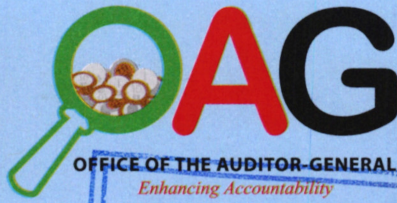


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 03 DEC 2025	DAY: Wednesday
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REPORT
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THE AUDITOR-GENERAL

ON

PETROLEUM TRAINING LEVY FUND

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

STATE DEPARTMENT FOR PETROLEUM



MINISTRY OF ENERGY AND PETROLEUM

ANNUAL REPORT AND FINANCIAL STATEMENTS

PETROLEUM TRAINING LEVY FUND

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

PETROLEUM TRAINING LEVY FUND

Annual Report and Financial Statements for the year ended 30th June 2025

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PETROLEUM TRAINING LEVY FUND
Annual Report and Financial Statements for the year ended 30th June 2025

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1. Acronyms and Glossary of Terms

AIE	Authority to Incur Expenditure
CFO	Chief Finance Officer
HAU	Head of Accounting Unit
IPSAS	International Public Sector Accounting Standards
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
PFM	Public Finance Management

2. Key Ministry Information and Management

1.1 Background information

The State Department for Petroleum (SDP) was established as one of the State Departments in the Ministry of Energy and Petroleum vide Executive Order No. 1 of 2023 on the Organization of the Government and charged with the mandate of providing policy direction and strategic management of the Oil and Gas Sector.

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

Vision statement

A regional leader in exploration, exploitation and supply of oil and gas for sustainable development

Mission statement

To promote sustainable exploitation and management of oil and gas in Kenya.

Core Values

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

- i. Professionalism and Integrity
- ii. Transparency and accountability
- iii. Innovativeness
- iv. Stakeholder participation
- v. Customer centric
- vi. Teamwork and Commitment
- vii. Sustainability
- viii. Inclusivity and impartiality

Mandate of the State Department

The State Department's mandate is derived from the Executive Order No. 1 of 2023 on the Organization of the Government of the Republic of Kenya. The functions of SDP as outlined in the Executive Order include:

- i. Petroleum Policy;
- ii. Strategic Petroleum Stock Management;
- iii. Management of Upstream Petroleum Products Marketing;
- iv. Oil and Gas Exploration Policy Development;
- v. Oil/Gas Sector Capacity Development;
- vi. Petroleum Products Import/Export Marketing Policy Management;
- vii. Licensing of Petroleum Marketing and Handling; and
- viii. Quality Control of Petroleum Products.

The State Department has an oversight responsibility over National Oil Corporation of Kenya (NOCK), Kenya Pipeline Company (KPC) and Kenya Petroleum Refineries Limited (KPRL),

Strategic Objectives

The Strategic Objectives of the State Department are:

- i) To enhance exploitation of petroleum resources;
- ii) To ensure security of supply of petroleum products;
- iii) To ensure uninterrupted availability of petroleum products;
- iv) To enhance environmental conservation; and
- v) To improve legal, policy and Institutional regulatory framework.

1.2 Key Management

(a) Key Management

To effectively implement and deliver on its mandate, the State Department has the following Directorates/Departments/Units:

- (i) Upstream Directorate;
- (ii) Mid/Downstream Directorate;
- (iii) General Administration and Support Services which include:
 - Administration

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- Human Resource Management and Development (HRM&D)
- Public Communications
- Central Project Planning and Monitoring Department (CPPMD)
- Supply Chain Management Services
- Information Communication Technology (ICT)
- Finance
- Accounts
- Legal
- Internal Audit
- Records Management

(b) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June, 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Cabinet Secretary	Davis K. Chirchir, EGH
2	Principal Secretary, Petroleum	Mohamed Liban
3	Commissioner, Petroleum	Mr. Joseph Cambb Otieno
4	Secretary, Administration	M. B. Mohamed, EBS
5	Senior Chief Finance Officer	CPA Dismas Ogot
6	Director HRM&D	Eliud Mwaruah
7	Senior Deputy Accountant General	CPA Veronica Kamau
8	Chief Economist	Lucy Gaithi
9	Director Supply Chain Management	MCIP Joyce N. Ala

(c) Fiduciary Oversight Arrangements

(a) Audit Committee Activities

The Ministry of Energy and Petroleum has a functional Audit Committee as per the requirement of Section 73(5) PFM Act, 2012. The Committee comprises of four members. It serves the State Department for Energy and State Department for Petroleum.

The main function of the Audit Committee is to:

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Annual Report and Financial Statements for the year ended 30th June 2025

- i. Support the Accounting Officer regarding issues of risk, control and governance and associated assurance. The responsibility remains with the management of the concerned entity; and
- ii. Follow up on the implementation of the recommendations of internal and external auditors.

The audit committee was appointed and inducted during the FY 2024/2025. The Committee held a meeting with the Internal Auditors as part of the Committee's mandate to regularly engage with the internal audit function. The purpose of such meetings is to review the audit reports, discuss audit findings, assess the effectiveness of internal controls, and plan future audit activities.

(b) Public Finance Management Standing Committee (PFMSC)

The State Department had in place an established PFMSC that provided direction on the financial management of the State Department. The PFMSC also provided leadership and engagements in strategic plan review, budget formulation, budget implementation, prudent procurement, quarterly reporting to the Controller of Budget, parliamentary departmental committees, accounting and reporting internal control systems and control, as well as external audit reporting, control and closing. The overall budget absorption levels of 100% was attained.

(c) Senior Management Committee

The State Department, in pursuit of strong governance and compliance, held periodic Heads of Department meetings that prepared annual work plans and performance contracting targets for execution and quarterly reviews, reporting and addressing of challenges. The initiative yielded high results in attainment of planned targets and financial stewardship.

(d) State Department Headquarters

P.O. Box 51614-00100
KASNEB Towers II
Off Hospital Road, Upper Hill
NAIROBI, KENYA

State Department Contacts

Telephone: +254(020) 33 10112, +254716508492

E-mail: info@petroleum.go.ke

Website: www.petroleum.go.ke

(e) Petroleum Training Levy Bankers

Kenya Commercial Bank,
Kipande House Branch
P.O BOX 30012-00100
NAIROBI, KENYA

(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

The Attorney-General
State Law Office & Department for Justice.
Harambee Avenue
P.O. Box 40112
City Square 00200
NAIROBI, KENYA

3. Statement of Governance

The principal Secretary, in his note as the Accounting Officer of the State Department for petroleum is personally responsible For the Governance. He was responsible for the Management and control of the Petroleum Training Levy Fund's financial resources

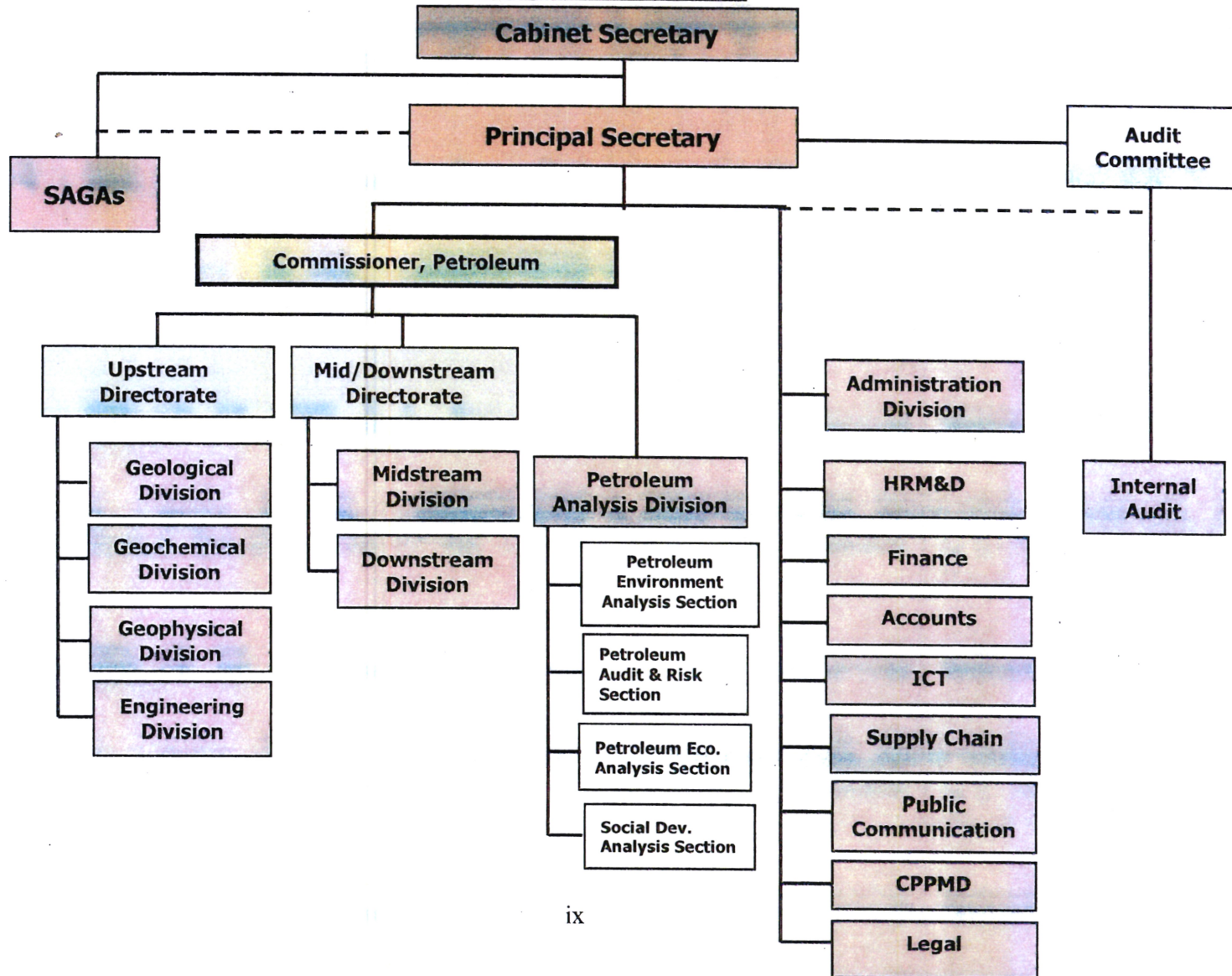
During the year. The fiscal responsibility of the Principal Secretary in his capacity as the accounting officer were executed in Compliance to the section 66 and 68 of the public Finance Act,2012, the Public Procurement and Asset Disposal Act,2015 And attendant Regulations and the constitution of Kenya,2010.

The Principal Secretary was also the Authorized Officer of the Public Service Commission on Human Resource Management And Development of the State Department. During the year under review, the State Department Undertook its processes and results Towards the realisation of efficient and effective use of resources through formulation of committees. The committees and taskforce include the Public Finance Management Standing Committee, The ministerial Human Resource Advisory Committee, Employee Performance Management committee, The petroleum sub-sector inter-government forum, The fuel stabilization taskforce, Projects Management and Monitoring committee, information communication and technology committee, procurement And Asset Disposal Committees as key law provided.

In realisation of best practices, the Principal Secretary Signed Performance Contract with the Cabinet Secretary. The Principal Secretary cascaded performance contract with each Head of Division, Section and units. During the year under review, the principal Secretary prepared and presented numerous periodical reports and in a number of cases together with the Cabinet Secretary to the Departmental Committees on Energy of the National Assembly and Senate, and the Departmental committee on funds of the National assembly and the Public Accounts Committee.

The Principal Secretary also prepared periodic reports to the controller of Budget and the National Treasury on compliance to the fiscal responsibility principles and the law.

4 Organization Structure



5.Profiles of Accounting Officer and Key Management







Mohamed Liban

Principal Secretary

Mr. Mohamed was appointed to the position in December, 2022. Prior to the appointment he was the Chairman of the Ewaso Ng'iro North Development Authority, a position he held from 2019. He has a wealth of Leadership capabilities having served as Regional Elections Coordinator under the Independent Electoral and Boundaries Commission from 2009 – 2017. Other Positions held include Regional Health manager with Kenya Red Cross Society of Kenya and Deputy Chief Clinical Officer at the Ministry of Health.

As the PS, he steers the Petroleum docket at the Ministry where he oversees implementation of Petroleum projects/operations. Mr. Liban holds a Masters of Public Health and Epidimeology from Kenyatta University, Higher National Diploma in Cataract Surgery from Kenya Medical Training college (KMTC), International Diploma in Community Eye Health from London University and Higher National Diploma in Ophthalmology from KMTC and have attended several Human Resource management Courses.

	<p>Mohamed Birik Mohamed, EBS Secretary, Administration</p> <p>Mr. Mohamed Birik assumed the position of Head of Administration in June, 2022. He is in charge of the overall Administration Function in the Department. Mr. Birik Holds a Master’s Degree in Peace and Conflict Resolution from Kenyatta University, Bachelors of Arts Degree in Education from University of Nairobi and Diploma in Public Administration. He has a wealth of expertise in Strategy & Policy Development, Conflict Management & Resolution, Financial Management, Performance Management and relationship skill.</p>
	<p>Mr. Joseph Cambb Otieno, Commissioner, Petroleum</p> <p>Mr. Joseph C. Otieno, R. Geol, is the Commissioner for Petroleum, responsible for the overall coordination of the Petroleum function. He has over 18 years of experience in the Petroleum industry. He holds an M.Sc. degree in Petroleum Geoscience from the Royal Holloway, University of London, United Kingdom; B.Sc. (Hons) degree in Geology from the University of Nairobi; Certificate in Petroleum Policy and Resource Management from PETRAD, Norway; Certificate in International Petroleum Business from the Institute of Petroleum Development, USA; among other qualifications. Mr. Otieno is a Registered Geologist with the Geologist’s Registration Board (GRB) and a Professional Member of the Geological Society of Kenya (GSK).</p>

	<p>CPA Dismas Ogot Senior Chief Finance Officer</p> <p>CPA Dismas Ogot assumed the position of Head of Finance Unit in 17th January, 2023. He is in charge of Public Finance Management; Budget preparation, coordination, implementation, control, monitoring and evaluation, budget reviews and periodic reporting, as by law provided. He holds an MBA (Strategic Management) and Honours Bachelor of Arts (Economics), of the University of Nairobi. He is a CPA (K) holder, and also a member of the ICPAK.</p>
	<p>Eliud Mwaruah, Director/HRM&D</p> <p>Mr. Eliud Mwaruah assumed the position of Head, Human Resource Management and Development in March, 2023. He is in charge of managing the Human Resource Function in the Department including Training & Development, and Governance Programmes for effective and efficient Service delivery. He holds an MBA Methodist University, a Bachelor of Arts degree in Political Science from the University of Nairobi and a Post graduate Diploma in Human Resource Management. A member of Institute of HRM and Institute of Directors Kenya.</p>

	<p>CPA Veronica Kamau Senior Deputy Accountant General</p> <p>Ms. Veronica Kamau assumed the position of Head of Accounting Unit in March, 2023 a position she holds to date. She is in charge of Accounting and Financial Reporting as well as designing, implementing and monitoring internal controls. She is responsible for the preparation of financial reports in line with the relevant International Public Sector Accounting Standards (IPSAS). She holds an MBA (Strategic Management), Bachelor of Commerce (Accounting Option) and she's a Certified Public Accountant of Kenya and a member of the Institute of Certified Public Accountants of Kenya. She is a Certified ISO Auditor and attended several Management Courses including Women Managers Course, SLDP and others.</p>
	<p>Lucy Gaithi Director, Planning and Project management</p> <p>Ms. Lucy Gaithi assumed the position of Head of Economic Planning in March, 2023 a position she holds to date. She is responsible for Coordination of Economic Planning and Monitoring implementation of Programmes and Projects in the State Department. She holds a Master of Management in Public and Development Management (MM P&DM) from the</p>

	<p>University of Witswatersrand, Johannesburg South Africa and a Bachelor of Arts (Economics & Statistics) from University of Nairobi. She is member of the Economist Society of Kenya (ESK).</p>
	<p>MCIPS Joyce N. Ala Director, Supply Chain Management Services (SCMS)</p> <p>Ms. Joyce Ala assumed the position of Head of Supply Chain Management Division in March, 2023 a position she holds to date. Her functions include: Procurement of Good and services and Disposal of Unserviceable/surplus Assets/Stores and Inventory Management. She holds an MBA (Strategic Managements) from Moi University, Bachelor of Arts in Business Administration from Daystar and Diploma in Supplies Management. She's a member of Kenya Institute of Supplies Management (No. 62400).</p>

Management Committees established and their roles.

1) Human Resource Advisory Management Committee (HRMAC)

The functions of the Committee include but are not limited to:

- i. Recruitment, selection and appointment
- ii. Promotions and deployment
- iii. Training and development
- iv. Disciplinary control
- v. Staff welfare, health and safety

2) Performance Management Committee

The functions of the Committee include but are not limited to:

- i. Employee performance evaluation
- ii. Management of rewards and sanctions
- iii. Performance contracts implementation reviews

3) Digitalization Committee

The functions of the Committee include:

- i. Championing the State Department's digitalization Agenda;
- ii. Providing guidance into the strategic direction of the State Department's digitalization roadmap;
- iii. Reviewing the existing business processes, delivery channels, assess their effectiveness and efficiency and give appropriate recommendations;
- iv. Overseeing the implementation of the digitalization program including business;
- v. Processing reengineering, adoption of paperless office, identification State Department's business core systems and establishment of architectural workflow management;
- vi. Promoting digitally-driven innovations to support service delivery;
- vii. Managing risks relating to the digitalization agenda; and
- viii. Any other responsibilities as assigned by accounting officer.

4) Budget Implementation Committee

- i. Reviewing and consider the cash flow;

- ii. Reviewing utilization of cash limits and consider changes as maybe required;
- iii. Reviewing utilization of donor funds voted for the MDA;
- iv. Advising the Accounting Officer on any changes related to budget implementation;
- v. Reviewing and recommending reallocation of expenditures;
- vi. Reviewing and approving the submission of expenditure returns for MDAs;
- vii. Participating in sector working groups; and
- viii. Preparing the budgets for MDAs in Consultation with HODs.

5) Asset and Liability Management Standing Committee.

- i. Ensuring compliance with Asset and Liability management policy and guidelines developed by the National Treasury;
- ii. Monitoring and evaluation Assets and Liabilities performance;
- iii. Assessing and ensuring optimal assets levels of the State Department as guided by the National Treasury guidelines;
- iv. Institutionalizing a risk based and life cycle asset management approach;
- v. Submission of updated assets and liabilities inventory and registers to the Accounting Officer for subsequent forwarding to the National Treasury;
- vi. Ensuring harmonized and accurate reporting on assets and liability performance;
- vii. Ensuring that assets and liability audit queries are resolved effectively; and
- viii. Any other functions relating to assets and liabilities.

6) Disposal Committee

This Committee is established pursuant to Section.163 (1) of Public Procurement and Asset Disposal Act, 2015 and is charged with the following functions:

- i. Conduct a board of survey of items for disposal;
- ii. Verify the condition and the location of the items identified for disposal;
- iii. Determine the current market value of the items for disposal;
- iv. Set up a reserve price based on paragraph(c) where technical advice is not required;
- v. Verify the justification and procedure for disposal;
- vi. Seek technical expertise where necessary to ascertain the value and the condition of the items; and

- vii. Prepare a disposal report and submit it to the accounting officer with specific recommendations on the items to be disposed and the reasons thereof.

7) Risk Management Committee

The State Department for Petroleum has established a Risk Management Committee (RMC). Further the Heads of Departments (risk owners) were sensitized and risk champions appointed. The development of an Institutional Risk Management Framework (IRMPF) has commenced.

The functions of the RMC include:

- i. **Risk Identification:** Identifying potential risks that could impact the organization, including operational, financial, environmental, and regulatory risks specific to the petroleum sector.
- ii. **Risk Assessment:** Evaluating the likelihood and impact of identified risks, using tools and methodologies appropriate to the sector, to prioritize risk management efforts.
- iii. **Risk Mitigation Strategies:** Developing and recommending strategies to mitigate identified risks, including implementing controls, safety measures, and contingency plans.
- iv. **Compliance Monitoring:** Ensuring that the organization complies with relevant regulations and standards, including environmental regulations, health and safety standards, and industry best practices.
- v. **Risk Reporting:** Reporting on risk management activities and issues to senior management and the board of directors, including providing updates on risk status and the effectiveness of mitigation measures.
- vi. **Crisis Management:** Developing and overseeing crisis management plans and responses to manage any significant incidents or emergencies that arise.
- vii. **Review and Improvement:** Regularly reviewing and updating the risk management framework and processes to reflect changes in the internal and external environment, and ensuring continuous improvement.
- viii. **Training and Awareness:** Promoting risk awareness and providing training to employees to ensure they understand their roles in risk management and adhere to established protocols.

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1. Report on recent training and development in governance for those in key leadership.

The state department trained different managers in various courses within the financial year 2024/2025.

The table below shows the training and the number of officers trained.

S/NO.	COURSE NAME	NUMBER OF OFFICERS	DURATION
1	Strategic Leadership Development Programme, KSG	10	6 weeks
2	Senior Management Course	9	4 weeks
3	Supervisory Skills Development Course, KSG	13	2 weeks
4	Induction/ Sensitization Training Programmes, Naivasha	90	2weeks
5	Customer Service Excellence Course	66	4 weeks
6	Health & Safety, Environmental Fundamentals and digital tools for Oil & Gas Professionals Course	54	4 weeks
7	Training on Petroleum Data Management for Exploration and Production Operation	51	3 weeks
8	Effective Organizational Communication skills for frontline officers : Essential Customer care 7 office Hygiene Management 2- cohorts, ESAMI, Arusha	24	4 weeks
9	Strategic Preparation for Retirement: maximizing Pension Benefits & evaluating Investment options, ESAMI, Arusha	10	2 years
10	TeamMate Plus	5	2 weeks

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11	Diploma in Library And Information Science Kenya Methodist University (1) Year	1	6 weeks
12	Diploma in Public Administration	1	5 days

2. Public participation activities

In the period under review, the State Department for Petroleum undertook four (4) public participation and engagements as underlisted:

- i. Maanzoni Lodge Summit
- ii. Consultative Meeting at Fairview Hotel Nairobi
- iii. National Liquified Petroleum Gas (LPG) stakeholder's Workshop at the Kenya School of Government, Nairobi
- iv. National Security Meeting Following Gas Explosion in Mradi, Embakasi.

Maanzoni Lodge Summit

The summit brought together the leadership of Turkana County and other stakeholders in the sector, to deliberate on oil and gas exploration activities and to develop a collaborative framework on the exploitation of the South Lokichar Resources for realization of the first oil in Kenya.

The main issues that were discussed were:

- i) The energy transition and its impact on green oil and gas projects. It was agreed that the Project Oil Kenya should be developed soon before it's overtaken by the ongoing wave on climate change and the energy transition. The project is set to have a major impact on the economy once realised.
- ii) All stakeholders were asked to work together as the success of the project is dependent on the joint efforts of both the National and County Government.
- iii) Full disclosure of the Project Oil Kenya to all stakeholders.
- iv) Management of petroleum waste management.

Consultative Meeting at Fairview Hotel Nairobi

The meeting brought together stakeholders in the Oil and Gas Sector to discuss Project Oil Kenya and chat a way forward in the realization of the project. The stakeholders were drawn from the Ministry of Energy and Petroleum, the State Department for Labour, the Turkana County

Leadership, Interior security, Water, Lands, Roads, LAPSSSET, and the Kenya Joint Ventures Partners (Tullow Kenya B.V., Total Energies and Africa Oil).

The meeting discussed the status land acquisition process, make up water pipeline, review of the Filed Development Plan, LAPSSSET corridor, crude oil pipeline, ESIA licenses and funding for the project.

Each stakeholder was tasked to fast-track their part in the integrated project and participate in the development of a joint work plan for activities under the plan.

National Liquefied Petroleum Gas (LPG) stakeholder's workshop

The workshop was held at the Kenya School of Government, Nairobi Campus. The objective of the workshop was to discuss and share valuable insights on how to enhance enforcement of the Liquefied Petroleum Gas (LPG) legal framework and to successfully implement the National LPG Growth Strategy. The participants were drawn from various Ministries, Departments and Agencies (MDAs), County Governments, Oil Marketing Companies (OMCs), Industry Associations, Cylinder Manufacturers, LPG Importers, Consultancies in the Oil and Gas Industry, Advocacy/Lobby Groups, Financial Institutions, and media houses.

It was noted that LPG is an important transitional source of fuel in the wake of the energy transition and climate change impacts. The workshop highlighted the various Government initiatives geared towards enhancing LPG uptake in Kenya and called upon all stakeholders to play their respective roles in rolling out the initiatives.

National Security Meeting Following Gas Explosion in Mradi, Embakasi

On 1st February 2024, a Liquefied Petroleum Gas (LPG) explosion occurred at Mradi area in Embakasi, Nairobi County due to uncontrolled release of LPG from a road tanker. Following the explosion, a multi-agency team collaborated in restoring order at the site of the explosion.

1. Compliance with laws and regulations among others.

The State Department was guided and complied with the relevant laws and regulations.

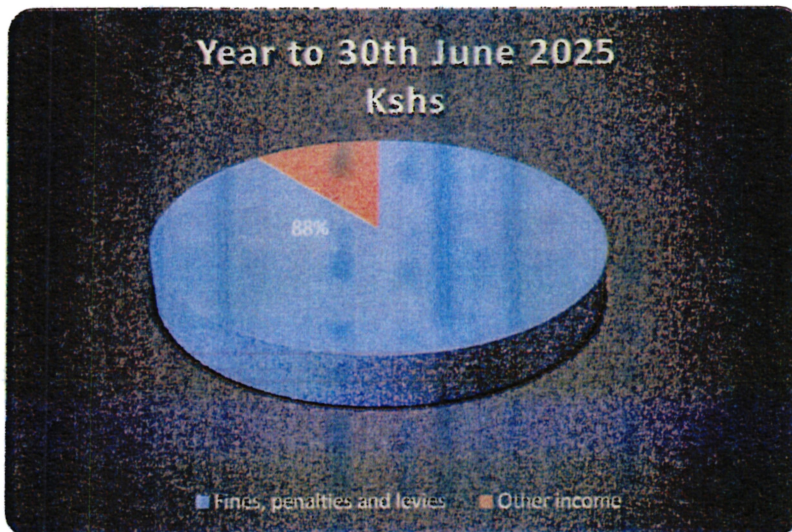
PETROLEUM TRAINING LEVY FUND

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Financial Performance

Revenue

REVENUE	Year to 30th June 2025
	Kshs
Fines, penalties and levies	80,317,553
Other income	16,150,204
Total income	96,467,757



Expenditure

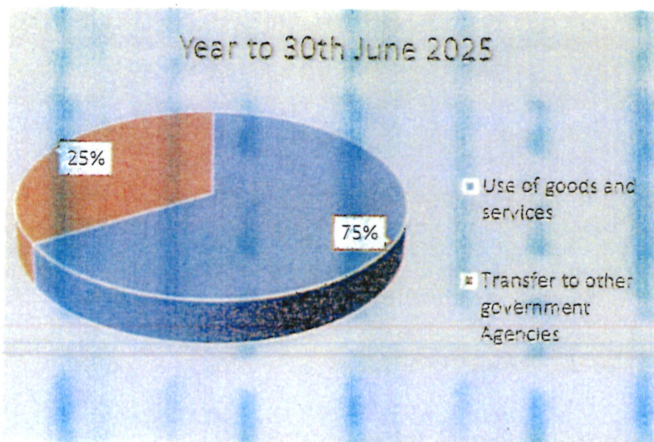
During the Financial Year 2024/2025, the fund spent Kshs. 157,766,969 was for training expenses. There was a decline of Kshs. 6,975,807 from the expenditure for the prior year. The stakeholders in the petroleum, oil and gas exploration benefitted from trainings funded by Petroleum levy Training Fund. The Ministry is also looking up into ways that will ensure that the beneficiaries of

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the fund will include but not limited to students from Universities and Colleges or other learning institutions so as to enhance Kenyan's knowledge and skills on petroleum operations.

Expenditure	Year to 30th June 2025
	Kshs
Use of goods and services	157,766,969
Transfer to other government Agencies	30,000,000
Total Expenditure	187,766,969



.....
Principal Secretary / Accounting Officer
State Department for Petroleum

6. Statement of Performance Against Predetermined Objectives for the FY2024/25

Introduction

Progress on the attainment of Strategic Objectives through Performance Contracting

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Program	Strategic Objective	Outcome	Indicator	Performance	Comments
Petroleum Resource Development, Promotion and Commercialization	To promote investment in Oil and Gas exploration	<ul style="list-style-type: none"> Promotion of petroleum blocks Licensing of petroleum blocks Acquisition of geo-scientific data for open petroleum acreage 	No. of Petroleum Resources developed.	Commercialized Petroleum resources	
Policy coordination and Organizational capacity strengthening	To enhance Service delivery	<ul style="list-style-type: none"> Strengthen Financial Management Strengthen communication function/Services 	No. of Policy documents prepared and approved.	The State Department developed a Strategic plan, a draft Petroleum Regulations (2023).	

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		<ul style="list-style-type: none">• Strengthen ICT capacity and services• Strengthen human resource capacity• Strengthen planning and policy formulation and implementation• Strengthen information management• Improve working environment			
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7. Environmental and Sustainability Reporting

The State Department for Petroleum is established, as one of the two State Departments under the Ministry of Energy and Petroleum, by the Executive Order No. 1 of 2023 on Organization of the Government of the Republic of Kenya. This executive order on organization of Government gives the mandate of the State Department for Petroleum as follows:

- i. Petroleum Policy;
- ii. Strategic Petroleum Stock Management;
- iii. Management of Upstream Petroleum Products Marketing;
- iv. Oil and Gas Exploration Policy Development;
- v. Oil/Gas Sector Capacity Development;
- vi. Petroleum Products Import/Export Marketing Policy Management;
- vii. Licensing of Petroleum Marketing and Handling; and
- viii. Quality Control of Petroleum Products.

While performing her mandate, environmental concerns can broadly be divided into four (4) main categories as listed below;

Environmental	Natural disasters	<ul style="list-style-type: none"> • Leads to infrastructural damage • Potential invocation of Force majeure on contractual obligations
	Pollution	Potential adverse effect on marine and terrestrial life
	Waste management	Pollution prevention
	Climate change	May have adverse effects on water sources required for upstream development

The Ministry has identified these factors and developed avenues of reporting any incidences and subsequent actions taken as elaborated below. The reporting structure has been developed in compliance with National Environmental Management Authority (NEMA) guidelines.

PART VIII: of the Petroleum Act 2019 provides for matters Environment, Health and Safety and

Clause 59. (1) Opinions that... “A contractor shall carry out upstream petroleum operations in the contract area in accordance with all the applicable environment, health, safety and maritime laws and best petroleum industry practices”.

Clause 63. (1) of the Petroleum Act 2019 provides that... “A person engaged in any undertaking or activity pursuant to a petroleum agreement or permit issued under this Act shall notify the Authority within forty eight hours in writing, in the form and manner prescribed by the Authority, of any accident or incident causing loss of life, personal injury, explosion, oil spill, fire or any other accident or incident causing harm or damage to the environment or property which has arisen in Kenya or within Kenya's Exclusive Economic Zone or Outer Continental Shelf”.

a) Sustainability strategy and profile

The Ministry evaluates community projects carried out by contractors in their respective blocks the Ministry in particular Establishes;

- Guidelines and procedures in place in management of community projects
- The impact the social projects have to the host community
- The extent of community involvement/ participation in identification, procuring, evaluating and management of the projects
- The cost of the project as reported in the contractor’s books of account and ensure accuracy and transparency.
- The scope of the assignment is to conduct audit of community development projects

b) Environmental performance /climate change/ mitigation of natural disasters

The Ministry is guided by Environmental Management and Coordination Act (EMCA 2015) in monitoring environmental impacts Ministry also insists on the individual company’s policy on Health Safety and Environment and check consistency with the existing regulations and laws. The Ministry is developing a National Liquefied Petroleum Gas strategy so to increase the use of LPG as a cleaner source of energy as compared to biomass (firewood, charcoal etc). The strategy is to enhance LPG penetration and increase LPG per capita consumption from the current 7.5 kg per year to 15 kg per year and enhance its penetration from approximately 24% currently to 70% by

2028. The use of LPG as a source of fuel has the benefit of reducing indoor pollution, reduction of respiratory diseases due to indoor pollution.

c) Employee welfare

The state Department has a Recruitment Plan for its Technical Staff vacancies that are identified and forwarded to Public Service Commission in accordance with the Regulations for recruitment. All the stakeholders are engaged and recruitment is done in accordance with the Guiding Policies.

d) Operational practices/ Market place practice

The State Department for Petroleum has put in place:

- a) Project Implementation Committee
- b) Inspection, Receipt and Acceptance Committee that ensures goods received confirm to specification and the payment to suppliers is affected within the shortest period possible.

c) Clients who show interest in trading with the Department are encouraged to submit all the mandatory registration documents and hence included in the registered list of suppliers with the Department which is a continuous process as per Public Procurement Asset Disposal Act and its attendant regulation 2020.

The Department also complies with Article 227 of the constitution where all suppliers are treated equally without any favourism.

- a) Use of open tender method, which is the most competitive method of procurement
- b) The Ministry continually register suppliers in various categories of goods, works and services
 - Suppliers visits our offices and are given audience
 - Suppliers are informed of problems about their contracts which is resolved through audience to rectify any problems with their contracts amicably for the interest of both parties.
 - Contract period can be extended for suppliers to complete deliveries as per requests
 - The Ministry rarely punish our suppliers by not cashing their bid bonds.

- c) Market surveys are regularly conducted
 - Technical officers from technical Ministry also ensure they continually research to understand up-to date information in relation to changes in technology and technological product.
- d) The Ministry ensure that product specifications meet the set standard and threshold as prescribed in the Public Procurement and Asset Disposal Act, 2015.

a) Community Engagements

The State Department advocates that all players in the petroleum industry to engage the local leadership and host communities in identifying CSR projects to be undertaken as part of their obligation as per the provisions of the Production Sharing Contracts.

The State Department conducts stakeholders' forums in all the active Blocks including other Projects like Crude Pipeline and South Lokichar. Community Liaison Officers have been recruited and the community are constantly engaged on all petroleum operations in their area.

The International Oil Companies have undertaken various CSR projects in collaboration with local leaders and community representatives. Most of the CRS projects revolve around local needs like provision of water in arid/ semi-arid areas, building classrooms, dining halls and dormitories in needy schools, and provision of desks and chairs.

Below are some of the CSR projects undertaken:

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		<ul style="list-style-type: none">• Strengthen ICT capacity and services• Strengthen human resource capacity• Strengthen planning and policy formulation and implementation• Strengthen information management• Improve working environment			
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7. Environmental and Sustainability Reporting

The State Department for Petroleum is established, as one of the two State Departments under the Ministry of Energy and Petroleum, by the Executive Order No. 1 of 2023 on Organization of the Government of the Republic of Kenya. This executive order on organization of Government gives the mandate of the State Department for Petroleum as follows:

- i. Petroleum Policy;
- ii. Strategic Petroleum Stock Management;
- iii. Management of Upstream Petroleum Products Marketing;
- iv. Oil and Gas Exploration Policy Development;
- v. Oil/Gas Sector Capacity Development;
- vi. Petroleum Products Import/Export Marketing Policy Management;
- vii. Licensing of Petroleum Marketing and Handling; and
- viii. Quality Control of Petroleum Products.

While performing her mandate, environmental concerns can broadly be divided into four (4) main categories as listed below;

Environmental	Natural disasters	<ul style="list-style-type: none">• Leads to infrastructural damage• Potential invocation of Force majeure on contractual obligations
	Pollution	Potential adverse effect on marine and terrestrial life
	Waste management	Pollution prevention
	Climate change	May have adverse effects on water sources required for upstream development

The Ministry has identified these factors and developed avenues of reporting any incidences and subsequent actions taken as elaborated below. The reporting structure has been developed in compliance with National Environmental Management Authority (NEMA) guidelines.

PART VIII: of the Petroleum Act 2019 provides for matters Environment, Health and Safety and **Clause 59. (1)** Opinions that... “A contractor shall carry out upstream petroleum operations in the contract area in accordance with all the applicable environment, health, safety and maritime laws and best petroleum industry practices”.

Clause 63. (1) of the Petroleum Act 2019 provides that... “A person engaged in any undertaking or activity pursuant to a petroleum agreement or permit issued under this Act shall notify the Authority within forty eight hours in writing, in the form and manner prescribed by the Authority, of any accident or incident causing loss of life, personal injury, explosion, oil spill, fire or any other accident or incident causing harm or damage to the environment or property which has arisen in Kenya or within Kenya's Exclusive Economic Zone or Outer Continental Shelf”.

a) Sustainability strategy and profile

The Ministry evaluates community projects carried out by contractors in their respective blocks the Ministry in particular Establishes;

- Guidelines and procedures in place in management of community projects
- The impact the social projects have to the host community
- The extent of community involvement/ participation in identification, procuring, evaluating and management of the projects
- The cost of the project as reported in the contractor's books of account and ensure accuracy and transparency.
- The scope of the assignment is to conduct audit of community development projects

b) Environmental performance /climate change/ mitigation of natural disasters

The Ministry is guided by Environmental Management and Coordination Act (EMCA 2015) in monitoring environmental impacts Ministry also insists on the individual company's policy on Health Safety and Environment and check consistency with the existing regulations and laws. The Ministry is developing a National Liquefied Petroleum Gas strategy so to increase the use of LPG as a cleaner source of energy as compared to biomass (firewood, charcoal etc). The strategy is to enhance LPG penetration and increase LPG per capita consumption from the current 7.5 kg per year to 15 kg per year and enhance its penetration from approximately 24% currently to 70% by

2028. The use of LPG as a source of fuel has the benefit of reducing indoor pollution, reduction of respiratory diseases due to indoor pollution.

c) Employee welfare

The state Department has a Recruitment Plan for its Technical Staff vacancies that are identified and forwarded to Public Service Commission in accordance with the Regulations for recruitment. All the stakeholders are engaged and recruitment is done in accordance with the Guiding Policies.

d) Operational practices/ Market place practice

The State Department for Petroleum has put in place:

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c) Clients who show interest in trading with the Department are encouraged to submit all the mandatory registration documents and hence included in the registered list of suppliers with the Department which is a continuous process as per Public Procurement Asset Disposal Act and its attendant regulation 2020.

The Department also complies with Article 227 of the constitution where all suppliers are treated equally without any favourism.

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 - Suppliers are informed of problems about their contracts which is resolved through audience to rectify any problems with their contracts amicably for the interest of both parties.
 - Contract period can be extended for suppliers to complete deliveries as per requests
 - The Ministry rarely punish our suppliers by not cashing their bid bonds.

- c) Market surveys are regularly conducted
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- d) The Ministry ensure that product specifications meet the set standard and threshold as prescribed in the Public Procurement and Asset Disposal Act, 2015.

a) Community Engagements

The State Department advocates that all players in the petroleum industry to engage the local leadership and host communities in identifying CSR projects to be undertaken as part of their obligation as per the provisions of the Production Sharing Contracts.

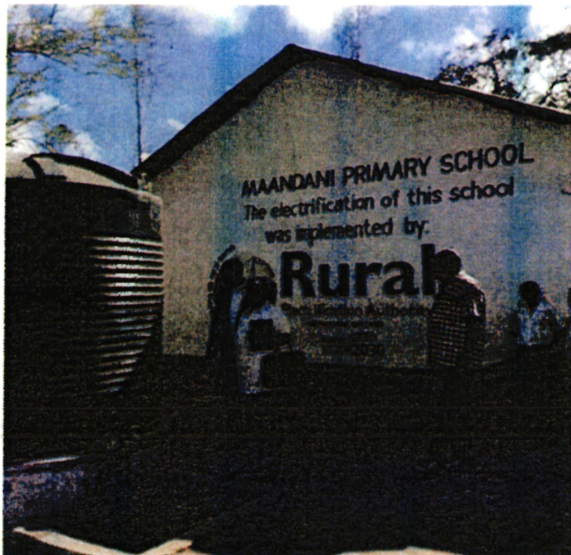
The State Department conducts stakeholders' forums in all the active Blocks including other Projects like Crude Pipeline and South Lokichar. Community Liaison Officers have been recruited and the community are constantly engaged on all petroleum operations in their area.

The International Oil Companies have undertaken various CSR projects in collaboration with local leaders and community representatives. Most of the CRS projects revolve around local needs like provision of water in arid/ semi-arid areas, building classrooms, dining halls and dormitories in needy schools, and provision of desks and chairs.

Below are some of the CSR projects undertaken:

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Installation of a 6,000 litres water tank at Maandani Primary school, Kwale County.



Construction of a water pan at Gulanze Town, Kwale County



Installation of Community water Tanks/ borehole at Ganze Village, Kwale County

Impacts:

In all the schools where classrooms were constructed, the children enjoy better learning conditions and their morale has been boosted hence increased enrolment. Where boreholes were dug and water tanks installed, the projects benefitted the communities and schools by providing an opportunity for them to free up the time they spent on looking for water, which could now be spent on other development activities. Having clean water available also helped in decreasing water borne diseases within the communities. The water pan provided livestock farmers with water for their livestock.

PETROLEUM TRAINING LEVY FUND

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In all cases, the communities appointed committees to manage the community projects. The committees were encouraged to work with the local leaders and county governments in order to obtain financial support when and if needed. As concerns the schools, their Board of Management (BOM) were mandated to manage and sustain their projects.

8. Statement of Management Responsibilities

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

The Accounting Officer in charge of the State Department for Petroleum is responsible for the preparation and presentation of the Petroleum Training Levy Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 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 Fund, (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 Fund; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department for Petroleum accepts responsibility for the Petroleum Training Levy Fund's financial statements, 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). The Accounting Officer is of the opinion that the financial statements give a true and fair view of the Petroleum Training Levy Fund's transactions during the financial year ended June 30, 2025, and of the Petroleum Training Levy Fund's financial position as at that date. The Accounting Officer in charge of the State Department for Petroleum further confirms the completeness of the accounting records maintained for the Fund which have been relied upon in the preparation of the Funds financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Petroleum Training Levy Fund's financial statements were approved and signed by the Accounting Officer on 2/10/2025 2025.



.....
Name: MOHAMED LIBAN
Accounting Officer



.....
Name: VERONICA KAMAU
Head of Accounting Unit
ICPAK M/No. 10669

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON PETROLEUM TRAINING LEVY FUND FOR THE YEAR ENDED 30 JUNE, 2025 - STATE DEPARTMENT FOR PETROLEUM

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.
- 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 financial statements of Petroleum Training Levy Fund set out on pages 1 to 24, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Petroleum Training Levy Fund as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Petroleum Act 2019 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Uncollected Revenue from Oil and Gas Exploration Blocks

The statement of financial performance reflects fines, penalties and levies balance of Kshs.80,317,552 as disclosed in Note 17.3 to the financial statements. Review of the production sharing contracts entered with International Oil Companies (IOCs) revealed outstanding Training Fund remittances from four (4) IOCs amounting to Kshs.25,013,048 as detailed below:

- i. Clause 13(2) of the Product Sharing Contract between the Government of the Republic of Kenya, Tullow Kenya BV and Swala Energy (Kenya) Ltd for Block 12B, on 16 February, 2012 required the Companies to remit one hundred and seventy-five thousand dollars (USD 175,000) equivalent of Kshs.22,636,250 per year during the second additional exploration period towards the Petroleum Training Fund. However, no payments were made to the Fund during the year under review.
- ii. The Product Sharing Contract between the Government of the Republic of Kenya and Centric Energy (Kenya) Limited for Block 10BA dated 27 January, 2010 provided that the Company shall pay seventy-five thousand dollars (USD 75,000) equivalent of Kshs.9,701,250 per year during the second additional exploration period to the Petroleum Training Fund. However, no payments were made to the Fund during the year under review.
- iii. Turkana Drilling Consortium (Kenya) Limited was required contribute five hundred thousand dollars (USD 500,000) equivalent of Kshs.64,675,000 per year during the second additional exploration period into the Petroleum Training Fund under the PSC for Block 10BB entered into with Government of the Republic of Kenya on 25 October, 2007. However, the Company was yet to make the payments as at 30 June, 2025.
- iv. A contribution of one hundred and sixty-five thousand dollars (USD165,000) equivalent of Kshs.21,342,750 per year during the second additional exploration period was due from Platform Resources INC in respect of Block 13T. This was in accordance with clause 13(2) of the Product Sharing Contract between the

Government of the Republic of Kenya dated 17 September, 2008. However, the Company was yet to make any payments towards the Fund.

In addition, the amount was not recognized as revenue in the statement of financial performance as required by IPSAS 23 - Revenue from Non-Exchange Transactions.

In the circumstances, the accuracy of the fines, levies and penalties revenue of Kshs.80,317,552 could not be confirmed.

2. Long Outstanding Receivables

The statement of financial position and Note 17.9 to the financial statement reflects other receivable balance of Kshs.3,685,837,094. An ageing analysis provided in support of the balance indicated that that Tullow Kenya BV had an outstanding balance of USD1,232,492 equivalent to Kshs.159,287,266, which had been outstanding for three (3) years. However, a letter to Cabinet Secretary for Energy and Petroleum from Tullow Kenya BV, dated 30 September, 2024 indicated that the Company had no outstanding annual training fees balance.

Further, a letter from Energy and Petroleum Regulatory Authority (EPRA) to the Ministry of Energy and Petroleum dated 13 June, 2025 indicated that Tullow Oil PLC had made a public announcement on 15 April, 2025 regarding a binding terms agreement entered into with Gulf Energy Limited to transfer its 100% stake in Blocks 10BA, 10BB, 13T and 12B held by Tullow Kenya BV. The letter further indicated that discussions were ongoing to complete the transaction. However, there was no evidence, provided on settlement of outstanding Petroleum Fund remittances or a reconciliation of the amount owed by the Company against remittances received.

In the circumstances, accuracy and completeness of the accounts receivable balance of Kshs.3,685,837,094 could not be confirmed.

3. Unaccounted for Receivables

Review of the Production Sharing Contract (PSC) between that National Oil Corporation of Kenya and the Ministry of Energy and Petroleum revealed that the Corporation was awarded exploration rights for Block 14T on 15 November, 2010, for an initial exploration period for three (3) years. However, the Corporation had been executing the PSC under an Initial Exploration Period for a period of 14 years.

Further, the Corporation had not paid Training Fund levies since 2010 amounting to USD 712,500 or Kshs.92,083,500, at a rate of USD 50,000 or Kshs.6,462,000 per annum, to the State Department of Petroleum. In addition, the outstanding amount which had accrued over the years was not disclosed in the financial statements of the Fund.

In the circumstances, accuracy of the accounts receivable balance of Kshs.3,685,837,094 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Petroleum Training Levy Fund 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2025 reflects fines, penalties and levies final budget of Kshs.195,435,716 and an actual comparable basis amount of Kshs.80,317,553. This resulted to an under collection of Kshs.115,118,163 equivalent to 41%. The under collection may have affected the planned activities during the year.

My opinion is not modified in respect of this matter.

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. Except for the matters described in the Basis for Qualified Opinion, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and an issue under the 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.

	Financial Year	Audit Issue
1.	2023/2024	Inclusion of Non -Training Receipts
2.	2023/2024	Long Outstanding Receivables
3.	2023/2024	Outstanding Imprest

Other Information

Management is responsible for the Other Information set out on page iii to xxiii which comprise of Key Ministry Information and Management, State of Governance, Organization Structure, Profiles of Accounting Officer and Key Management, Statement of Performance Against Predetermined Objectives, Environmental and Sustainability Reporting, Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's financial statements, 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 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, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 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 has else come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Long Outstanding Receivables

The statement of financial position reflects other receivable balance of Kshs.3,685,837,094 . As disclosed in Note 17.9 of the financial statements, the balance relates to the fines, penalties and levies which had accrued over the years. Review of an aging analysis provided for audit revealed that some of the receivable amount dated back to 2011. Management did not provide evidence to indicate efforts made to recover the receivables.

In addition, a letter received at the State Department from Business Registration Service on 15 August, 2024 indicated that Lamu Oil and Gas Limited, which was registered on 7 January, 2010 was struck off the register on 11 December, 2020 in a gazette notice number 10421 of 2020. However, the Company was not listed among

the dissolved companies in the quoted gazette notice. Consequently, classification of the amount owed by the Company amounting to USD285,144 equivalent of Kshs.36,860565 as irrecoverable and earmarked for write off could not be confirmed.

In the circumstances, the existence of an effective enforcement mechanism and strategies for debt recovery could not be ascertained.

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

Auditor-General's Responsibilities for the Audit

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 ISSAIs 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, SBS
AUDITOR-GENERAL

Nairobi

12 November, 2025

PETROLEUM TRAINING LEVY FUND
Annual Report and Financial Statements for the year ended 30th June 2025

10. Statement Of Financial Performance for The Year Ended 30th June 2025

Description	Note	Current FY 2024/25	Comparative FY 2023/24
		Kshs	Kshs
Revenue from non- exchange transactions			
Fines, penalties and levies	17.3	80,317,552.75	176,868,122.00
Fines, penalties and levies receivables		-	-
Exchange gain		-	-
Other income	17.4	16,150,204.05	21,248,604.00
Total		96,467,756.80	198,116,726.00
Payments			
Use of good and services	17.5	157,766,968.80	164,746,576
Transfer to other government entities	17.6	30,000,000.00	84,662,716
Exchange loss	17.7	7,299,195.46	313,537,511
Total Payments		195,066,164.26	562,946,803
Surplus/(Deficit)		(98,598,407.46)	(364,830,077)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Petroleum Training Levy Fund's financial statements were approved on 21/07/2025 and signed by:

.....
Name: MOHAMED LIBAN
Accounting Officer

.....
Name: VERONICA KAMAU
Head of Accounting Unit
ICPAK M/No...10669

PETROLEUM TRAINING LEVY FUND
Annual Report and Financial Statements for the year ended 30th June 2025

11. Statement Of Financial Position as at 30th June 2025

Description	Note	Current FY 2024/25	Comparative FY 2023/24
		Kshs	Kshs
Financial assets			
Cash and cash equivalents			
Bank balances	17.8	300,065,083.20	480,895,058
Total cash and cash equivalents		300,065,083.20	480,895,058
Other Receivables	17.9	3,685,837,094	3,693,136,289
Outstanding imprest		-	656,040
Total financial assets		3,985,902,176.76	4,174,687,387
Financial liabilities		-	-
Net financial assets		3,985,902,176.76	4,174,687,387
Represented by			
Fund balance b/fwd.	17.11	4,174,687,387	4,539,517,463
Prior year adjustment	17.13	(90,186,802)	-
Surplus/ (Deficit) for the year		(98,598,407)	(364,830,077)
Net financial position		3,985,902,177	4,174,687,387

NOTE: Prior year adjustments comprise of

-surrender of outstanding imprest of kshs 656,040

-The exclusion of surface fees of kshs 89,530,762 which had been included in the Fund b

The accounting policies and explanatory notes to these financial statements form an integral part of these financial statements. The Petroleum Training Levy Fund's financial statements were approved and signed by

.....
Name: MOHAMED LIBAN

Accounting Officer

12. Statement Of Changes in Net Assets for The Year Ended 30th June 2025

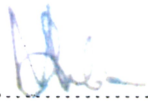
Description	2024/25
	Kshs
Balance as at 1 st July 2023	4,539,517,463
Surplus for the year	(364,830,077)
Balance as at 30 th June 2024	4,174,687,387
Balance as at 1 st July 2024	4,174,687,386
Deficit for the year	(188,785,209)
Balance as at 30 th June 2025	3,985,902,177.00

NOTE: The addition in defeceit in the statement of changes in net asset is as a result of the following

-surrender of outstanding imprest of kshs 656,040

-The exclusion of surface fees of kshs 89,530,762 which had been included in the opening balance

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Petroleum Training Levy Fund's financial statements were approved on 2/10/ 2025 and signed by:


.....

Name: MOHAMED LIBAN
Accounting Officer


.....

Name: VERONICA KAMAU
Head of Accounting Unit
ICPAK M/No...10669

13. Statement Of Cash Flows for The Year Ended 30th June 2025

Description	Notes	Current FY 2024/25	Comparative FY 2023/24
CASH FLOW FROM OPERATING ACTIVITIES		Kshs	Kshs
Receipts for operating income			
Fines, penalties and Levies	17.3	80,317,552.75	176,868,122
Other Revenue	17.4	16,150,204.05	21,248,604
Cash flow from operating activities		96,467,756.80	198,116,726
Payments for operating expenses			
Use of goods and services	17.5	157,766,968.80	164,746,574
Transfer to Other Government Units	17.6	30,000,000.00	84,662,716
		187,766,968.80	249,409,290
Adjusted for:			
Changes in receivables		-	-
Net cash flow from operating activities	17.12	(91,299,211.80)	(51,292,564)
NET INCREASE IN CASH AND CASH EQUIVALENT		(91,299,211.80)	(51,292,564)
Cash & Cash Equivalent as at 1 July 2024	17.8	391,364,295.00	532,187,621
Cash & Cash Equivalent at 30 June 25	17.8	300,065,083.20	480,895,058

Note: cash & cash equivalent at start of the year is adjusted by excluding the surface fees amount of kshs 89,530,763 which was previously included in the closing balance of previous period.

PETROLEUM TRAINING LEVY FUND


Annual Report and Financial Statements for the year ended 30th June 2025

14. Statement of Comparison of Budget and Actual Amounts for the year ended 30th June 2025.

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=d-c	f=d/c %
Revenue from non-exchange transactions						
Fines, penalties and levies	195,435,716	-	195,435,716	80,317,553	(115,118,163)	41.1%
Other Income	-	-	-	16,150,204	16,150,204	100%
Total Receipts	195,435,716	-	195,435,716	96,467,757	(98,967,959)	49.4%
Payments						
Use of goods and services	155,435,716	-	155,435,716	157,766,969	(2,331,253)	1.02%
Transfer to other government units	30,000,000	-	30,000,000	30,000,000	-	100%
Total Payments	185,435,716	-	185,435,716	187,766,969	-	1.02%

Note :The under collection of levies was due to separation of surface accounts fees from petroleum training levy fund.

The Petroleum Training Levy Fund's financial statements were approved on 2/10/2025 and signed by:

.....


Name: MOHAMED LIBAN
 Accounting Officer

.....


Name: VERONICA KAMAU
 Head of Accounting Unit
 ICPAK M/No...10669

PETROLEUM TRAINING LEVY FUND
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14. Notes to the Financial Statements

1. Establishment

The Petroleum Training Levy Fund was established for the development of human capital, to build knowledge, and strengthen technical capacity in upstream petroleum operations in Kenya.

The framework for its creation and administration is outlined under the Petroleum Act 2019, And The Petroleum (Exploration and Production) (Training Fund) Regulations, 2006.

The Petroleum Act establishes the Training Levy Fund to support the training of Kenyan nationals

In upstream petroleum operations. Institutions providing human capital development and capacity-building in this sector must be accredited under regulations made pursuant to section 127 of the Act. Contractors contribute specified amounts as outlined in petroleum agreements, And these funds are paid directly into the Training Fund. The Fund is managed exclusively as prescribed by the Cabinet Secretary, ensuring that all monies are used solely for their intended Purpose of advancing local expertise in upstream petroleum activities.

The Petroleum (Exploration and Production) (Training Fund) Regulations, 2006 gives guidelines on the administration of the fund, which should be accordance to an approved training Programme and further provides for accounting of the fund by the administrator.

Ministry Has developed the Draft Petroleum (Upstream Petroleum Management and Production) Regulations, 2024 to further operationalize clause 52 of the Petroleum Act and Petroleum (Exploration and Production) (Training Fund) Regulations, 2006.

Regulations aim to provide further guidelines on the objective of the fund account, functions of the fund, criteria for selecting beneficiaries, to enhance transparency

Notes to the Financial Statements(continued)

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Accrual-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

14.2.1 Reporting Period

The reporting period for these financial statements is for the period ended 30 June 2025

14.2.2 Basis of preparation

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period on an accrual basis unless otherwise specified (for example, the Statement of Cash Flows). Under an accrual basis, revenues are recognised when rights to assets are earned or levied rather than when cash is received, and expenses are recognised when obligations are incurred rather than when they are settled. The financial statements have been prepared and presented in Kenya Shillings to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

14.2.3 Critical accounting judgements

IPSAS requires accounting judgements to be made in determining accounting policies that impact the presentation of these financial statements. The most critical of these judgements, and their impact, are:

14.2.4 Recognition of revenue

A revenue is an increase in the net financial position, other than increases arising from ownership contributions. Revenue is required to be measured when the event occurs and when recognition criteria (probable inflow of resources and ability to reliably measure their value) are met. Judgment is required to determine if these criteria are met, particularly where limited evidence is available at the time the revenue is earned.

Notes to the Financial Statements(continued)

14.2.5 Recognition of non-exchange expenses and liabilities

A liability is a present obligation of entity for an outflow of resources that results from a past event. Expenses (and other liabilities) are recognized when there is a present obligation (legal or constructive) as a result of a past event. An outflow of resources embodying economic benefits will probably be required to settle the obligation and a reliable estimate of the obligation can be made. Judgement is required in assessing each of these conditions, and therefore reporting if an expense and a present obligation should be reported.

The entity pursues a number of policy targets and outcomes. However the commitment to these targets and outcomes, generally, do not of themselves constitute a present obligation unless the State Department for petroleum is clear on the cost it intends to incur, when payment will be made, and to whom and as a consequence has raised a valid expectation. As a consequence, liabilities are not reported for costs associated with the entity policy objectives and targets. Where a policy choice gives rise to an obligation that exists independently of the entity future actions, expenses (and other related liabilities) are recognized for that policy.

14.2.6 Purpose and nature of financial instruments

Judgment is required in determining whether financial assets (including investment in securities and advances) and financial liabilities are held for trading or to provide a return through interest and principal transactions. Depending on that judgment, financial instruments will be reported at fair value or on an amortized cost basis.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

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

There were no new and amended standards issued in the financial year.

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 MDA.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</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>
IPSAS 45- Property Plant	<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</p>

Standard	Effective date and impact:
and Equipment	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.
IPSAS 46 Measurement	<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>
IPSAS 47- Revenue	<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 MDA shall apply to report useful information to users of financial</p>

Standard	Effective date and impact:
	statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></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>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></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>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1st January 2027</i></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> <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. 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.

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iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in the financial year or *the* entity adopted the following standards early (state the standards, reason for early adoption and impact on entity financial statements.)

5. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the State Department for petroleum and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the State Department for petroleum and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development grants are recognized in the statement of financial performance after meeting the revenue recognition criteria. Conditional grants are recognized as revenue upon fulfilment of the set conditions.

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Summary of Significant Accounting Policies(continued)

Notes to the Financial Statements (Continued)

b) Budget information

The original budget for FY 2024/25 was approved by the National Assembly on *June 2024*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the State Department for petroleum upon receiving the respective approvals in order to conclude the final budget. The State Department for petroleum budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented under section xxx of these financial statements.

Notes to the Financial Statements (Continued)

c) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

d) Research and development costs

The entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the State Department for petroleum can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

e) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The State Department for petroleum does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one State Department for petroleum and a financial liability or equity instrument of another entity. At initial recognition, the State Department for petroleum measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Notes to the Financial Statements (Continued)

a) Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless the entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

b) Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

c) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the

Notes to the Financial Statements (Continued)

same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

c) Contingent liabilities

The State Department for petroleum does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

e) Changes in accounting policies and estimates

The State Department for petroleum recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

f) Cash and cash equivalents

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

g) Subsequent events

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

(include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

PETROLEUM TRAINING LEVY FUND

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Notes to the Financial Statements (Continued)

17.3 Fines, penalties and Levies

Description	Current FY 2024/25	Comparative FY2023/24
	Kshs	
Levies from oil the companies-Training levy	80,317,552.75	115,226,412.00
Levies from oil the companies-surface fees	-	61,641,710.00
Total	80,317,552.75	176,868,122.00

17.4 Other Incomes

Description	Current FY 2024/25	Comparative FY 2023/24
	Kshs	Kshs
Interest income from bank deposits	16,150,204.05	21,248,603.80
Total	16,150,204.05	21,248,603.80

17.5 Use of Goods and Services

Description	Current FY 2024/25	Comparative FY 2023/24
	Kshs	Kshs
Training Expenses	155,206,465.20	161,099,436.60
Bank Charges	137,973.00	459,848.42
tax	2,422,530.60	3,187,290.60
Total	157,766,968.80	164,746,575.62

17.6. Transfer to other Government Entities

Description	Current FY 2024/25	Comparative FY 2023/24
	Kshs	Kshs
Transfer to NOCK	30,000,000	30,000,000
Transfer to Recurrent a/c		54,662,716
Total	30,000,000	84,662,716

*PETROLEUM TRAINING LEVY FUND
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17.7. Exchange Loss

Description	Current FY 2024/25	Comparative FY 2023/24
	Kshs	Kshs
Loss on balances in foreign exchange	7,299,195.46	313,537,511
Total	7,299,195.46	313,537,511

Notes:

-outstanding receivables as at 30th June 2024 was 28,512,482.25\$ convertables at the rate of kshs 129.527 =kshs 3,693,136,289.02

-Outstanding Receivables as at 30th June 2025 was 28,512,482.25\$ convertible at the rate of kshs 129.271 =kshs 3,685,837,093.56

-exchange loss=kshs 3,685,837,093.56 less kshs 3,693,136,289.02=7,299,195.46

17.8. Cash and Cash Equivalents

		Current FY 2024/25	Comparative FY 2023/24
Financial institution	Account number	kshs	kshs
Petroleum Training Levy Kenya Commercial Bank,	1104175142	300,065,083.20	391,364,295.20
Surface fees Kenya Commercial Bank,	1273052536	-	89,530,762.29
Total		300,065,083.20	480,895,057.49

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17.9 Receivables

Description	Current FY 2024/25	Comparative FY 2023/24
	Kshs	Kshs
Fines, Penalties and Levies	3,685,837,093.56	3,693,136,289.02
Total	3,685,837,093.56	3,693,136,289.02

Notes:

-outstanding receivables as at 30th June 2024 was 28,512,482.25\$ convertables at the rate of kshs 129.527 =kshs 3,693,136,289.02

-Outstanding Receivables as at 30th June 2025 was 28,512,482.25\$ convertible at the rate of kshs 129.271 =kshs 3,685,837,093.56

17.10 Reconciliation on Receivables

Ageing Analysis-Receivables from non-exchange transactions	Current FY 2024/25
	Kshs
At the beginning of the year	3,693,136,289.02
Additional Allowances during the year	-
Recovered during the year	-
Exchange loss	(7,299,195.46)
At the end of the year	3,685,837,093.56

PETROLEUM TRAINING LEVY FUND
Annual Report and Financial Statements for the year ended 30th June 2025

17.11. Fund Balance Brought Forward

Description	Current FY 2024/25	Comparative FY 2023/24
	Kshs	Kshs
Bank Accounts	300,065,083	480,895,058
Fines, penalties and levies Receivables	3,685,837,094	3,693,136,289
Receivables –outstanding imprests	-	656,040
Total	3,985,902,177	4,174,687,387

17.12. Change in Cash and cash equivalent

Description	Current FY 2024/25	Comparative FY 2023/24
	Kshs	Kshs
Cash and cash equivalent at the start of the year	391,364,295	532,187,621.00
Cash and cash equivalent at end of the year	300,065,083	480,895,057.49
Total	(91,299,212)	(51,292,563.51)

17.13. Prior Year Adjustments

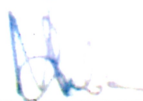
Description	Current FY 2024/25	Comparative FY 2023/24
	Kshs	Kshs
Outstanding imprest	656,040	-
Bank balances for surface fees	89,530,762	-
Total	(90,186,802)	-


PETROLEUM TRAINING LEVY FUND
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18 Progress on follow up of Prior Years Auditor-General's recommendations

The following is the summary of issues raised by the Auditor-General during the prior year and management comments that were provided.

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	Long Outstanding Receivables	Several demand letters have been written to follow up on the receivables	Unresolved	Awaiting appearance before the PAC
2	Inclusion of non training receipts	This has been rectified in the F/Y 2024/2025 Financial Statements.	Unresolved	Awaiting appearance before the PAC


 Accounting Officer


 Head of Accounting Unit