,829	136,475,914
2018/2019	1,571,862,220	1,100,303,554	314,372,444	157,186,222
2019/2020	1,666,666,523	1,166,666,566	333,333,305	166,666,652
2020/2021	1,835,176,919	1,284,623,844	367,035,384	183,517,692
2021/2022	2,720,886,007	1,904,620,205	544,177,201	272,088,601
Total	10,224,771,968	7,157,340,377	2,044,954,393	1,022,477,203

The Management attributed the situation to lack of a framework for remission of royalties share 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.3,067,431,596.

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

7.0 Unlicensed Mining Operations

Field visits done in September, 2022 to artisanal miners in Siaya and Migori Counties revealed that operators of gold leaching plants did not possess the requisite mineral processing licenses 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.

In addition, it was noted that the contaminated waste material from the leaching process were abandoned at the sites since most leaching sites lacked proper disposal mechanism. The leaching plants were also situated in proximity to human habitats.

In the circumstances, activities of the operators 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.

8.0 Non-Adherence to Prospecting Licence Conditions

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, review of the operations of the Company revealed the following anomalies:

- i. Cadastral records indicates 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 application lodged in the Cadastre system.
- 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 license or mineral dealings license as provided for in Section 159 of the Mining Act, 2016, but none was provided for audit.
- iii. The nature of activities seen on the ground were not indicative of prospecting.

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

9.0 Irregular Issuance of Mineral Exploration Rights

Site inspection of Copper Hill Exploration and Mining Resources Company Limited situated in Migori-Nyatike area revealed the following:

- i. Whereas the Company holds mining permit No. MP/2021/0418 issued on 19 March, 2021 with an expiry date of March 2026, cadastral records indicated that the mineral right was at application stage.
- ii. The Moratorium issued on 18 December, 2019 froze issuance of permits and licenses regarding any new potential mineral areas, thus it remains unclear, how the Company was awarded the mining permit, yet it had no continuing obligations such as prospecting or mineral dealings.
- 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 specialised prospecting, mechanised mining technologies, chemicals including 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.

In the circumstances, the legality of the mining activities of the Copper Hill Exploration and Mining Resources Company Limited could not be confirmed.

10.0 Expired Prospecting License

Site inspection of Aurum Utalum Mining Company prospecting location situated in Rongo; Migori County revealed the following anomalies:

- i. Although the Company claimed to hold a valid prospecting licence, cadastral records indicate that the Company's prospecting licence No. PL/2018/0107 expired on 11 November, 2021. There was no record of application of renewal lodged in the cadastre system.
- 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 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.

In the circumstances, license holders were using prospecting licenses to undertake mining operations thus denying Government the mineral extraction revenue.

11.0 Delayed issuance of Prospecting Licenses

Field inspection carried out in the Ministry's Regional Office in Kwale County from 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.

In the circumstances, any royalties the Government may have earned from mining activities following successful prospecting were lost.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, except for 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 overall governance were not effective during the year under review.

Basis for Conclusion

Lack of an Updated Cadastre 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 agreement to enable payments for maintenance.

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

Responsibilities of Management and those Charged with Governance

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

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

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

In addition to the responsibility for preparing and presenting the revenue statements described above, Management is also responsible for ensuring that the activities, transactions and information reflected in the revenue 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 Ministry's revenue reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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


- Identify and assess the risks of material misstatement of the revenue statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the revenue statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Ministry to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the revenue statements, including the disclosures, and whether the revenue statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding information and business activities of the Ministry to express an opinion on the revenue statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Oathungu, CBS
AUDITOR-GENERAL

Nairobi


27 January, 2023


*Ministry of Petroleum & Mining
Revenue Statements
For the year ended 30 June 2022*

IV. Statement of Receipts and Disbursements for the year ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Non -tax receipts			
Property income	1	4,838,661,230	1,843,684,919
Total non -tax receipts		4,838,661,230	1,843,684,919
		4,838,661,230	
Total receipts		4,838,661,230	1,843,684,919
Disbursements to exchequer account		4,838,661,230	1,843,684,919
Balance due for disbursement		0	0

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on 15/11/2023 and signed by:


.....
Elijah G. Mwangi
Principal Secretary


.....
Mary Wankio Marwa
Head of Accounting Unit
ICPAK No. 10113


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

*Ministry of Petroleum & Mining
Revenue Statements
For the year ended 30 June 2022*

V. Statement of Financial Assets and Liabilities as at 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Financial Assets		-	-
Cash and Cash Equivalents		-	-
Bank Balances		-	-
Total Financial Assets		-	-
Total Financial Assets		-	-
Financial Liabilities			
Payables-Due to Exchequer		-	-
Total Financial Liabilities		-	-


.....
Elijah G. Mwangi
Principal Secretary


.....
Mary Wankio Marwa
Head of Accounting Unit

ICPAK No. 10113

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

Ministry of Petroleum & Mining
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For the year ended 30 June 2022

VI. Statement of Comparison of Budget and Actual Amounts as at 30 June 2022

	Original Estimates	Adjustments	Final Estimates	Actual	% Realized
	Kshs	Kshs	Kshs	Kshs	
Tax receipts	-	-	-	-	-
Non -tax receipts					
Cement levy	991,472,169	-	991,472,169	988,396,455	99.7%
Mineral export fee	7,594,905	-	7,594,905	15,942,000	209.9%
Mining Royalties	161,077,334	-	161,077,334	242,744,318	150.7%
Magadi Soda Royalty	193,488,483	-	193,488,483	216,114,540	111.7%
Base Titanium Royalty	674,531,956	-	674,531,956	3,371,700,084	500.0%
Carbon Dioxide	23,465,080	-	23,465,080	3,763,833	16%
Total tax receipts		-		4,838,661,230	

Budget Notes:

1. A double amount of increase was realized in Mineral export fee due to increased exports
2. There was improvement in the international prices of gold
4. There was increase in royalty rates for 2.5% to 5% during the year which enabled the Department to surpass the target
5. Due to contestation in court on royalty rates between carbacid and the Ministry, the department under achieved in collection of CO2 royalties

Ministry of Petroleum & Mining
Revenue Statements
For the year ended 30 June 2022

VII. Statement of Arrears of Revenue as at 30 June 2022

Classification of Receipts	Balance as at 1 July 2021	Arrears received during the year	Additions in arrears for the current year to 30 June 2022	Total arrears as at 30 June 2022	Measures taken to recover the arrears	Assessment to the recoverability of arrears
	Kshs	Kshs	Kshs	Kshs		
Non- Tax Receipts						
Property Income:						
Magadi Soda	675,022,808	(216,114,540)	591,559,550	1,050,467,818	Partially Received	Awaiting response
African Diatomite	17,520,857	-	3,509,299	21,030,156	Defaulted Notice and reminders	Awaiting response
Kilimapesa	30,196,739	(30,196,738.80)	5,487,722	5,487,722	fully Received	Response made
Carbacid (CO2) LTD	78,490,587	(3,763,833)	24,395,920	99,122,674	Partially Received	Awaiting response
Consol	3,355	(3,355)	12,633	12,633	fully Received	Response made
Base Titanium	2,101,834,223	(2,101,834,223)			fully Received	Response made
National Cement	33,380,831	(33,380,831)	101,063,228	101,063,228	fully Received	Response

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						made
KarsanRamji & Sons	995,304	(995,304)	1,924,851	1,924,851	fully Received	Response made
Bamburi Cement	148,490,530	(148,490,530)	163,145,275	163,145,275	fully Received	Response made
Mombasa Cement	63,516,880	(63,516,880)	70,512,159	70,512,159	Received fully	Response made
EA Portland	404,759,572	-		404,759,572	Defaulted Notice and reminders	Awaiting response
Rai Cement	2,139,900	(2,139,900)			fully Received	Response made
ARM	290,232,493			290,232,493	Unrecoverable under insolvency Act	
Savanna	370,862,635			370,862,635	Court order issued to forego the arrears	
Other mining royalties			96,690,678	96,690,678		
Total arrears	4,217,446,714	(2,600,436,135)	1,058,301,314	2,675,311,892		

Ministry of Petroleum & Mining
Revenue Statements
For the year ended 30 June 2022

An ageing analysis of revenue in arrears has been shown in note 5 of these financial statements.

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Elijah G. Mwangi
Principal Secretary

.....

Mary Wankio Marwa
Head of Accounting Unit
ICPAK No. 10113

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

VIII. Significant Accounting Policies

The key accounting policies adopted in the preparation of these revenue statements are set out below:

1. 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) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and relevant legal framework of the Government of Kenya. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Ministry of Petroleum & Mining. The accounting policies adopted have been consistently applied to all the years presented. The revenue statements have been prepared on the Cash Basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the entity.

2. Recognition of Receipts

The Ministry of Petroleum & Mining recognises all receipts from the various sources when the related cash has been received by the ministry.

3. Budget

The budget is developed on the same accounting basis (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.

Significant Accounting Policies (Continued)

4. Cash and cash equivalents

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

5. Revenue in Arrears

This relates to revenue earned and is yet to be received or collected by the receiver of revenue. These arrears are disclosed under the statement of arrears as required under the PFM Act, 2012 which is a memorandum statement.

6. Disbursements to the Exchequer

The Receiver of Revenue 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.

7. Comparative Figures

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

8. 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 June 30, 2022

*Ministry of Petroleum & Mining
Revenue Statements
For the year ended 30 June 2022*

IX. Notes to the Financial Statements

1. Property Income

Description	2021-2022	2020-2021
	Kshs	Kshs
Cement Levy:		
Mombasa Cement Ltd	282,995,323	267,112,956.00
Athi River Mining	17,028,356	-
Bamburi Cement Co. Ltd	320,125,608.05	274,489,321.95
National Cement Ltd	345,842,612	289,263,087.00
Rai Cement Ltd	16,746,000	40,776,900.00
Savannah Cement Company Ltd	-	5,000,000.00
Karsan Ramji & Sons Ltd	5,658,556	5,858,886.20
Sub total	988,396,455	882,501,150.95
Royalties		
Royalties on Carbon Dioxide	3,763,833	18,408,679.00
Mining Royalties	242,744,318	162,256,614.45
Magadi Soda Royalty	216,114,540	235,180,462.00
Base Titanium Royalty	1,269,865,861	535,507,097.00
Mineral Export Fee	15,942,000	9,830,916.00
TOTAL	2,736,827,007	961,183,768.45
Balance brought forward	2,101,834,223	-
Transfers to the Exchequer account	(4,838,661,230)	(1,843,684,919.40)
Balance carried forward	-	-

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Notes to the financial statements (Continued)

2. Other Receipts (Not classified elsewhere)

Description	2021-2022	2020-2021
	Kshs	Kshs
Miscellaneous Revenue	-	-
Sundry Revenue	-	-
Total Revenue	--	-
Balance brought forward	-	-
Transfers to the Exchequer account	-	-
Balance carried forward	-	-

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Notes to the financial statements (Continued)

3. Bank Balances

Name of Bank, Account No. & currency	Amount in bank account currency	Exc. rate (if in foreign currency)	2021-2022	2020-2021
	Kshs		Kshs	Kshs
Bank: Central Bank of Kenya, Account No:1000515317 currency: Kshs.		-	-	-
Total			-	-

3. (a) Balance carried forward as at 30 June 2022 and subsequently transferred

Ref	Amount (Kshs)	Date subsequently transferred
1.	-	-
Total	-	-

Payables - Due to Exchequer

Payables	2021-2022	2020-2021
	Kshs	Kshs
Balance b/f at the beginning of the year	-	-
Amounts disbursed to Exchequer during the year	-	-
Balance c/d at the end of the year	-	-
Total	-	-

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Notes to the Financial Statements (Continued)

4. Ageing Analysis of Revenue in Arrears

Description	Less than 1 year	Betw een 1-2 years	Betw een 2- 3 years	Over 3 years	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Property income:					
Magadi soda	-	-	-	1,050,467,818	1,050,467,818
African diatomite	-	-	-	21,030,156	21,030,156
Carbacid	-	-	-	99,122,674	99,122,674
Kilimapesa	5,487,722	-	-		5,487,722
consol	12,633	-	-		12,633
E.A Portland cement	-	-	-	404,759,572	404,759,572
Bamburi Cement	163,145,275	-	-		163,145,275
Mombasa Cement	70,512,159	-	-	-	70,512,159
Karsan ramji	1,924,851	-	-		1,924,851
National cement	101,063,228	-	-	-	101,063,228
Arm Cement	-	-	-	290,232,493	290,232,493
Savannah Cement	-	-	-	370,862,635	370,862,635

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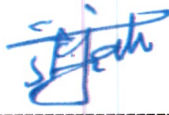
X. Appendices

Appendix 1: A 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
-	--	-	--	-

There was no Report of Waivers and Variations of Taxes, Fees or Charges granted by the Receiver of Revenue during the year

(PFM ACT Section 82 sub section 4, 5)

 18/1/2023

*Sign and Date
Accounting Officer*

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Appendix 2: 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	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	The accuracy, validity, and completeness of the total non-tax receipts amounting to Kshs.1,843,684,919	The cadastre records form a register	Not resolved	On going
2	The accuracy of the nil balance on prospecting fees in the revenue statements for the year under review could not be confirmed.	The Ministry is liaising with the National Treasury on this issue	Not resolved	On going
3	the recoverability and accuracy of Kshs.404,759,572 as at 30 June, 2021 from East Africa Portland Cement Company could not be ascertained	The Ministry is engaging the company to clear the arrears	Not resolved	On going
4	the recoverability of the Kshs.370,862,635 as at 30 June, 2021 Arrears from Savanna Cement Company could not be confirmed	The case has been determined to forgo the arrears	Not resolved	On going

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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)
5	The recoverability of the arrears of revenue of Kshs.675,023,295 as at 30 June 2022 from Tata Chemicals Magadi Limited the could not be confirmed	There has been a partial recovery of the debts. The Ministry is still engaging the company for full settlement.	Not resolved	On going
6	The recoverability of the arrears of revenue of Long Outstanding Dues from Carbacid (CO2) Limited of Kshs.78,490,587 as at 30 June, 2022 could not be confirmed.	The royalties rates review after petition is ongoing. The Ministry is still pursuing the company	Not resolved	On going
7	The accuracy and recoverability of Unremitted Mining Royalties arrears of Kshs.47,717,596 as at 30 June, 2021 could not be confirmed.	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. Kshs.17,520,857 is still outstanding while the other company has paid. The Ministry is still pursuing Diatomite Company.	Partly resolved	On going
8	On the Irregular Underpayment of Cement Levy by National Cement Company Limited, the accuracy of the Kshs. 289,263,087 on levy receipts	The company's application to be allowed to pay the reduced rates was favourably considered by the CS in accordance with section 188 (1) o the Mining Act, 2016	Not resolved	On going

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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)
	could not be confirmed.			
9	Failure to collect ground rent	Some of the mineral right holder had become non-compliant with the Mining Act 2016 and conditions under the specific mineral rights, including non-payment of licence fees or having placed renewal applications for the expired mineral rights. Consequently, the Cabinet Secretary vide Gazette Notice No 5720 of 11th June, 2021 revoked several expired and non-compliant mineral rights. Further the Ministry has written several demand letters to various mineral right holders demanding payment of annual ground rent.	Not resolved	On going
1	Dealing in Minerals Without Valid Licenses	Tata Chemicals Ltd have a land lease that allows them to extract trona and salt from lake Magadi. The Ministry has requested the company to regularise the operations under the Act.	Not resolved	On going
2	Failure to Share Royalties and Lack of Mechanism for Sharing Royalties	The National Treasury is spearheading a committee to devise a means of sharing of royalties	Not resolved	On going
1	Failure to Establish Artisanal Mining Committees	The management sited lack of resources due to budget cuts	Resolved	Resolved
2	Lack of Artisanal Miners Register	The cadastre was used as a register.	Resolved	Resolved
3	Lack of Monitoring of Mining	The management sited lack of resources due to budget cuts	Resolved	Resolved

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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)
	Operations			

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



Elijah G. Mwangi
Principal Secretary



Mary Wankio Marwa
Head of Accounting Unit
ICPAK No. 10113

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Appendix 3 - Reports Generated from IFMIS

- i. GOK IFMIS Comparison Trial Balance
- ii. GOK Miscellaneous Receipts Register
- iii. FO30 (Bank reconciliations) for all bank accounts