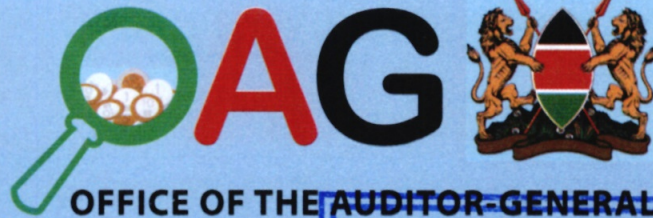


REPUBLIC OF KENYA



Enhancing Accountability



**THE NATIONAL ASSEMBLY
PAPERS LAID**

DATE: 29 NOV 2024

DAY.

Fri

**TABLED
BY:**

Hon. Naomi Wago, MP
Deputy Whip - Maj. Party

**CLERK-AT
THE-TABLE:**

Vivian Wambui



REPORT

OF

THE AUDITOR-GENERAL

ON

PETROLEUM DEVELOPMENT LEVY FUND

**FOR THE YEAR ENDED
30 JUNE, 2024**

STATE DEPARTMENT FOR ENERGY



PETROLEUM DEVELOPMENT FUND
STATE DEPARTMENT FOR ENERGY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2024

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

Table of Contents

Page

1. Acronyms and Glossary of Terms	ii
2. Key Petroleum Development Fund Information and Management.....	iii
3. Statement of Performance Against Predetermined Objectives for the FY2023/24 ...	xi
4. Environmental and Sustainability Reporting	xvii
5. Statement of Management Responsibilities	xx
6. Report of the Independent Auditors of the Financial Statements for the FY 2023/2024 Petroleum Development Fund.....	xxii
7. Statement of Receipts and Payments for the Year ended 30 th June 2024.....	1
8. Statement Of Financial Assets And Liabilities As at 30 th June 2024.....	2
9. Statement of Cash Flows For The Year Ended 30 th June 2024.....	3
10. Statement of Comparison of Budget and Actual Amounts for year 2023/2024	4
11. Notes to the Financial Statements	7

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
KFS	Kenya Forest Services
PPRA	Public Procurement Regulatory Authority
PPADA	Public Procurement Asset Disposal Act

2. Key Petroleum Development Fund Information and Management

(a) Background information

The Petroleum Development Fund under the State Department for Energy (PDF-SDE) was formed on 27th October 2006. PDF-SDE is managed by the Principal Secretary for Energy, who was appointed as the officer administering the Fund by the Principal Secretary for National Treasury in accordance with section 4(2) of Petroleum Development Levy Act No.4 of 1991 (Revised 2012). The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya.

The Fund's principal activity is to supplement the Development budget of the State Department for Energy as Appropriation in Aid (AIA)

(b) Key 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.	Fund Administrator	Alex Kamau Wachira, CBS
2.	Fund Accountant	CPA. Rose Baraza

(c) Fiduciary Management

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

Name	Details of qualifications and experience
 Alex Kamau Wachira, CBS Principal Secretary	The Principal Secretary joins the State Department for Energy with a wealth of experience from the private sector where he worked variously as an investment banker. His latest assignment was with Faida Investment Bank where he traded and structured Treasury bonds and Corporate bonds at the Nairobi Stock Exchange (NSE). Other assignments include working with Dyer & Blair Investment Bank and Genghis Capital limited in the same capacity. PS Wachira has served in various leadership's positions right from his university days. He was a founding member of the Bonds Market Association as well as a member of the Steering Committee of the Kenya Association of Stock Brokers and Investment Bankers (KASIB). His contribution to the Bond's market saw him being appointed to the Central Depository Project at the Central Bank of Kenya (CBK). In 2021, the project dealt in government securities worth 900 billion, the highest turnover ever in Kenya. A strong believer in servant leadership through community engagement and development, the PS has spearheaded local initiatives such, as free medical camps for Cancer Screening, Tree planting, Youth Mentorship Programmes, and Sports Tournaments among others. The PS is a family man who's strict up bringing is instrumental in shaping him into the person he is. In energy sector, the PS has been a champion for Kenya's renewable energy, with an aim of accelerating geothermal exploration, wind and solar power. He is also keen on placing Kenya as an investment partner through public-private partnership in building transmission lines and mini-grids to be able to achieve 100% connectivity by

	2028. The PS is also looking to advance technology and innovation as we look into the future of energy transition and efficiency in areas such as green hydrogen, electric vehicles and bio-energy.
 CPA. Rose Baraza Senior Deputy Accountant General	CPA Rose Baraza is the Head of Accounting Unit in the State Department of Energy. She has served in the civil service growing in the system and has acquired vast experiences in different sectors of public service as an Accountant and head of Accounting Unit. Among the sectors she has headed are; The Office of DPP for 8 years where the office consistently achieved an unqualified report resulting to being the Best runners up in the Fire Award. Cabinet Office was awarded certificate of recognition by the Head of Pubic Service for ensuring that the office consistently achieved an Unqualified Report. As the Head of Accounting Unit in the Department for Irrigation, the office moved from Disclaimer report to Unqualified report. She has also headed State Department for Industry and ASAL among others and all received Unqualified Report. She holds a Master's Degree in Business Administration (Finance Option), Bachelor's Degree in Commerce and Degree in Law (LLB) both from Catholic University. She was among officers who were awarded a distinction in Senior Leadership Course at KSG and has a Certificate in Strategic Management among others. She also represent PS in the Board of Directors of NUPEA where she is a member of Finance and Human Resource Committee.
	Mr. Stephen Alexius Njue is currently Head of Finance in the Ministry of Energy at the grade of Senior Chief Finance Officer. He has served in the Civil Service for 28 years and in particular as Head of Finance for 19 years across various government Ministries, Departments and agencies. These includes; National Treasury, Ministry of Roads and Public Works, Housing, Regional Development, Water, Labour and Social Protection, Energy as well as various local authorities and County Governments.



Mr Stephen Alexius Njue
Senior Deputy Director of Budget

Currently he is an Alternate Director at Kenya Generating Electricity Company (KENGEN). Mr. Njue holds an MBA in Finance and a Bachelor's degree in Business Studies and Economics both from Kenyatta University. He also holds a National Diploma in Financial Management from Kenya Institute of Management. He is a member of Institute of Internal Auditors and Institute of Human Resource Management of Kenya.

(d) Fiduciary Oversight Arrangements

- a) Budget Implementation Committee
- b) Parliamentary Committee
- c) Internal Audit Committee

(e) Petroleum Development Fund Headquarters

P.O. Box 30582-00100
Kawi Complex
Off Red Cross Rd
NAIROBI, KENYA

Petroleum Development Fund Contacts

Telephone: (254) (020) 4841000
E-mail: psenergy@energy.go.ke
Website: www.go.ke

(f) Petroleum Development Fund Bankers

- 1. Credit Bank PLC
Westlands Branch
NAIROBI, KENYA

(g) Independent Auditors

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

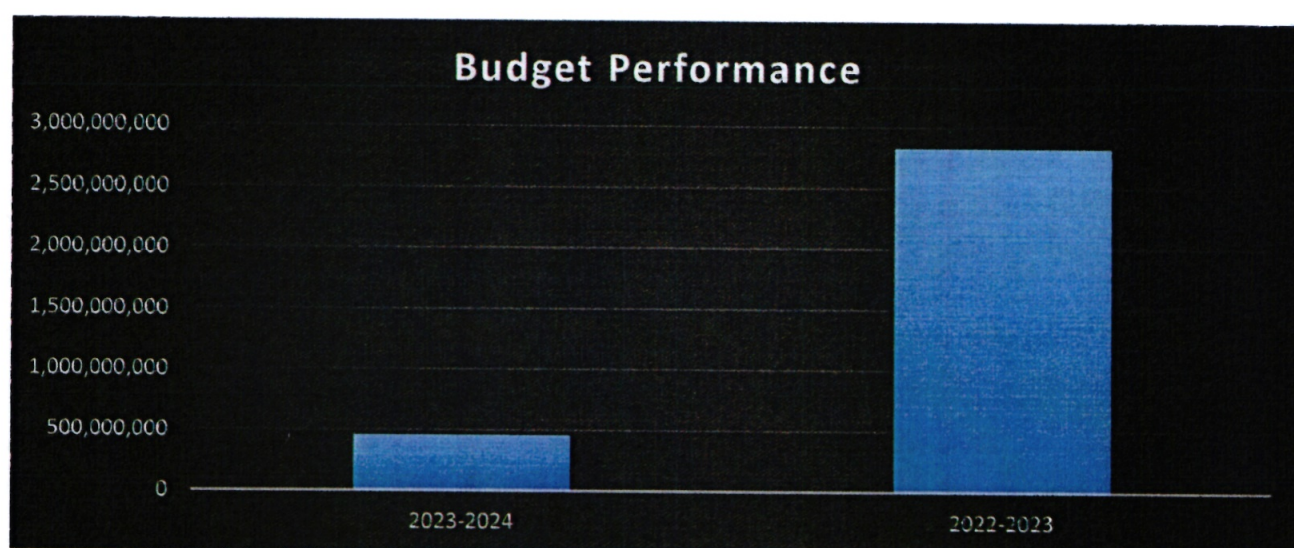
(h) Principal Legal Adviser

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

1. Budget Performance Against Actual Amounts for 2023/2024

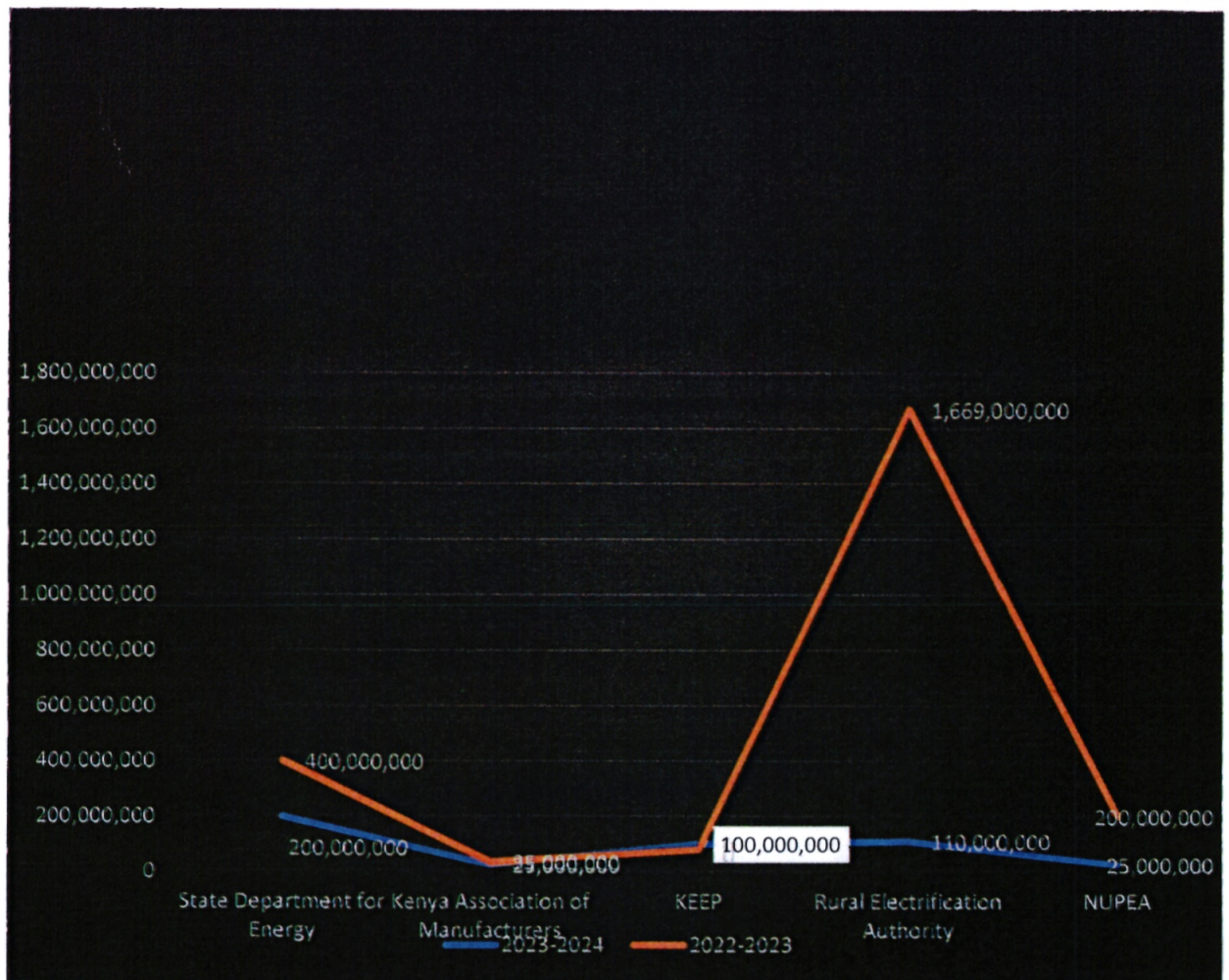
The Budget for the financial year 2023-2024 from appropriations in aid was Ksh 926,000,000. The actual amount collected for the same was Ksh 470,859,033.

This was a decrease in budget performance from the previous year 2022-2023 of Ksh 2,833,000,000.



2. Key Achievements of the Petroleum Development Fund

The Fund received Ksh. 470,859,033 in appropriations in aid and utilized the amount by transfer to other government entities of Ksh 460,000,000.00 and other general expenses for Ksh 4,365,235. The transfer to other government entities was to Ministry of Energy for Kshs 200,000,000 Rural Electrification and Renewable Energy Corporation (REREC) Ksh 110,000,000 Nuclear Power and Energy Agency (NuPEA) Kshs 25,000,000 Kenya Association of Manufacturers (KAM) Ksh 25,000,000 and Kenya Energy-Sector Environment and Social Responsibility Programme Fund (KEEP) Ksh 100,000,000. A total of Ksh 460,000,000 in transfer to other Government entities was recorded in the financial year 2023-2024 compared to the prior financial year 2022-2023.



3. Emerging issues Related to the Petroleum Development Fund

The Appropriation in aid in the Financial 2022-2023 decreased by 83%. The A I A collected in the financial year 2022-2023 was Ksh 2,833,000,000.00 while the collection in the financial year 2023-2024 was Ksh 470,859,033.00. A decrease of Ksh 2,362,140,967.00 was noted.

4. Implementation Challenges

The Fund faced challenge of delay in implementation as the fund from The National Treasury were disbursed in Quarter 2 of the Financial Year. However, no further challenges were noted.

5. Way Forward

Financial Year 2023/2024 was a good year. Good Progress was made and the momentum has been created to enable Petroleum Development Fund continue on a trajectory into prosperity. We have identified gaps and areas to improve in the subsequent years.

I take this Opportunity to thank the management team for their support. I would also want to thank all staff who have worked tirelessly to ensure that the Petroleum Development Fund Achieves its mission.



Fund Administrator

Alex Kamau Wachira, CBS

3. Statement of Performance Against Predetermined Objectives for the FY2023/24

Guidance

State all the objectives of the MDA as per the Programme and Strategic Plans.

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the National government entity's performance against predetermined objectives.

The Key development objectives of the Fund are to supplement the Development budget of the State Department for Energy as Appropriations in Aid (AIA) in the following areas.

1.General Administration Planning and Support Services

- a) Financial Services and Energy Audits
- b) Power Generation
- c) Development of Nuclear Energy

2.Power Transmission and Distribution

-Rural Electrification

3.Alternative Energy Technologies

-Alternative Energy Technologies

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:

SNO	Program	Strategic Objective	Outcome	Indicator	Performance
	Power Generation	To increase power supply through power generation	Adequate power supply	% Completion of 83.3MW Olkaria 1 Unit 6 Power plant	100

Petroleum Development Fund – State Department for Energy
Annual Report and Financial Statements for the year ended 30th June 2024

SNO	Program	Strategic Objective	Outcome	Indicator	Performance
				% Completion of 51MW Olkaria 1 Rehabilitation Power plant	40
				% Completion of 40MW Turbine Upgrading	5
				% Completion of KenGen Geothermal Training Centre	40
				No. of wells drilled	5
				MWe	3.5
				Number of persons trained on nuclear energy	22
				% completion on review of National Laws vis-à-vis the Nuclear Regulatory Act No. 29 of 2019.	20
				Percentage (%) completion of development of the 4 regulations required to operationalize the Nuclear Regulatory Act, 2019	42
				Percentage (%) completion of National Nuclear policy.	70
				Percentage (%) completion on the accession to 4 Nuclear Safety Conventions	20
				Percentage Level of implementation of stakeholder involvement public education and	25

SNO	Program	Strategic Objective	Outcome	Indicator	Performance
				communication strategy	
				Percentage % implementation of the Preparatory activities towards implementation of the Environmental Impact Assessment for the Nuclear Power Programme	70
				% Completion of land acquisition	10
				% Percentage completion of site-specific Environmental Impact Assessment (EIA)	20
				Percentage (%) development of site characterization report	45
				% Completion of Reactor Technology Assessment and vendor readiness report	40
				No. of completed Energy Research & Development Projects	0
				% implementation of Nuclear Research Reactor Project	8
				No. of Geo-technical Study Reports	2
				No. of Compliance Reports for Geothermal	1

Petroleum Development Fund – State Department for Energy
Annual Report and Financial Statements for the year ended 30th June 2024

SNO	Program	Strategic Objective	Outcome	Indicator	Performance
				Resources Licensees	
				No. of Nuclear Exploration reports	1
				% completion of Framework for Coal strategic stocks	60
				Cumulative % Completion of Mui Basin Block A,B,C&D concession	50
				% completion of Survey, mapping and repair of coal drill holes in Mui Basin	55
	Power Transmission and Distribution	To increase electricity access to more customers	Increased access to electricity	Km of transmission lines constructed	111 Km
				Number of distribution sub-station constructed and upgraded	3
				Km of distribution lines constructed	262
				Number of new customers connected to electricity	465,416
				Number of street lighting points installed	5996
				Number of constituency transformers installed	297
				No. of Public Facilities Connected with Electricity	179
				Number of domestic biogas plants constructed	207
				No.of institutional biogas digesters installed	3

SNO	Program	Strategic Objective	Outcome	Indicator	Performance
				Ha. of land planted with trees and maintained	100
				No. of tree seedlings planted in hydro dams water catchment areas	702,860
				No. of Woodlots established	150
				No. of efficient and sustainable charcoal kilns for training & Demonstration installed	0
				No. of investment Grade Audits undertaken and implemented to reduce Energy consumption by 10-30%.	17
				Percentage (%) Maintenance of wind masts and data loggers maintained	100
				No. of standalone solar home systems installed	2,712
				No. of clean cooking units disseminated	3,825
				No of Mini grids installed	1
				No. of distributions substations constructed	10
				Number of Public Facilities Connected with Power Gok	474
				Number of Primary Schools Solar Systems Maintained	271

Petroleum Development Fund – State Department for Energy
Annual Report and Financial Statements for the year ended 30th June 2024

SNO	Program	Strategic Objective	Outcome	Indicator	Performance
				Number of New Hybrid Mini-grids Installed	2
	General Administration Planning and Support Services	To enhance service delivery to the customers	Efficient service delivery	Number of policies, strategies and regulations developed	The State Department has developed 30 Draft Regulations to guide implementation of Energy Act, 2019.

4. Environmental and Sustainability Reporting

The State Department for Energy exists to transform lives. This is our purpose; the driving force behind everything we do by putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of the **Sustainability strategy and profile**

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

- i. All the projects implemented by the State Department and the entire energy sector meet the stringent donor (financier) environmental social safeguards.
- ii. The State Department implements the following projects as a contribution towards environmental conversation; Re-afforestation of Hydropower dams Water catchment areas that has seen 546,904 tree seedlings planted within the year; Maintenance of Hectares of afforested hydro dam's water catchment areas; Establishment of Woodlots in the hydro dam catchment area.
- iii. The State Department has developed and is implementing the Bio Energy Strategy of 2020 and the Kenya National Energy Efficiency and Conservation Strategy that have focused on environmental conservation in the implementation of programs and projects in the sector.

b) Employee welfare

The Human Resource Policy and Procedures Manual May,2016 Section B5 gives direction on the recruitment process and application of affirmative action through Merit, Regional balancing, Gender balancing consideration of Persons living with Disability Youth and the Minorities.

Advertisement of vacant positions is done to give equal opportunity to all and the due process followed as stipulated in the Manual. There was no recruitment done by the State Department directly this financial year.

NO trainings on governance were conducted during the period under review due to government austerity measures and the moratorium issued.

The State Department has developed the work place policy guidelines, whose implementation is in progress

Towards improving skills and managing careers appraisals and reward system, the ministry through approved group training programmes has trained officers with the aim of equipping officers with skills to improve the performance and also aligned to their careers with the aim of facilitating their career progression within their cadres. The Public Service Commission Performance Management Regulations, 2021.guide the officers' appraisal and application of

reward and sanctions rewarding exemplary performance while sanctioning officers who did not meet the threshold of the set scores.

The Human Resource Policies and procedures Manual for the Public Service May, 2016 section F 1. Provides clear directions on how health and safety at the workplace is managed the accounting officer appoints the Health and safety committee to ensure compliance with Act and any other directives issued from time to time.

c) Operational practices

i. Responsible Supply chain and supplier relations

Towards good business practices, the State Department conducts all its procurement activities on the government approved procurement system, the IFMIS where all required goods, works or services are sourced competitively using the procurement procedures as provided for in the Public Procurement and Asset Disposal Act 2015 and standard bidding documents as published by Public Procurement Regulatory Authority depending on the procurement value thresholds. All the various stages of procurement are undertaken by different organs/committees as required for segregation of duties in the procurement process.

Additionally, all tender awards and tender results are promptly communicated to both successful and unsuccessful bidders and contracts only signed upon the effluxion of the required stand still/appeal window period. All awards are also published on the public government portal, the Public Procurement Information Portal (PPIP) and all the required statutory reports transmitted to National Treasury, Public Procurement Regulatory Authority, National Council for persons with disabilities and the State Department for Industrialization for the Local Content Procurement Report

Towards responsible treatment of suppliers, the State Department has maintained good supplier relations in honoring the terms and conditions of the bidding documents as well as any executed contracts. The State Department ensures that the suppliers are promptly informed of the tender results upon the conclusion of the evaluation exercise and that any suppliers that might feel aggrieved are given ample time to present their grievances. For the avoidance of doubt, the Ministry has not had any significant dispute with any of its tender applicants and suppliers. Upon the satisfactory delivery of goods, works or services, payments are also processed within reasonable time, and for the record, the Ministry did not have any pending bill or claim due to its suppliers by the closure of the Financial Year 2023/2024 as at 30th June 2024.

d) Community Engagements

The Public participation activities conducted by the State Department for Energy were guided by the Guidelines for the public participation in policy formulation of 21st January 2015, prepared by the Public Service Commission

The State Department participates in a number of activities that target to better the livelihood of communities. During the period under review the ministry undertook the following activities towards this initiative; follow up on the performance of and provision of online technical support towards the running of previously installed Solar Water Pumping Systems and distribution of solar lanterns to vulnerable communities in the 14 underserved counties through the KOSAP project.

Besides, various activities were actualised through the Kenya Energy sector Environment (KEEP) Social responsibility programme fund that supports the growing of indigenous trees, soil conservation and preservation of water catchment areas. In the period under review the State Department collaborated with the Kenya Forest Services (KFS) to rehabilitate close to 744.4hectares of forest land in various parts of the country, issued seedlings to farmers living along riverlines, issued seedlings to communities to establish woodlots in their farms, supported communities through buying seedlings from community nurseries, among others.

5. 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 Petroleum Development Fund shall prepare financial statements in respect of that Petroleum Development Fund. 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 Petroleum Development Fund is responsible for the preparation and presentation of the Petroleum Development Fund's financial statements, which give a true and fair view of the state of affairs of the Petroleum Development Fund for and as at the end of the financial year (period) 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 entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the Petroleum Development Fund accepts responsibility for the Petroleum Development Fund'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 Petroleum Development Fund's financial statements give a true and fair view of the state of Petroleum Development Fund's transactions during the financial year ended June 30, 2023, and of the Petroleum Development Fund's financial position as at that date. The Accounting Officer in charge of the Petroleum Development Fund further confirms the completeness of the accounting records maintained for the Petroleum Development Fund, which have been relied upon in the preparation of the Petroleum Development Fund financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the Petroleum Development Fund confirms that the Petroleum Development Fund has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the Petroleum Development Fund's 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 Petroleum Development Fund'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 Petroleum Development Fund's financial statements were approved and signed by the Accounting Officer on 4/9/2024 2024.



.....
Fund Administrator
Alex Kamau Wachira, CBS



.....
Fund Accountant
CPA Rose Baraza
ICPAK M/No 5586

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: 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 DEVELOPMENT LEVY FUND FOR THE YEAR ENDED 30 JUNE, 2024 - STATE DEPARTMENT FOR ENERGY

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 the 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.

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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

Opinion

I have audited the accompanying financial statements of Petroleum Development Levy Fund - State Department for Energy set out on pages 1 to 13, which comprise of the

statement of financial assets and liabilities as at 30 June, 2024 the statement of receipts and payments, statement of cashflows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Petroleum Development Levy Fund - State Department for Energy as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Petroleum Development Fund Act No.4 of 1991(Revised 2012) and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Petroleum Development Levy Fund - State Department for Energy 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 opinion.

Key Audit Matters

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

Other Matter

Budgetary Performance and Control

The statement of comparison of budget and actual amounts for the year under review reflects a receipts budget and actual on comparable basis amounting to Kshs.926,000,000 and Kshs.493,476,292 respectively, resulting to an underfunding amounting to Kshs.432,523,708 or 46% of the budget. Similarly, the statement reflects expenditure budget and actual on comparable basis totalling Kshs.926,000,000 and Kshs.464,365,235 respectively, resulting to an under-utilization of Kshs.461,634,765 or 50% of the budget.

The underfunding attributed to failure by The National Treasury to release budgeted amounts which affected the Fund's principal activity of supplementing the development budget of the State Department for Energy as Appropriation in Aid (AIA).

Other Information

Management is responsible for the other information set out on pages iii to xxi which comprise of Key Entity Information and Management, Fiduciary Management, Environmental and Sustainability Reporting, Statement of Management Responsibilities and Statement of Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Utilization of the Fund Resources

The statement of receipts and payments and as disclosed in Note 3 to the financial statements reflect transfers to other Government entities totalling Kshs.460,000,000. The Fund Management transferred the funds to various Government entities and one private entity, all of which have no responsibility in the oil and petroleum industry, contrary to Section 4(4) of the Petroleum Development Fund Act, No.4 of 1991 (Revised 2012), which provides that there shall be paid out of the petroleum development funds such monies as are necessary for the development of common facilities for distribution or testing of oil products and matters relating to the development of the oil industry.

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

2. Excess Withholding Tax on Interest Income

The statement of receipts and payments and Note 4 to the financial statements reflects general expenses of Kshs.4,365,235 which includes withholding tax expense of Kshs.4,354,895. The withholding tax of Kshs.4,354,895 was computed at a rate of 20% of interest income earned from a local bank for the period from July, 2023 to December, 2023 contrary to the provisions of the Income Tax Act CAP 470 which states that resident withholding tax on qualifying interest be charged at a rate of 15%.

Consequently, the Fund lost Kshs.962,306. as a result of excess withholding tax charged on the interest earned. Although, Management wrote to the bank on 6 December, 2023 on this matter and which the bank acknowledged. The funds had not been refunded as at the time of audit in September, 2024. Further, Kshs.1,366,692 lost in the previous year in a similar manner at the same bank had not been returned.

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

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 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

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 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 (Cash 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 INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires 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 IFPP 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 also I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 October, 2024

7. Statement of Receipts and Payments for the Year ended 30th June 2024

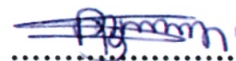
Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Revenue from non-exchange transaction			
Fines, Penalties and Levies	1	470,859,033	2,833,000,000
Revenue from exchange transaction		470,859,033	2,833,000,000
Interest Income	2	22,617,259	27,333,841
Total Revenue		493,476,292	2,860,333,841
Expenses			
Transfer to other Government Entities	3	460,000,000	2,384,000,000
General Expenses	4	4,365,235	5,474,808
Total Expenses		464,365,235	2,389,474,808
SURPLUS/		29,111,057	470,859,033

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Petroleum Development Fund financial statements were approved on 4191 2024 and signed by:



Fund Administrator

Alex Kamau Wachira, CBS



Fund Accountant

CPA Rose Baraza

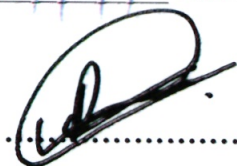
ICPAK M/No 5586

Petroleum Development Fund – State Department for Energy
Annual Report and Financial Statements for the year ended 30th June 2024

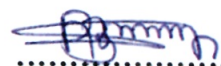
8. Statement Of Financial Assets And Liabilities As at 30th June 2024

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Financial Assets			
Cash and Cash Equivalents			
Bank Balances	5	29,111,057	470,859,033
Total Cash and cash equivalent		<u>29,111,057</u>	<u>470,859,033</u>
Represented by			
Fund balance b/fwd.	6	470,859,033	10,537,626
Prior year adjustment	7	(470,859,033)	(10,537,626)
Surplus for the period		29,111,057	470,859,033
Net Financial Position		29,111,057	470,859,033

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Petroleum Development Fund financial statements were approved on 4/9/2024 and signed by:



.....
Fund Administrator
Alex Kamau Wachira, CBS



.....
Fund Accountant
CPA Rose Baraza
ICPAK M/No 5586

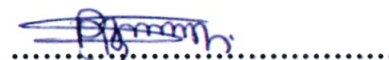
9. Statement of Cash Flows For The Year Ended 30th June 2024

Description		2023-2024	2022-2023
		Kshs	Kshs
Receipts for Operating Income			
Fines, Penalties and Levies	1	470,859,033	2,833,000,000
Interest Income	2	22,617,259	27,333,841
Payments for operating expenses			
Transfers to Other Government Units	3	460,000,000	2,384,000,000
General Expenses	4	4,365,235	5,474,808
Net Cash Flow from Operating Activities		29,111,057	470,859,033
Prior Year Adjustment	7	(470,859,033)	(10,537,626)
NET INCREASE IN CASH AND CASH EQUIVALENT		(441,747,976)	460,321,407
Cash and Cash Equivalent at Start of The Year		470,859,033	10,537,626
Cash and Cash Equivalent at END of The Year		29,111,057	470,859,033

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Petroleum Development Fund financial statements were approved on 4/9/2024 and signed by:



Fund Administrator
Alex Kamau Wachira, CBS

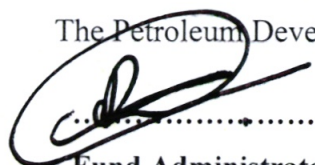


Fund Accountant
CPA Rose Baraza
ICPAK M/No 5586

10. Statement of Comparison of Budget and Actual Amounts for year 2023/2024

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Fines, Penalties and Levies	926,000,000		926,000,000	470,859,033	455,140,967	51%
Interest Income			0	22,617,259	(22,617,259)	
TOTAL RECEIPTS	926,000,000		926,000,000	493,476,292	432,523,708	
PAYMENTS						
Transfers to Other Government Entities	926,000,000		926,000,000	460,000,000	466,000,000	49%
General Expenses	-		0	4,365,235	(4,365,235)	
TOTAL PAYMENTS	926,000,000		926,000,000	464,365,235	461,634,765	50%
Surplus/Deficit			0	29,111,057		

The Petroleum Development Fund financial statements were approved on 4/9/ 2024 and signed by:


.....

Fund Administrator

Alex Kamau Wachira, CBS


.....

Fund Accountant

CPA Rose Baraza

ICPAK M/No 5586

13 (c) Budget Execution by Programmes and Sub-Programmes for FY 2023/2024

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs				Kshs	Kshs
General Administration Planning and Support Services						
Financial Services and Energy Audits	85,000,000		85,000,000	60,000,000	25,000,000	71%
Administration Services	65,000,000		65,000,000	65,000,000	0	100%
Development of Nuclear Energy	25,000,000		25,000,000	25,000,000	0	100%
Power Transmission and Distribution						
Rural Electrification	331,000,000		331,000,000	110,000,000	221,000,000	33%
Coal Exploration	100,000,000		100,000,000	100,000,000	0	100%
Alternative Energy Technologies						
Alternative Energy Technologies	220,000,000		220,000,000	100,000,000	120,000,000	45%
National Grid System	100,000,000		100,000,000	0.00	100,000,000	0%
Total	926,000,000.00		926,000,000	460,000,000		

11. Notes to the Financial Statements

The principle accounting policies adopted in the preparation of these financial statement are set below:

1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) 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.

2. Reporting Petroleum Development Fund

The financial statements are for the Petroleum Development Fund under the National Government of Kenya. The financial statements encompass the reporting Petroleum Development Fund as specified under Section 81 of the PFM Act 2012.

3. 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.

Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by Fund for all the years presented.

a) Recognition of Receipts

The Fund recognises all receipts from the various sources when the event occurs, and the related cash has been received the Fund.

(i) Tax Receipts

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

(ii) 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 Petroleum Development Fund.

b) 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.

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.

c) 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 2023 for the period 1st July 2023 to 30th June 2024 as required by Law and there were 2 number of supplementary 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-entity transfers.

d) Comparative Figures

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

e) 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 2024.

f) Prior Period Adjustment

During the year, errors that have been corrected are disclosed under note 7 explaining the nature and amounts.

Petroleum Development Fund – State Department for Energy
Annual Report and Financial Statements for the year ended 30th June 2024

Significant Accounting Policies (Continued)

Notes to the Financial Statements (Continued)

1 Fines, Penalties and Levies

	Explanation	2023-2024	2022-2023
		Kshs	Kshs
	Fines, Penalties and Levies	470,859,033	2,833,000,000
	Total	470,859,033	2,833,000,000

2 Interest Income

	Explanation	2023-2024	2022-2023
		Kshs	Kshs
	Interest Income	22,617,259	27,333,841
	Total	22,617,259	27,333,841

3. Transfer to Government Entities

Description	2023-2024	2022-2023
	Kshs	Kshs
State Department for Energy	200,000,000	400,000,000
Kenya Association of Manufacturers	25,000,000	35,000,000
KEEP	100,000,000	80,000,000
REREC	110,000,000	1,669,000,000
NuPEA	25,000,000	200,000,000
TOTAL	460,000,000	2,384,000,000

Notes to the Financial Statements (Continued)

4.General Expenses

Explanation	2023-2024	2022-2023
	Kshs	Kshs
Bank Charges	4,365,235	5,474,808
Total	4,365,235	5,474,808

5. Bank Accounts

Name of Bank, Account No & Currency	Fund Account	2023-2024	2022-2023
	Kshs	Kshs	Kshs
Credit Bank	Fund	29,111,056	470,859,033
TOTAL		29,111,056	470,859,033

6. Fund Brought Forward

Explanation	2023-2024	2022-2023
	Kshs	Kshs
Bank Balances	470,859,033	10,537,626
Total	470,859,033	10,537,626

7. Prior Year adjustments

Explanation	2023-2024	2022-2023
	Kshs	Kshs
Bank Balances	470,859,033	10,537,626
Total	470,859,033	10,537,626

This are monies transferred back to the Consolidated fund as per PFM requirements

3 Related Party Disclosures

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the Petroleum Development Fund.

Petroleum Development Fund – State Department for Energy
Annual Report and Financial Statements for the year ended 30th June 2024

- i) Key management personnel that include the Cabinet Secretaries and Accounting Officers
- ii) Other Ministries Departments and Agencies and Development Projects;
- iii) County Governments; and
- iv) State Corporations and Semi-Autonomous Government Agencies.

3.1 Related party transactions:

Description	2023-2024	2022-2023
	Kshs	Kshs
State Department for Energy	200,000,000	400,000,000
Rural Electrification and Renewable Energy Corporation	110,000,000	1,669,000,000
Nuclear Power and Energy Agency	25,000,000	200,000,000
Kenya Association of Manufacturers (KAM)	25,000,000	35,000,000
Kenya Energy Environmental Responsibility Program (KEEP)	100,000,000	80,000,000
Total	460,000,000	2,384,000,000

3.2 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)
	Irregular Utilization of the Fund Resources	The management stated that the transfers to the various entities were budget for and approved by the National Assembly as required by law.	Resolved	
	Withholding Tax on Interest Income	The management stated that they wrote to the bank and the matter was resolved.	Resolved	



Fund Administrator
Alex Kamau Wachira, CBS



Fund Accountant
CPA Rose Baraza
ICPAK M/No 5586

