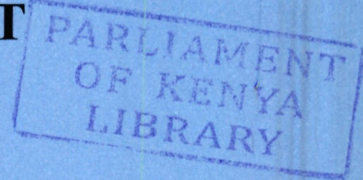


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



THE NATIONAL ASSEMBLY
PAPERS LAID

OF

DATE: 27 FEB 2024

DAY: TUESDAY

TABLED

Hon Naomi Waga MP
Deputy Majority Whip

THE AUDITOR-GENERAL

PRESENTED AT
THE TABLE:

Inzofu mwale

ON

PETROLEUM TRAINING LEVY FUND

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



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00 00 NAIROBI
KENYA

22 JAN 2024

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THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 27 FEB 2024
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BY:
CLERK-AT

MINISTRY OF PETROLEUM AND MINING

ANNUAL REPORT AND FINANCIAL STATEMENTS

PETROLEUM TRAINING LEVY FUND

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

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

(Leave this Page Blank) 2018

MINISTRY OF PETROLEUM AND MINING- PETROLEUM TRAINING LEVY FUND
Annual Report and Financial Statements for the year ended 30th June 2023

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

MINISTRY OF PETROLEUM AND MINING- PETROLEUM TRAINING LEVY FUND

Annual Report and Financial Statements for the year ended 30th June 2023

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2. Key Ministry Information and Management

(a) Background information

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

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

Vision statement

Promote sustainable development of the extractive sector.

Mission statement

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

Core Values

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

- (i) Professional excellence;
- (ii) Integrity;
- (iii) Commitment to service delivery;
- (iv) Innovativeness;
- (v) Efficiency, transparency and accountability;

- (vi) Zero tolerance to corruption; and
- (vii) Non-partisan

Mandate of the Ministry

The Ministry's mandate is derived from the Executive Order No. 1 of May, 2020 (Revised) on the Organization of the Government of the Republic of Kenya. The mandate is executed through Petroleum and Mining functional areas:

Petroleum Functional Area

- i. Petroleum Policy;
- ii. Strategic Petroleum Stock Management;
- iii. Promotion and marketing of oil and gas investment opportunities
- iv. Management, commercialization and marketing of discovered oil and gas resources
- v. Development and review of petroleum master plan;
- vi. Oil and Gas Exploration Policy Development;
- vii. Oil / Gas Sector Capacity Development;
- viii. Petroleum Products, Import / Export / Marketing Policy Management;
- ix. Licensing of Petroleum Marketing and Handling; and
- x. Quality Control of Petroleum Products.

Mining Functional area

- i. Formulation of policies on extractive industry;
- ii. Undertaking mineral exploration and mining policy management;
- iii. Development of inventory and mapping of mineral resources;
- iv. Formulation of mining and minerals development policies;
- v. Maintenance of geological data;
- vi. Policies on the management of quarrying of rocks and industrial minerals;
- vii. Management of health conditions and health and safety in mines;
- viii. Mining capacity development; and
- ix. Promotion of mineral value addition.

The Ministry has an oversight responsibility over National Oil Corporation of Kenya (NOCK), Kenya Pipeline Corporation (KPC), Kenya Petroleum Refineries Limited (KPRL), National Mining Corporation (NMC), Mineral Rights Board (MRB) and Geologist Registration Board (GRB)

Strategic Objectives

- To promote investments in Oil, Gas and Mineral resources development.
- To enhance commercialization of Kenya crude oil and petroleum products
- To formulate and review regulatory frameworks and undertake Institutional reforms
- To enhance commercialization of Kenya crude oil and petroleum products
- To generate process and interpret geo scientific data
- To provide quality and accredited mineral testing services locally and regionally
- To enhance access of geoscientific data for investments, infrastructural development and research
- To enhance efficiency and transparency in the administration of mineral rights and mineral dealings
- To enhance revenues from the mining sector
- To promote mine environmental management, health and safety requirements
- To promote Artisanal and Small-Scale Mining (ASM)
- To enhance mineral value and competitiveness

(b) Key Management

The Ministry's day-to-day management is under the following key organs:

To effectively implement and deliver on its mandate, the Ministry has the following directorates/departments:

- (i) Upstream Directorate;
- (ii) Mid/Downstream Directorate;
- (iii) Geological Survey and Geo Information Management Directorate;
- (iv) Directorate of Mines; and
- (v) Administration and Support Services which include:
 - HRM&D
 - Public Communications
 - Central Project Planning and Monitoring
 - Supply Chain Management Services
 - Information Communication Technology (ICT)

MINISTRY OF PETROLEUM AND MINING- PETROLEUM TRAINING LEVY FUND

Annual Report and Financial Statements for the year ended 30th June 2023

- Finance
- Accounts
- Legal
- Internal Audit

-

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

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

(d) Fiduciary Oversight Arrangements

a) *Audit committee activities*

b) *Public Finance Management Committee (PFMC)*

The Ministry had in place the PFMC that was chaired by the Accounting Officer. The PFMC provided direction on the periodic (quarterly) management of each ministry. The PFMC 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 attained was 98.61 per cent.

c) *Senior Management Committee*

The Ministry, 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 highly results in financial stewardship.

d) *Other oversight activities*

MINISTERIAL HUMAN RESOURCE ADVISORY MANAGEMENT COMMITTEE (MHRMAC)

The committee for State Department for Petroleum comprises the following members drawn from various departments:

S/No.	Name	Designation
1	Mr. Mohamed Liban	Principal Secretary- Petroleum (Chairman)
2	Mr. M. B. Mohamed, OGW	Secretary Administration
3	Mr. Victor Mudachi	Ag. Commissioner Petroleum
4	CPA. Dismas Ogot	Senior Chief Finance Officer
5	Mr. Eliud Mwaruah	Deputy Director HRM&D – Secretary
6	Mrs. Veronica Kamau	Head of Accounting Unit
7	Ms. Lucy Gaithi	Chief Economist
8	Mrs. Joyce Ala	Deputy Director Supply Chain Management
10.	Ms. Naomi Githui	Deputy Chief State Counsel
11.	Mr. Benjamin Oile	Senior Deputy Secretary

Annual Report and Financial Statements for the year ended 30th June 2023

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

- a) Recruitment, Selection and Appointment.
- b) Promotions and deployment.
- c) Training and development.
- d) Disciplinary control.
- e) Staff welfare, health and safety.

EMPLOYEE PERFORMANCE MANAGEMENT COMMITTEE (EPMC)

The committee for State Department for Petroleum comprises the following members drawn from various departments:

S/No	Name	Designation
1	Mr. Mohamed Liban	Principal Secretary- Petroleum (Chairman)
2	Mr. M. B. Mohamed, OGW	Secretary Administration
3	Mr. Victor Mudachi	Ag. Commissioner Petroleum
4	CPA Dismas Ogot	Senior Chief Finance Officer
5	Mr. Eliud Mwaruah	Deputy Director, HRM&D – Secretary
6	Mrs. Veronica Kamau	Head of Accounting Unit
7	Ms. Lucy Gaithi	Chief Economist
8	Mrs. Joyce Ala	Deputy Director, Supply Chain Management

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

- a) Employee performance evaluation
- b) Management of rewards and sanctions
- c) Performance contracts implementation reviews

(e) Ministry Headquarters

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

(f) Ministry Contacts

Telephone: +254(020) 3310112, +254716508492
E-mail: info@petroleumandmining.go.ke
Website: www.go.ke

(g) Ministry Bankers (all banks)

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

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

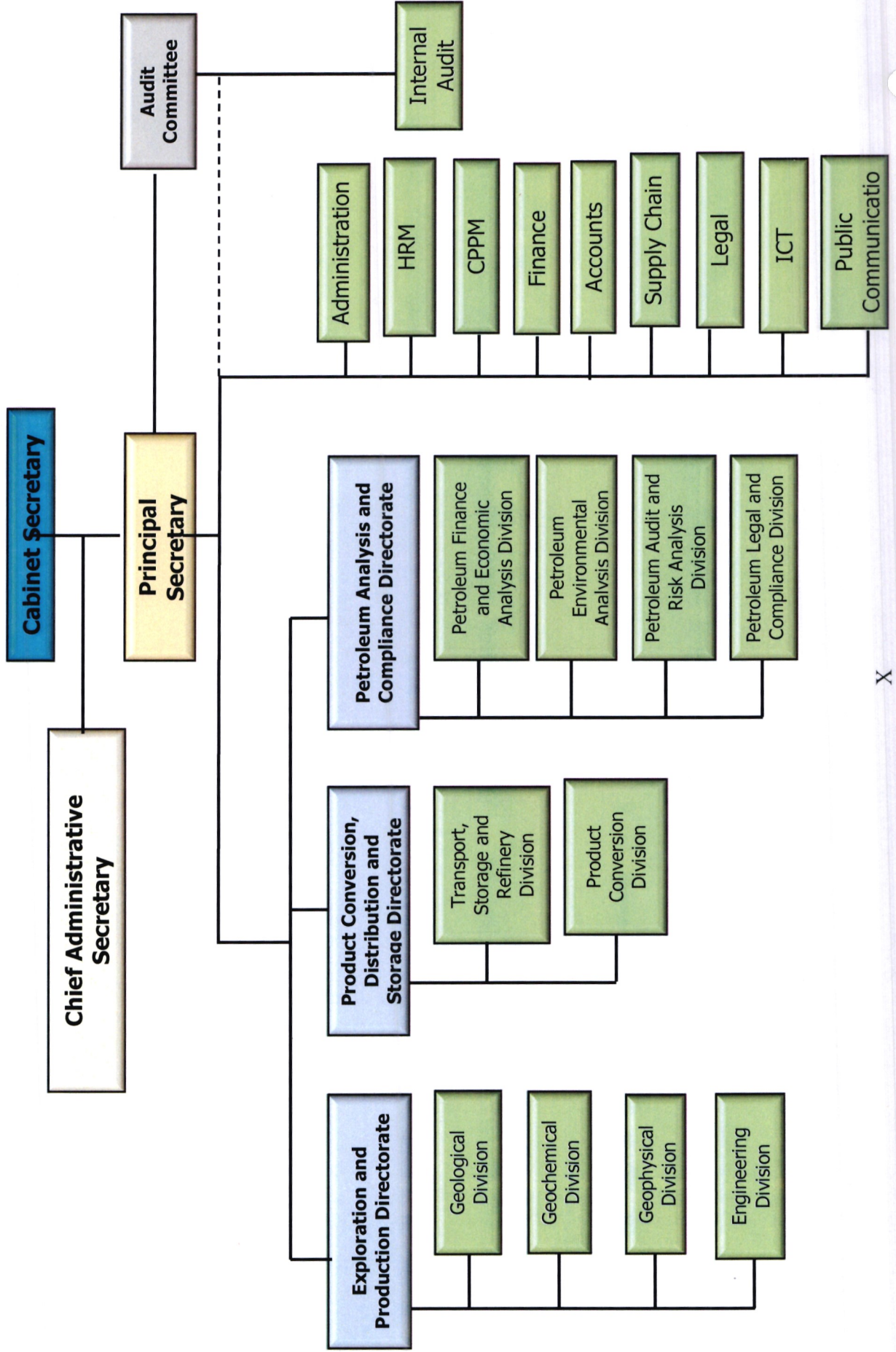
(h) Independent Auditors

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




(i) 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



ii. Description of the Leadership Management Team

	<p>Mr. Mohamed Liban Principal Secretary</p> <p>Mr. Mohamed was appointed to the position in December, 2022. Prior to the appointment he was the Chairman of the Ewaso Ng'iro North Development Authority, a position he held from 2019. He has a wealth of Leadership capabilities having served as Regional Elections Coordinator under the Independent Electoral and Boundaries Commission from 2009 – 2017. Other Positions held include Regional Health manager with Kenya Red Cross Society of Kenya and Deputy Chief Clinical Officer at the Ministry of Health.</p> <p>As the PS, he steers the Petroleum docket at the Ministry where he will oversee implementation of Petroleum projects/operations. Mr. Liban holds a Masters of Public Health and Epidemiology from Kenyatta University, Higher National Diploma in Cataract Surgery from Kenya Medical Training college (KMTC), International Diploma in Community Eye Health from London University and Higher National Diploma in Ophthalmology from KMTC and attended several Human Resource management Courses.</p>
	<p>Mr. Mohamed Birik Mohamed 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. Victor Mudachi, Ag. Commissioner, Petroleum</p> <p>Mr. Mudachi Victor assumed the position of Ag, Commissioner Petroleum in June, 2022. His Function include overall coordination of Petroleum Function: Upstream, Midstream and Downstream. Mr Mudachi holds BSC in Physics and Computer Science, Post Graduate Diploma in Management of Petroleum Operations and Development. Member of Society of Geophysicists (SEG) – USA, members of European Association of Geo-Scientists & Engineers (EAGE)</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>Mr. Eliud Mwaruah, Deputy 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>Ms. Veronica Kamau Head of Accounting Unit</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 Mangers Course, SLDP and others.</p>

	<p>Ms. Lucy Gaithi Deputy Director, Planning and Project management</p> <p>Ms. Lucy Gaithi assumed the position of Head of Planning Division in March, 2023 a position she holds to date. She is responsible for Coordination of Planning, Monitoring Implementation of Programmes and Projects in the Department. She holds a Master of Management in Public and Development (MM P&DM) from University of the Witwatersrand, Johannesburg, Bachelor of Arts Degree in Economics from the University of Nairobi and Statistics. She is member of the Economist Society of Kenya (ESK).</p>
	<p>Ms. Joyce Ala Deputy 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>

1. Management Committees established and their roles.

1) Human Resource Advisory Management Committee (MHRMAC)

Making recommendations to the Authorized Officer regarding:-

- Recruitment, selection and appointment;
- Performance management;
- Promotions;
- Confirmation in appointment;
- Training and Development;
- Training Impact Assessment;
- Management of skills inventory;
- Establishment and Complement control;
- Payroll management;
- Deployment;

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- Promotion of values and Principles of Public
- Service;
- Recommendation for secondments and
- unpaid leave;
- Recommendation for retirement under 50
- years rule;
- Recommendation for retirement on medical
- grounds;
- Recommendation for re-designation;
- Recommendation for renewal of contract;
- Discipline; and
- Pension administration.

2) Performance Management Committee

- Employee performance evaluation
- Management of Rewards and sanctions
- Performance contract implementation reviews

3) Digitalization Committee

- Champions of the MDA's digitalization Agenda.
- Provide guidance into the strategic direction of the organization's digitalization roadmap.
- Review the existing business processes, delivery channels, assess their effectiveness and efficiency and give appropriate recommendations.
- Oversee the implementation of the digitalization program including business
- process reengineering, adoption of paperless office, identification MDA's business core systems and establishment of architectural workflow management.
- Promote digitally-driven innovations to support service delivery.
- Manage risks relating to the digitalization agenda.
- Any other responsibilities as assigned by accounting officer.

4) Budget Implementation Committee

- Review and consider the cash flow
- Review utilization of cash limits and consider changes as maybe required
- Review utilization of donor funds voted for the MDA
- Advise the Accounting Officer on any changes related to budget implementation
- Review and recommend reallocation of expenditures
- Review and approve the submission of expenditure returns for MDAs
- Participate in sector working groups
- Prepare the budgets for MDAs in Consultation with HODs

5) Asset and Liability Management Standing Committee.

- Ensure compliance with Asset and Liability management policy and guidelines developed by the National Treasury.
- Monitor and evaluate Assets and Liabilities performance
- Assess and ensure optimal assets levels of the State Department as guided by the National Treasury guidelines
- Institutionalize a risk based and life cycle asset management approach.
- Submit to assets and liabilities updated inventory and registers to the accounting officer for signature and subsequent forwarding to the National Treasury.
- Ensure harmonized and accurate reporting on assets and liability performance.
- Ensure that, assets and liability audit queries are resolved effectively.
- Any other functions relating to assets and liabilities.
-

1.1. The audit committee (Its formation, composition, and Activities/meetings)

The Ministry of Energy and Petroleum is in the process of recruiting a Ministerial Audit Committee. The Executive order no. 1 of 2023 established the Ministry of Energy and Petroleum hence the Audit Committee for Petroleum and Mining ceased to operate. The Positions of Chairperson and members of the committee have been advertised and awaiting shortlisting.

1.2. Risk management, compliance, conflict of interest etc. (internal auditors)

The State Department for Petroleum does not have a risk management committee. However, the process of sensitizing the Heads of Departments (risk owners) with a view to train, establish the

Risk Management Committee and appoint risk champions is in progress. The process will culminate in the development of an Institutional Risk Management Framework (IRMPF).

1.3. 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 2022/2023.

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

S/NO.	COURSE NAME	NUMBER OF OFFICERS	DURATION
1	Formulation of Non-Financials on The Budget 'Linking Budget to Performance' Process and Project Management	5	4 weeks
2	Essential Counselling Skills Program	1	4 weeks
3	Advanced Fraud Course	1	4 weeks
4	Sensitization on Unified Human Resource (UHR) Information System	7	4weeks
5	Public Finance Management Workshop	4	4 weeks
6	Pre - Retirement, Pension Planning and Investment Analysis	2	4 weeks
7	Strategic Organizational Change Management in Public Sector, Emotional Intelligence and Corporate Etiquette	8	3 weeks
8	Public Budgeting, Work Planning, and Financial Management for Donor Funded Projects	8	4 weeks
9	Long term – Masters in Geoscience	2	2 years
10	Skills improvement programmer	65	2 weeks
11	Strategic Leadership Development Course	7	6 weeks
12	Mentorship and Coaching Programme	2	5 days

1.4. Public participation activities

The Ministry undertook several public participation activities during the financial year in question, of which three (3) public participation exercises were in the South Lokichar Basin, Turkana County, to sensitize the leadership and the local communities on the Project Oil Kenya and also on the land acquisition exercise that is on-going.

The first exercise was to sensitize the newly elected Turkana County leadership, at both the county and sub county levels, on the Oil and Gas exploration activities being undertaken by the Ministry

in Turkana County. This activity involved holding various stakeholder meetings in Turkana South and East Constituencies.

The second exercise involved holding public participation meetings with the local communities while undertaking survey, inspection and valuation for the land where the upstream facilities is to be constructed. This is part of the land acquisition process towards compulsory land acquisition for the upstream facilities.

The third exercise was having meetings with the leadership and the local communities on results of the land, earmarked for acquisition for the crude oil pipeline that had been surveyed, inspected and valued by the National Land Commission. This exercise is the Inquiries stage of the acquisition process and is used to validate the results obtained during the valuation exercise.

1.5. Compliance with laws and regulations among others.

The Ministry was guided and complied with the relevant laws and regulations.

4. Statement by the Cabinet Secretary/Chairman Statement

The Ministry of Energy and Petroleum is established by the Executive Order No. 1 of 2023 on Organization of the Government of the Republic of Kenya, and has two State departments namely; The State Department for Energy and the State Department for Petroleum,

The Executive Order No. 1 of 2023, gives the mandate of the State Department for Petroleum as: Petroleum Policy; Strategic Petroleum Stock Management; Management of Upstream Petroleum Products Marketing; Oil and Gas Exploration Policy Development; Oil/Gas Sector Capacity Development; Petroleum Products Import/Export Marketing Policy Management; Licensing of Petroleum Marketing and Handling; and Quality Control of Petroleum Products.

The State Department’s strategic objectives are: to promote investments in Oil and Gas development; to enhance commercialization of Kenya crude oil and petroleum products; to formulate and review regulatory frameworks and undertake Institutional reforms; To enhance commercialization of Kenya crude oil and petroleum products; and to generate process and interpret geo scientific data.

For effective implementation of the Ministry’s strategic objectives, the Ministry is committed to prudently utilize the available resources; adopting new technologies; enhancing and strengthening of partnerships and collaboration among stakeholders; and developing an effective monitoring, evaluation and reporting framework.

The annual report and financial statements for the year ended June 30, 2023, provide an opportunity to interrogate and understand our programs and activities and to showcase how we have been able to accomplish a lot with the limited resources available.

.....

Cabinet Secretary
Ministry of Petroleum and Mining

5. Statement by the Principal Secretary / Accounting Officer

The Annual Report and Financial Statements for the year ended June 30, 2023 provides the State Department for Petroleum with an opportunity to display how the department used allocated resources prudently and efficiently.

Several activities were undertaken during the period under review. These activities are discussed in subsequent sections below.

Other activities planned for implementation during the financial year ending June 30, 2024 include finalization of Petroleum Policy; finalization of the Field Development Plan to develop the hydrocarbon resources in Turkana County; Clean cooking gas rollout for Public Boarding Secondary Schools; distribution of 6kgs Gas cylinders to households at discounted rates; finalization of Strategic Plan for the State Department; and continuous capacity building of staff through training to enable them have competent skills.

Other activities are; continuous marketing of Oil blocks to attract investors; development of a National Liquefied Petroleum Gas (LPG) Strategy that includes a clear roadmap and implementation plan to distribute LPG Gas; and the development of Natural Gas as a feedstock for allied industries and for power generation.

All these activities are to be undertaken in an atmosphere of collaboration with stakeholders, innovation and skills/ knowledge transfer for better service delivery.

During the formulation of this report, a consultative and participatory approach was employed with the various departments contributing to its formulation.

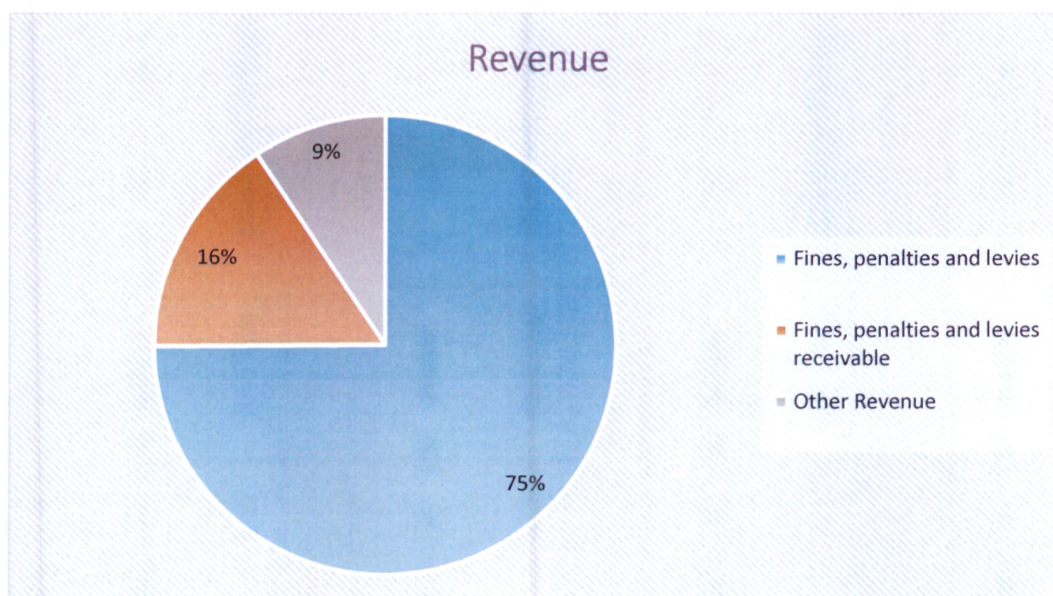
In conclusion, I take the opportunity to recognize the Accounts Department for coordinating the compilation of this report, and commend the officers in the State Department for Petroleum for their commitment in the preparation and review process.

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6. Financial Performance

Revenue

	Year to 30th June 2023
REVENUE	Kshs
Fines, penalties and levies	176,826,504
Fines, penalties and Levies Receivables	36,960,927
Other income	22,298,231
Total income	236,085,662



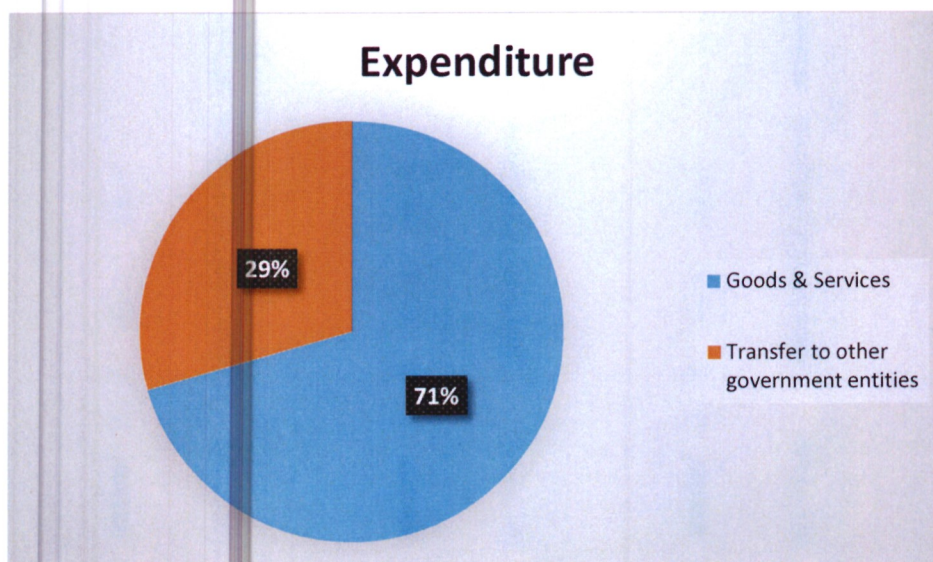
Expenditure

During the Financial Year 2022/2023, the fund spent on use of goods and services of which Kshs. 278,724,314 was for training expenses. There was an increase of Kshs. 21,749,375 from the expenditure for the prior year. The stakeholders in the petroleum, oil and gas exploration benefitted

*MINISTRY OF PETROLEUM AND MINING- PETROLEUM TRAINING LEVY FUND
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from trainings funded by Petroleum Levy Training Fund. The Ministry is also looking up into ways that will ensure that the beneficiaries of 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 2023
	Kshs
Use of goods and services	278,724,314
Transfer to Other Government Agencies	115,950,781
Total Expenditure	394,675,095



.....
Principal Secretary / Accounting Officer
Ministry of Petroleum and Mining

**7. Statement of Performance Against Predetermined Objectives for the FY2022/23
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 investments 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 • Strengthen ICT capacity and services • Strengthen human resource capacity • Strengthen planning and policy 	No. of Policy documents prepared and approved.	The State Department developed a Strategic plan, a draft Petroleum Regulations (2021).	

		formulation and implementation <ul style="list-style-type: none">• Strengthen information management• Improve working environment			
--	--	--	--	--	--

8. 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 horst 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 ministry has put in place several efforts including:

The Ministry of Petroleum and Mining 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-

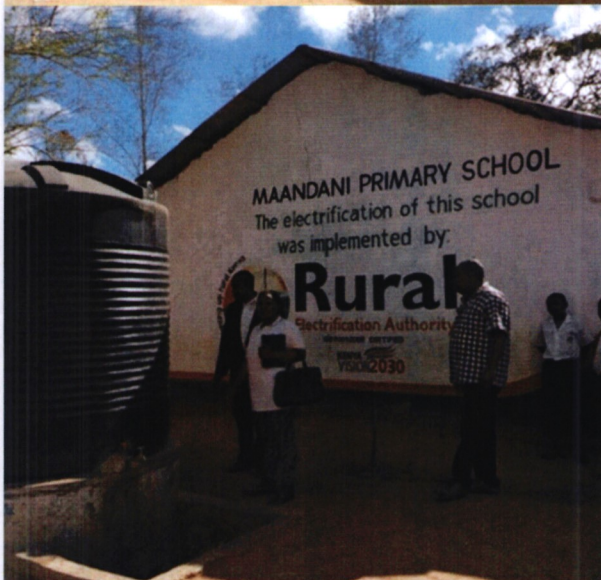
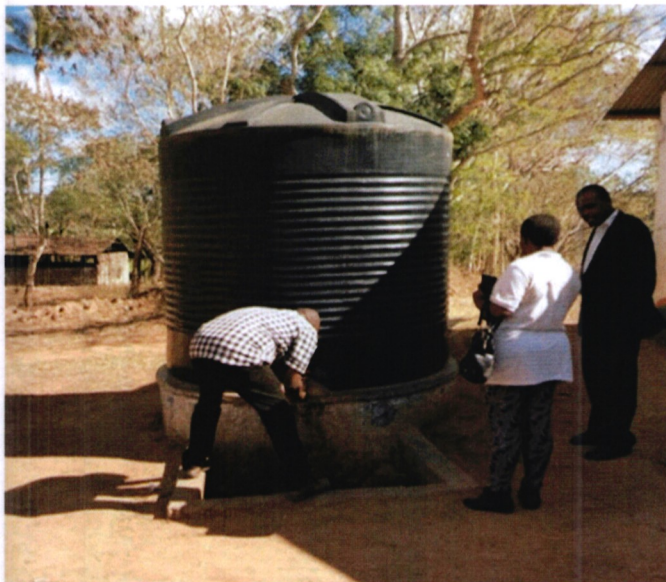
The Ministry encourages all investors in the petroleum business to engage the County leadership and local communities in identifying CSR projects to be undertaken as part of their obligation to the communities. This is not to replace the responsibility of the relevant stakeholders in providing services, but to give back to the communities.

g) The Ministry 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.

Some examples of CSR projects in Kwale County include:

*MINISTRY OF PETROLEUM AND MINING- PETROLEUM TRAINING LEVY FUND
Annual Report and Financial Statements for the year ended 30th June 2023*

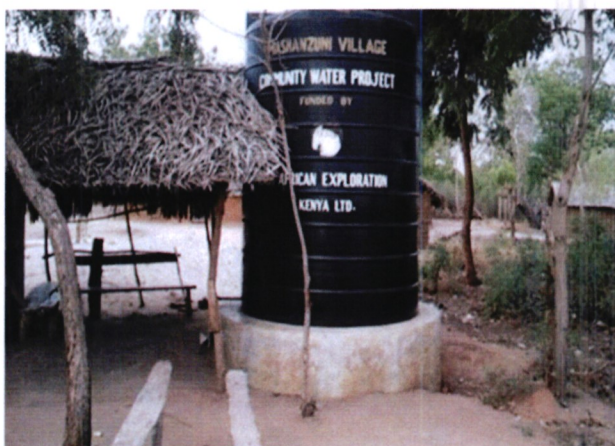
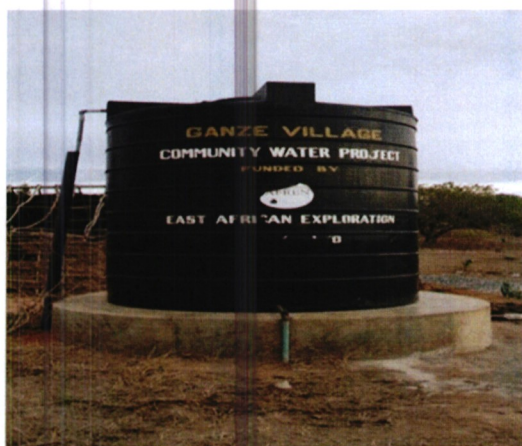


Installation of a 6,000 litres water tank at Maandani Primary school, Kwale County.

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Annual Report and Financial Statements for the year ended 30th June 2023*



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 enrollment. 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.

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.

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

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

MINISTRY OF PETROLEUM AND MINING- PETROLEUM TRAINING LEVY FUND

Annual Report and Financial Statements for the year ended 30th June 2023

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

Approval of the financial statements


The Ministry of Petroleum and Mining financial statements were approved and signed by the Accounting Officer on 19/11 2023.



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Name: MOHAMED LIBAN

Accounting Officer



.....

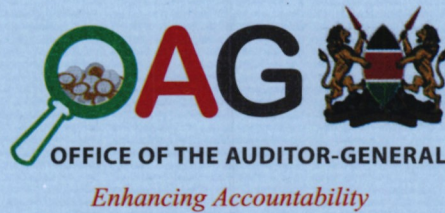
Name: VERONICA KAMAU

Head of Accounting Unit

ICPAK M/No. 10669

REPUBLIC OF KENYA

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



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, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Petroleum Training Levy Fund set out on pages 1 to 15, which comprise of the statement of financial position as at 30 June, 2023, and 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 the Petroleum Training Levy Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Petroleum Act, 2019.

Basis for Qualified Opinion

1. Long Outstanding Receivables

The statement of financial position reflects a balance of Kshs.4,006,673,802 in respect of other receivables, as disclosed in Note 17.8 to the financial statements. The balance includes Ksh.3,969,712,874 in respect to fines, penalties and levies, outstanding from previous years, which were due from nine (9) oil companies that had operated eighteen (18) oil blocks which have been long outstanding. Further, two (2) of the nine (9) contractors who had an outstanding training and surface fee amounting to USD. 925,751.10 (equivalent to Ksh.130,021,742) had relinquished their blocks to the Government while the other seven (7) were still active as at the end of the year under review.

In addition, two contractors who relinquished their blocks in prior years were discharged before settling the outstanding training levy and surface fees. The Management did not provide support evidence to demonstrate measures taken to recover the long outstanding fees.

In the circumstances, the recoverability of accounts receivables balance of Kshs.4,006,673,802 remains doubtful.

2. Unaccounted for Expenditure

The statement of financial performance reflects an amount of Kshs.115,950,781 in respect of transfer to other Government units, as disclosed in Note 17.6 to the financial statements. The amount includes Kshs.30,000,000 transferred to the National Oil Corporation of Kenya for training activities during the year under review. However, the amount was not reflected in the Company's financial statements. Further, detailed expenditure returns, approved training plans, training attendance registers, travel documents and proof of venues used for training to indicate how the funds were utilized by the Corporation were not provided for audit review.

In the circumstances, it was not possible to confirm whether the funds were received by the Corporation and utilised for training of employees in upstream petroleum operations as provided for in the Act.

3. Inaccuracies in Revenue from Non-Exchange Transactions

The statement of financial performance reflects receipts of Kshs.176,826,504 from fines, penalties and levies under revenue from non-exchange transactions (2022 - Kshs.21,726,282). The receipts comprises of Kshs.119,623,306 and Kshs.57,203,198 in respect to training levy and surface fees respectively. According to Section 52(3) of the Petroleum Act, 2019, the Fund comprises of funds raised from contractors as training contribution. Effectively, amounts collected in respect of surface fee do not comprise the Training Fund revenue and ought to have been accounted for under the State Department as Appropriation-In-Aid or surrendered to the Exchequer. However, the financial statements of the Fund recognised the amounts received in respect of surface fee but did not recognise an accrued transfer to The National Treasury expense and the corresponding liability under accounts payable in the statement of financial position as at 30 June, 2023.

In addition, the increase of the levies for the Oil Company - Training Levy from Kshs.18,630,000 to Kshs.119,623,306 and surface fee from Kshs.3,096,282 to Kshs.57,203,198 have not been explained or reconciled despite the fact that fines, penalties and levies recovered from the oil Companies have increased by over 92%.

In the circumstances, the accuracy of the revenue from non-exchange transactions of Kshs.57,203,198 from surface fees included in the statement of financial performance for the year under review 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 Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and the Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or explained contrary to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circulars.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Irregular Expenditure

The statement of financial performance reflects expenditure of Kshs.278,274,314 in respect of general expenses, as disclosed in Note 17.5 to the financial statements. The amount includes training expenses expenditure of Kshs.273,003,670. Review of documents provided in support of the expenditure revealed an amount of Kshs.16,496,900 which was incurred on payment of allowances to staff members for activities that did not relate to the Fund such as review of organizational structure and pre-retirement seminar for senior executives.

In the circumstances, the regularity of expenditure of Kshs.16,496,900 incurred on training could be confirmed.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 January, 2024

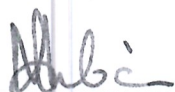


MINISTRY OF PETROLEUM AND MINING- PETROLEUM TRAINING LEVY FUND
Annual Report and Financial Statements for the year ended 30th June 2023

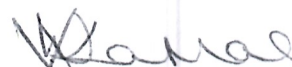
11. Statement of Financial Performance for the Year Ended 30th June 2023

Description	Note	Current FY 2022/23	Comparative FY 2021/22
		Kshs	Kshs
Revenue from non- exchange Transactions			
Fines, penalties and levies	17.1	176,826,504	21,726,282
Fines, penalties and levies Receivables	17.2	36,960,927	451,766,487
Other Revenue	17.3	22,298,231	33,038,409
Exchange Gain	17.4	1,236,997,865	-
Total		1,473,083,527	506,531,178
Payments			
General Expenses	17.5	278,724,314	256,974,938
Transfer to other government entities	17.6	115,950,781	30,000,000
Total Payments		394,675,095	286,974,938
Surplus/(Deficit)		1,078,408,432	219,556,240

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Ministry financial statements were approved on 19/11 2023 and signed by:



.....
Name: MOHAMED LIBAN
Accounting Officer



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

MINISTRY OF PETROLEUM AND MINING- PETROLEUM TRAINING LEVY FUND
Annual Report and Financial Statements for the year ended 30th June 2023


12. Statement Of Financial Position As At 30th June 2023

Description	Note	Current FY 2022/23 Kshs	Comparative FY 2021/22 Kshs
Financial assets			
Cash and cash equivalents			
Bank balances	17.7	532,187,621	664,105,397
Total cash and cash equivalents		532,187,621	664,105,397
Other Receivables	17.8	4,006,673,802	2,732,715,009
Imprests and advances	17.9	656,040	64,288,625
Total financial assets		4,539,517,463	3,461,109,031
Financial liabilities			
Net financial assets		4,539,517,463	3,461,109,031
Represented by			
Fund balance b/fwd.	18.0	3,461,109,031	3,241,552,791
Surplus/(Deficit)for the year		1,078,408,432	219,556,240
Net financial position		4,539,517,463	3,461,109,031

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Ministry financial statements were approved on 19/11 2023 and signed by:



.....
Name: MOHAMED LIBAN
Accounting Officer



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

13. Statement of Changes in Net Assets for the year ended 30th June 2023

Description	2022/23
	Kshs
Balance as at 1 st July 2021	3,241,552,791
Surplus for the year	219,556,240
Balance as at 30 th June 2022	3,461,109,031
Balance as at 1 st July 2022	3,461,109,031
Surplus for the year	1,078,408,432
Balance as at 30 th June 2023	4,539,517,463

14. Statement of Cash Flows for the Year Ended 30th June 2023

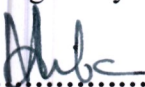
Description	Notes	Current FY 2022/23	Comparative FY 2021/22
CASH FLOW FROM OPERATING ACTIVITIES		Kshs	Kshs
Receipts for operating income			
Fines, penalties and Levies	17.1	176,826,504	21,726,282
Other Revenue	17.3	22,298,231	33,038,409
Cash flow from operating activities		199,124,735	54,764,691
Payments for operating expenses			
General Expenses	17.5	278,724,314	256,974,938
Transfer to Other Government Units	17.6	115,950,781	30,000,000
		394,675,095	286,974,938
Adjusted for:			
Changes in receivables	18.2	63,632,585	(63,632,585)
Net cash flow from operating activities		(131,917,775)	(295,839,557)

MINISTRY OF PETROLEUM AND MINING- PETROLEUM TRAINING LEVY FUND

Annual Report and Financial Statements for the year ended 30th June 2023

Description	Notes	Current FY 2022/23	Comparative FY 2021/22
CASH FLOW FROM OPERATING ACTIVITIES		Kshs	Kshs
NET INCREASE IN CASH AND CASH EQUIVALENT	18.1	(131,917,775)	(295,839,557)
Cash & Cash Equivalent at Start of The Year	18.1	664,105,396	959,948,229
Cash & Cash Equivalent at End of The Year	18.1	532,187,621	664,105,397

The financial statements set out on pages..... were signed on behalf of the Management 19/1/24
2023 and signed by:

.....


Name: MOHAMED LIBAN
Accounting Officer

.....


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

15. Statement of Comparison of Budget and Actual Amounts for FY 2022/2023

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	238,871,421	-	238,871,421	176,826,504	(62,044,917)	74.03%
Other Income	-	-	-	22,298,231	22,298,231	
Total Receipts	238,871,421	-	238,871,421	199,124,735	(39,746,686)	83.36%
Payments						
Use of goods and services	238,871,421	-	238,871,421	278,724,314	278,724,314	116.68%
Transfer to other government units	165,000,000	-	165,000,000	115,950,781	(49,049,219)	70.27%
Total Payments	403,871,421	-	403,871,421	394,675,094	(9,196,327)	97.72%

16. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

16.1 Reporting Currency

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

16.2 Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by Ministry of Petroleum and Mining for all the years presented.

a) Recognition of Receipts

The Ministry of Petroleum and Mining recognises all receipts from the various sources when the event occurs, and the related cash has been received.

(i) Transfers from the Exchequer

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving *Ministry*.

(ii) External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners. Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient Ministry or by the beneficiary. In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of

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the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loan received in the form of a direct payment. During the year ended 30th June 2023, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

(iii) Miscellaneous receipts

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

b) Recognition of payments

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

i) Use of Goods and Services

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

ii) In-kind contributions

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

c) 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 Kenya Commercial Bank of Kenya and at various commercial banks at the end of the financial year. A bank

account register is maintained, and a summary provided for purposes of consolidation. *This summary is disclosed as note 18.6 to the financial statements.*

Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits and retentions. There were no restrictions on cash during the year.

d) Imprests and advances

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

e) Third party deposits and retention

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

f) Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits and retentions, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament in *June 2022 for the*

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period 1st July 2022 to 30th June 2023 as required by Law and there were two number of supplemental adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements. Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-Ministry transfers.

g) Comparative Figures

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

h) Subsequent Events

There have been no events after the financial year end with a significant impact on the financial statements for the year ended 30th June 2023.

i) Prior Period Adjustment

During the year, there were no errors that needed to be disclosed or explained.

j) Related Party Transactions

Related party means parties are related if one party has the ability to:

- a) Control the other party or
- b) Exercise significant influence over the other party in making financial and operational decisions, or if the related party Ministry and another Ministry are subject to common control.

Related party transaction is a transfer of resources or obligations between related parties regardless of whether a price is charged.

k) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Ministry; or
- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, and indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The Ministry of Petroleum and Mining 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.

17. Notes to the Financial Statements

17.1. Fines, penalties and Levies

Description	Current FY 2022/23	Comparative FY 2021/22
	Kshs	Kshs
Levies from oil the companies-Training Levy	119,623,306.00	18,630,000.00
Levies from oil the companies-Surface Fees	57,203,197.95	3,096,282.00
Total	176,826,503.95	21,726,282.00

17.2. Fines, penalties and Levies Receivables

Description	Current FY 2022/23	Comparative FY 2021/22
	Kshs	Kshs
Levies from oil the companies	36,960,926.59	451,766,486.00
Total	36,960,926.59	451,766,486.00

17.3. Other Revenue

Description	Current FY 2022/23	Comparative FY 2021/22
	Kshs	Kshs
Interest income from bank deposits	22,298,231	33,038,409
Total	22,298,231	33,038,409

17.4. Foreign Exchange Gain

Description	Current FY 2022/23
	Kshs
Receivable at the beginning (1 st July 2022)	2,732,715,009
Opening balance converted at the exchange rate on 30 th June 2023	3,969,712,874
Gain	1,236,997,865

Notes to the Financial Statements (Continued)

17.5. General Expenses

Description	Current FY	Comparative
	2022/23	FY 2021/22
	Kshs	Kshs
Training Expenses	273,003,670	250,940,458.95
Bank Charges	3,726,821.40	5,601,824.85
Exchange Rate Losses	1,993,822.47	432,654.05
Total	278,724,313.87	256,974,938

17.6. Transfer to other Government Entities

Description	Current FY	Comparative
	2022/23	FY 2021/22
	Kshs	Kshs
Transfer to NOCK	30,000,000	30,000,000
Transfer to Recurrent Account	85,950,780.60	
Total	115,950,780.60	30,000,000

17.7. Cash and cash equivalents

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit etc.	Exc rate (if in foreign currency)	Current FY	Comparative
				2022/23	FY 2021/22
				Kshs	Kshs
Petroleum Training Levy Kenya Commercial Bank, 1104175142 & Ksh	Ksh	Deposit	Xxx	449,604,919	552,767,272.05
Surface Fees Remittances Kenya Commercial Bank, 1273052536 & Ksh	Ksh	Deposit	Xxx	82,582,702.84	111,338,125.25
Total				532,187,621.34	664,105,397

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Notes to the Financial Statements (Continued)

17.8. Other Receivables

Description	Current FY 2022/23	Comparative FY 2021/22
	Kshs	Kshs
Fines, Penalties and Levies brought forward	3,969,712,874.00	2,280,948,522.00
Fines, Penalties and Levies receivable for the year	36,960,926.59	451,766,486.80
Total	4,006,673,800.59	2,732,715,009

17.9. Imprests and advances

Description	Current FY 2022/23	Comparative FY 2021/22
	Kshs	Kshs
Imprest	0.00	63,632,585.00
Development Bank A/C	656,040.00	656,040.00
Total	656,040.00	64,288,625

Imprest holders register

Name of Officer	Date Issued	Amount Issued	Amount Surrendered	Balance
		Kshs	Kshs	Kshs
Catherine Kathingo	20/4/2017	656,040.00	0.00	656,040.00
Total		656,040.00	0.00	656,040.00

Notes to the Financial Statements (Continued)

18.0. Fund Balance Brought Forward

Description	Current FY 2022/23	Comparative FY 2021/22
	Kshs	Kshs
Bank Accounts	664,105,397.30	959,496,674
Fines, Penalties & Levies Receivables	2,732,715,009	2,280,948,522
Receivables- Outstanding Imprest & Clearance A/C	64,288,625.00	656,040
Payables-Deposits		-
Total	3,461,109,031.30	3,241,552,791

18.1. Change in Cash and cash equivalent

Description	Current FY 2022/23	Comparative FY 2021/22
	Kshs	Kshs
Cash and cash equivalent at the start of the year July 2022	664,105,396	959,948,229
Cash and cash equivalent at the end of the year June 2023	532,187,621	664,105,396
Total	(131,917,775)	(295,842,832)

18.2. Changes in Receivables

Description	FY 2022/23	FY 2021/22	Change
	Kshs	Kshs	Kshs
Outstanding Imprest and Clearance Accounts	656,040.00	64,288,625	63,632,585
Total	656,040.00	64,288,625	63,632,585


The changes in receivables is as a result of receipt of Kshs. 63,632,585 which was a receivable from the Development Account.

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18.3 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	Inaccuracies in cash and cash equivalents	The financial statements were revised	Resolved	
2	Long outstanding training and service fees	A follow up is on-going	Not Resolved	During appearance in the National Assembly
3	Unaccounted for expenditure	Bank confirmation was received and expenditure returns for the same	Resolved	
4	Inaccuracies in accounts receivables balances	The financial statements were revised	Resolved	
5	Inaccuracies in Revenue from non-exchange transactions	Audit is on-going to establish the reason for the inconsistency	Not Resolved	During appearance in the National Assembly



Accounting Officer



Head of Accounting Unit