

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

THE NATIONAL ASSEMBLY  
PAPERS LAID

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REPORT

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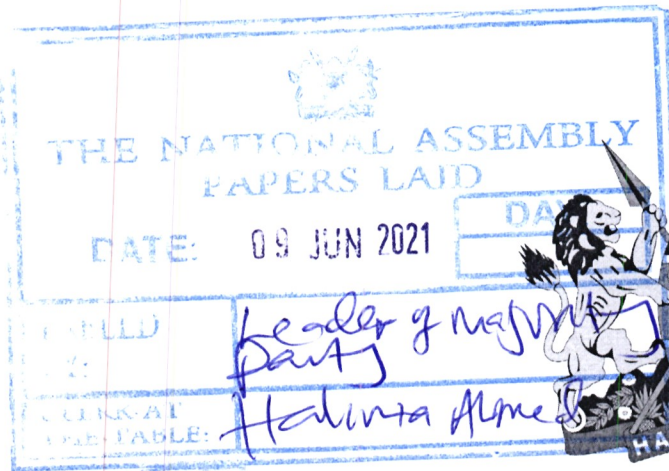
OF

THE AUDITOR-GENERAL

ON

STATE DEPARTMENT FOR PETROLEUM

FOR THE YEAR ENDED  
30 JUNE, 2020



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**STATE DEPARTMENT FOR PETROLEUM**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2020**

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

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background Information**

The Ministry of Petroleum and Mining was created in 2018 through Executive Order No. 1 of June, 2018. Prior to this, the State Department for Petroleum fell under the Ministry of Energy and Petroleum. Before then, petroleum pricing was under the then Ministry of Finance which represented the Government interests in the Kenya Petroleum Refineries Limited.

Under the Executive Order No. 1 of June, 2018 on the Organization of the Government of the Republic of Kenya, the Ministry was split into two State Departments with each drawing its mandate from the Executive Order. At the Cabinet level, the Ministry is headed by the Cabinet Secretary, Mr. John Munyes, EGH, who is responsible for general policy and strategic direction of the Ministry.

The State Departments under the Ministry are:

- i. The State Department for Petroleum administered by Andrew Kamau, CBS, and
- ii. The State Department for Mining administered by Mr. John Omenge, CBS

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

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

**Vision**

Promote sustainable development of the extractives sector.

**Mission**

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

**Core Functions**

- Formulation of policy, review of fiscal, legal and regulatory framework for oil and gas exploration, development and production.
- Acquisition, interpretation and modeling of primary data, primary geotechnical data for geophysical (gravity, magnetic), geological and geochemical surveys in unlicensed or open petroleum exploration blocks. The purpose is to upgrade exploration data base and to accelerate or bring forward, seismic acquisition programmes by oil and gas companies that will be licensed to operate in those blocks.
- Monitoring operations and compliance of oil and gas exploration, in the implementation of their minimum geological, geophysical, geochemical and drilling obligations in licensed blocks.

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- Evaluation of results and reports submitted by licensed oil and gas companies, operationalise Production Sharing Contracts in the country's exploration blocks.
- Carrying out continuous review, subdivision and reduction of petroleum exploration block sizes on basis of additional data and to increase commitment to implementation of minimum work in smaller blocks by licensed oil and gas companies.
- Carrying out evaluation and negotiation of Production Sharing Contracts terms submitted by oil and gas companies which express interest in the country's exploration blocks.
- Exploratory drilling operations in prospective areas;
- Promotion and licensing of acreage:
- Facilitating exemption of Duty, VAT and Income Declaration Forms (IDF) by the National Treasury and Planning, in respect of goods and equipment imported into the country by licensed oil companies specific to oil and gas operations.
- Promotion of regional and international programmes on data exchange and technology transfer between the State Department for Petroleum and relevant oil and gas – based organizations.
- Formulation of policies on oil and gas operations with upstream segment of the oil industry.
- Continuous monitoring and coordination of Distribution, Supply and Market situations of finished petroleum products in the country.
- Ensure Security and supply of Petroleum products.
- Promote investment in petroleum infrastructure.

#### **Strategic Objectives**

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

#### **Core Values**

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

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**Our Stakeholders**

The stakeholders that the State Department for Petroleum targets in order to encourage cleaner petroleum consumption and conservation includes:-

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

**(b) Key Management**

The State Department for Petroleum derives its mandate from Executive order No.1 of 2018 and other Acts of Parliament relevant to Petroleum. To effectively provide services per our mandate, the Department has two divisions namely Petroleum and the Administration and Support Services. It has ten units namely:

- HRM&D
- Public Communications
- Central Project Planning
- Supply Chain Management Services
- Information Communication Technology (ICT)
- Finance
- Accounts
- Legal
- Audit
- Gender

**(c) Fiduciary Management**

The key management personnel who held office in the State Department for Petroleum during the financial year ended 30th June, 2018 and who had direct fiduciary responsibility were:

<b>Designation</b>	<b>Name</b>
Cabinet Secretary	Hon. John Munyes, EGH
Principal Secretary	Mr. Andrew N. Kamau CBS
Secretary, Petroleum	Mr. James Nganga
Secretary, Administration	Mr. Chege Mwangi
Senior Chief Finance Officer	Mr. Mathew Musyoka
DD/HRM&D	Ms Agnes Muthuo
Deputy Chief Economist	Ms Electine M Nanzala
Assistant Accountant General	CPA Charles Liyayi
Ass Director Supply Chain Management	Ms. Chepkemoi Kerich

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**Hon. John K. Munyes,  
EGH**

**Cabinet Secretary**

**Ministry of Petroleum and  
Mining**

Hon. John K Munyes, EGH was appointed Cabinet Secretary for Ministry of Petroleum and Mining by President Uhuru Kenyatta in January 2018. Prior to his appointment as Cabinet Secretary, Hon. John K Munyes served as the Senator for the oil-rich Turkana County for 5 years beginning 2013 and ending 2017.

Hon. John K Munyes has also previously served in various capacities as Minister of State for Special programmes (2005), Minister for Water and Irrigation (2003) as well as Minister for Labour & Social Services. He also served as the Member of Parliament (MP) for Turkana North Constituency for 15 years, beginning 1997.





Prior to joining politics, Hon. John K Munyes worked as UNESCO Project Assistant and later became a Programme Coordinator of the Intermediate Technology Development Group (ITDG) where he coordinated food security programmes in Turkana District including livestock projects, women empowerment and capacity building. He is awarded the Elder of the Order of the Golden Heart of Kenya (EGH) for his valuable service rendered to the nation.




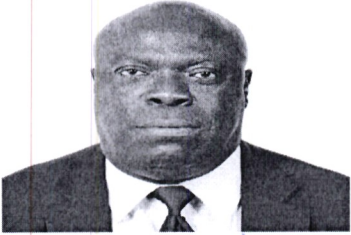

**Mr. Andrew N. Kamau, CBS  
Principal Secretary**

Mr. Andrew Ng'ang'a Kamau has wide experience in Petroleum energy gained from several years in leadership positions in the private sector. Prior to his appointment as Principal Secretary for Petroleum, he was the Chief Executive Officer of Bracewell Energy which has interests in mining, energy and natural resources. As PS, he steers the Petroleum docket at the Ministry where he will oversee implementation of Petroleum projects. He holds a Bachelor of Science degree in Chemistry from the University of Nairobi.

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 <p style="text-align: center;"><b>Mr. James Nganga</b> Senior principal superintendent geologist</p>	<p>Mr. James Ng'ang'a was appointed Ag.Secretary, Petroleum in February 2019. He has been instrumental in oil and gas exploration in the country leading to the first oil discovery in Kenya in March, 2012, implementation of the early oil project as well as the review of the Petroleum policy, legal, regulatory and contractual framework for oil and gas. He holds an MSc.a Bsc and PGDip.</p>
 <p style="text-align: center;"><b>Mr. Chege Mwangi</b> Secretary Administration</p>	<p>Mr. Mwangi has been the Secretary, Administration in the State Department for Petroleum from May 2018. He joined the Public Service in 1985 as an Assistant Secretary/District Officer, rising Through the ranks to Senior Deputy Secretary/Senior District Commissioner in 2008. In 2011, he was appointed County Commissioner and was redeployed in 2016 as Secretary, Administration. He holds a Bachelor of Arts and a Master of Arts in Project Planning and Management from the University of Nairobi</p>
 <p style="text-align: center;"><b>Mr Mathew K. Musyoka</b> Chief Finance Officer</p>	<p>CPA Mathew K. Musyoka assumed the position of Head of Finance Unit in November 2018. He is in charge of budget preparation and implementation. He holds an MA (Economics) from Kenyatta University and Bachelor of Arts (economics) from University of Nairobi. He is a CPA (K), and also a member of the ICPAK</p>
 <p style="text-align: center;"><b>Ms. Electine M. Nanzala</b> Deputy Chief Economist</p>	<p>Ms. Electine M. Nanzala assumed the position of the Head of CPPMU in May, 2016. She is in charge of Economic planning function which involves planning and analysis of economic policy; undertaking economic analysis, evaluation and monitoring of development projects and programmes; co-ordination of strategic planning and performance contracting; and performance review of economic activities to inform policy and budgetary processes. She holds a Masters in Economics and a Bachelor of Arts Degree from Kenyatta University.</p>

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 <p style="text-align: center;"><i>Ms. Agnes Muthuo,</i> <i>Deputy Director/HRM&amp;D</i></p>	<p>Ms. Agnes Muthuo assumed the position of Head, Human Resource Management and Development in January, 2017. She is in charge of managing the HR function in the Department including Training and Development for effective service delivery. She holds a Master of Science degree in Human Resource Development from the Jomo Kenyatta University of Science and Technology and a Bachelor of Arts degree in Anthropology from the University of Nairobi. She is a Member of IHRM.</p>
 <p style="text-align: center;">Mr. Charles Liyayi Shidzugane Deputy Accountant General</p>	<p>CPA Charles Liyayi Shidzugane assumed the position of Head of Accounting Unit in December 2018. He is in charge of Accounting and Financial Reporting as well as designing, implementing and monitoring internal controls relevant to the preparation and for presentation of financial reports in line with the relevant International Public Sector Accounting Standards (IPSAS). He holds an MSc (Finance and Accounting) from The KCA University and Bachelor of Commerce (Finance) from Catholic University Of Eastern Africa. He is a CPA (K), and also a member of the ICPAK.</p>
 <p style="text-align: center;"><b>Ms. Chepkemoi Kerich</b> Assistant Director Supply Chain Management</p>	<p>Ms Chepkemoi Kerich assumed the position of Head of Supply Chain Management Unit in January 2019. She is in-charge of Procurement of goods and services and Overseeing implementation of the Department's Procurement Plan. She holds a Master's Degree and Bachelor's Degree in Economics from Nairobi University. She is also a member of KISM and CIPS</p>

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**D) Ministerial Human Resource Advisory Management Committee**

This committee comprises the following members drawn from various departments:

No	Name	Designation
1	Mr. Andrew Kamau, CBS	Principal Secretary- Petroleum (Chairman)
2	Mr. Chege Mwangi	Senior Deputy Secretary
3	Mr. James Nganga	Secretary, Petroleum
4	Ms. Agnes Muthuo	Deputy Director/HRM&D – Secretary
5	CPA. Charles Liyayi	Assistant Accountant General
6	Ms. Electine Nanzala	Deputy Chief Economist
7	Ms. Chepkemoi Kerich	Assistant Director Supply Chain Management

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

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

The following table shows the number of human resource management advisory committee meetings held during the year and the attendance of individual members.

	Committee attendance for the year ended 30th June, 2018	Human Resource Management Advisory Committee Meetings												Total Attendance
		29.8.17	27.9.17	24.10.17	6.12.17	7.12.17	8.1.18	1.2.18	1.3.18	9.4.18	2.5.18	4.6.18		
1	Andrew Kamau, CBS	✓	✓	✓	✓	✓	✓	x	x	X	x	x	x	6
2	Chege Mwangi	✓	✓	✓	✓	✓	✓	x	x	X	x	x	x	6
3	James Ng'ang'a	✓	✓	✓	✓	✓	✓	x	x	X	x	x	x	6
4	Agnes Muthuo	✓	✓	✓	✓	✓	✓	x	x	X	x	x	x	6
5	Charles Liyayi	✓	✓	✓	✓	✓	✓	x	x	X	x	x	x	6
6	Electine Nanzala	✓	✓	✓	✓	✓	✓	x	x	X	x	x	x	6
7	Chepkemoi Kerich	✓	✓	✓	✓	✓	✓	X	X	X	X	X	X	6

✓ Attended

X - Absent with apology

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**i. Training Committee**

This committee comprises the following members drawn from various departments:

No	Names	Designation
1.	Mr.Andrew Kamau,CBS	PS Petroleum – Chairman
2.	Mr.Chege Mwangi	Senior Deputy Secretary
3.	Mr.James Ng'ang'a	Secretary, Petroleum
4.	Ms.Agnes Muthuo	Deputy Director/HRM&D – Secretary
5.	Mr.Charles Liyayi	Assistant Accountant General
6.	Ms.Electine Nanzala	Deputy Chief Economist
7.	Ms.Chepkemoi Kerich	Assistant Director Supply Chain Management

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

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

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

**(a) State Department for Petroleum's Headquarters**

P.O. Box 30582 – 00100  
Nyayo House Building  
Kenyatta Avenue  
Nairobi, Kenya

**(b) State Department for Petroleum's Contacts**

Telephone: (254) (020) 3310112  
E-mail: [psPetroleum@energy.go.ke](mailto:psPetroleum@energy.go.ke)  
Website: [www.go.ke](http://www.go.ke)

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**(c) State Department for Petroleum Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P. O. Box 60000  
City Square 00200  
Nairobi, Kenya
2. Kenya Commercial Bank  
Kipande House Branch  
Nairobi, Kenya

**(d) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**(e) Principal Legal Adviser**

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

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**2. FORWARD BY THE CABINET SECRETARY**

**KEY ACHIEVEMENTS OF THE STATE DEPARTMENT FOR PETROLEUM IN THE FY 2019/2020**

**(a) Early Oil Pilot Scheme Project (EOPS)**

The project's objective is to gather technical data for designing and preparation of the Field Development Plan (FDP) and, to test the international market for Kenyan Crude Oil. Trucking of crude oil from the South Lokichar oil field to KPRL storage facilities in Mombasa under EOPS was launched by H.E. the President on 3rd June 2018.

- i. Exported 240,000 barrels of crude oil to the international market
- ii. Trucked a total of **257,677** barrels of crude oil or 64% of the target (400,000 barrels). Part of this crude was exported in August 2019 hence the amount of crude oil currently stored at KPRL is lower than that received during the Financial year. The department did not meet its projected target of 400,000 barrels due to stoppages in the production and trucking of crude during the 2<sup>nd</sup> Quarter occasioned by damaged roads and bridges in the North Rift i.e. Ortum and Sebit areas and the subsequent lapse of the Early Oil Pilot Scheme Agreement (EOPSA) in the 4<sup>th</sup> Quarter.
- iii. Held eight (4) EOPS steering committee meetings to steer the implementation of the project and marketing of the Kenyan crude.



*Trucking of crude oil from South Lokichar, Turkana to the KPRL Storage Terminal, Mombasa*

**(b) Preparatory Activities for Lokichar – Lamu Crude Oil Pipeline**

The Lokichar – Lamu Crude Oil Pipeline will evacuate/transport crude oil from the production fields in the South Lokichar Basin to the port of Lamu for storage and onward export to the international markets.

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During the FY 2019/20 the Department:

- i. Convened four (4) Pipeline Steering Board (PSB) quarterly meetings which developed action plans for implementation.
- ii. Implemented Government's Action Plans from the PSB resolutions.
- iii. Completed FEED Baseline and ESIA Report to inform on Final Investment Decision (FID) on the pipeline project.

**(c) Public Affairs and Stakeholder Management**

The Department held eleven (11) sensitization workshops with stakeholder groups defined below, so as to provide sufficient opportunity for information sharing and a platform to voice their opinions and concerns on the pertinent issues that may influence the project implementation and most importantly, to create an atmosphere of understanding that actively involves the Turkana Community in a timely manner. The engagements were held between July - December 2019.

- Turkana County Grievances Committee
- Members of County Assembly
- Elders and opinion leaders in Turkana East and South
- National Administration Officers
- Women Groups
- Youth Groups
- Faith Based Organizations
- Turkana Business Organizations
- Turkana Professional Associations
- Civil Society Organizations
- Community Based Organizations

**(d) Media Relations**

The Department held six (6) media briefings in the 1<sup>st</sup> and 2<sup>nd</sup> Quarter 2019/20, generating over 50 media articles on the upstream petroleum developments. These involved:

- *Turkana County and MoPM Joint Press briefing on Extractives Week 2019*
- *MCAs press conference on land acquisition for upstream development*
- *EOPS press briefing on status and progress of EOPS*
- *Lokichar Elders stakeholder briefing with Cabinet Secretary, MoPM*
- *Turkana High-level Oil and Gas Conference*

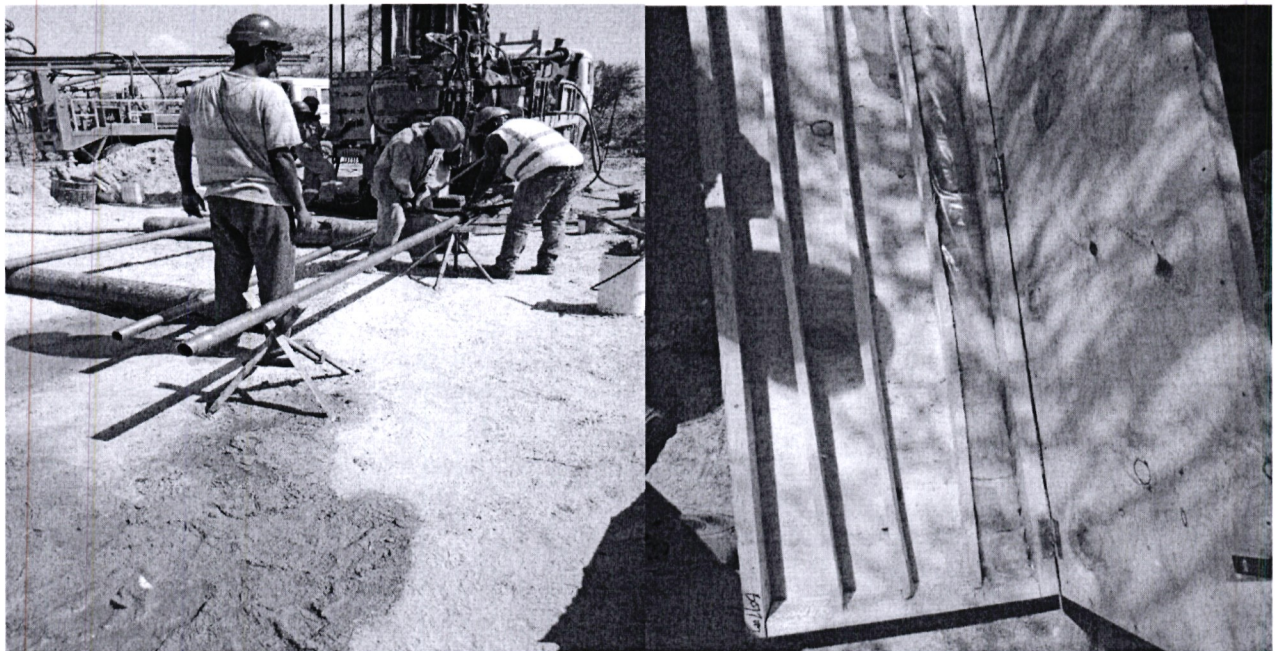
**(c) Petroleum Exploration in Block 14T**

During the FY 2019/20, the Department facilitated National Oil Corporation of Kenya (NOCK) exploration program in Block 14T, Tertiary Rift Basin. It ensured the processing and interpretation of

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seismic data and integration with earlier acquired datasets. As a result, one (1) potential hydrocarbon lead with a potential of 118 Million barrels of oil was mapped out. The completed reserve estimate will pave way for further partnership through a farm-in agreement between National Oil and an interested equity partner. This is expected to raise the required equity for the next exploration period which include drilling of an exploratory well.

The Department also ensured drilling of two (2) stratigraphic wells within the block and laboratory analysis of the obtained core samples. The wells were drilled for the purpose of gaining structural and stratigraphic information to be used concurrently with 2D seismic data exploring for oil and gas in Magadi sub – basin.



*Drilling of stratigraphic wells in Block 14T, Tertiary Rift Basin*

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**(d) Review of the South Lokichar revised draft Field Development Plan (FDP)**

The objective of FDP is to give optimal development scenario in terms of technical, economic, commercial, operational, social, environmental and political aspects of South Lokichar oil field in the interest of Kenya. The Plan aims to quantify the reserves and facilitate planning of optimal infrastructure to produce and market Kenyan Crude Oil to the International Market. During the FY 2019/20 the Department conducted the review Draft Final FDP and Phase two plan as submitted by the Contractor for the Foundation Phase i.e. Twiga, Amosing and Ngamia (TAN) fields. A draft South Lokichar FDP Review Report was prepared. The submission of the Final FDP by the contractor and its subsequent review is scheduled for the FY 2020/21.

**(e) Enhance Primary Data Acquisition and Interpretation in Open Blocks**

The projects aim is to determine petroleum prospectively as well as attract oil companies to invest in the open block. During the FY 2019/20, the Department undertook Phase II of geological and geophysical surveys in Block L19A i.e. acquired, processed and interpreted geophysical data (gravity) from 313 gravity stations compiled a Geophysical Report. It also conducted geological mapping of the Block. The Phase focusing on Magnetic Survey will be conducted in the FY 2019/20.



*Geophysics team acquiring gravity data from gravity stations in Block L19A*

In addition, the Department jointly with National Oil Corporation undertook preliminary survey of the Kipetu Gas Prospect in Kajiado County with the view of conducting detailed geological and geophysical survey in FY 2019/20.

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*Joint Ministry and National Oil team conducting survey of the Kipetu Gas Prospect, Kajiado County*

**(f) Optimization of the Mombasa – Nairobi (Line 5) and PS10(Nairobi Terminal) Tanks**

The Mombasa – Nairobi product pipeline (Line 5) and PS 10 tanks were commissioned on 30<sup>th</sup> June 2018. The first product was received on 30<sup>th</sup> July 2018. Optimization of Line 5 is ongoing through efficiency initiatives such as pumping schedules to optimize on electricity consumption and larger batch scheduling.

**(g) Security of Supply of petroleum products**

**Throughput**

This is quantity in cubic meters (M<sup>3</sup>) of petroleum products delivered and issued to oil marketers at delivery points which include Moi International Airport - PS12, Jomo Kenyatta International Airport – PS9, Konza –PS8, Nairobi Terminal – PS 10, Nakuru Depot – PS 25, Kisumu Depot – PS 28, Eldoret Depot – PS 27 and KOSF to Shimanzi Oil Terminal and any other designated point.

During the period under review, a cumulative throughput performance of 7,404,967M<sup>3</sup> was achieved against a target of 8,025,133.32 M<sup>3</sup>. The main contributor to the inability to achieve the planned throughput performance was a decline in the export market, a shift by Oil Marketing Company's (OMC's) from lifting product from KPC depots to alternative depots e.g. Petro City.

In addition, the following activities were also undertaken to ensure continued security of supply of petroleum products:

**i. Adjudication of Petroleum Tenders and Enforcement of Open Tender System (OTS) Terms and Conditions.**

Projection of the petroleum product demand was done and tenders were invited, opened and awarded to winners within timelines. Further, the Ministry ensured compliance to the open tender system terms and conditions by referring defaulters in the OTS to EPRA.

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**ii. Vessel Scheduling Committee Meetings (VSM)**

Forty-eight (48) vessel scheduling meetings were held in which vessels were scheduled in line with the demand for petroleum products. The State Department also ensured that all vessels for both Shimanzi Oil Terminal (SOT) and Kipevu Oil Terminal (KOT) berthed on time to ensure security of supply of petroleum products as well as minimizing demurrage costs.

**iii. Monitoring Petroleum Stocks**

The State Department monitored stocks position at the various KPC depots on a daily basis to ensure there are no stock outs in the country for efficiency of supply of petroleum products.

**(j) Eradication of Fuel Adulteration, Dumping and illegal LPG Refilling**

The project aims to effectively monitor and enforce quality assurance standards to alleviate dumping and adulteration of petroleum products to ensure that quality and secure petroleum products are marketed nationally and regionally. During the period under review, a total of 14,280 sample tests were carried out in petroleum outlets across the country.

**B. EMERGING ISSUES**

- Global price volatility of crude oil has resulted in reduced investment in oil and gas exploration by international oil companies.
- Regional re-alignment which has led to oil and gas importation and transportation through the Central Corridor.
- Closure of the refinery and integration of KPC and KPRL to enhance utilization of the latter's facilities.
- Need to develop a national oil and chemical spill contingency plan for the exploration/exploitation activities.
- Develop and review regulations to manage chemicals and hazardous waste from oil processes. Recommend and develop appropriate technology for the management of these wastes.
- Adherence to the requirements of climate change Act 2016 on compliance on levels of Green House Gases (GHGs) emission reduction.

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**C. CHALLENGE FACED DURING PROGRAMMES AND PROJECTS IMPLEMENTATION**

- Loss of transit market share of petroleum products exported to neighboring countries
- High community expectations in the oil, gas and mining exploration and development which slow down the pace of project implementation.
- Inadequate skilled local professionals in the sector.
- Gender mainstreaming in oil and gas projects.

**D. RECOMMENDED WAY FORWARD**

- Need for strategic partnership for project financing, execution and skills transfer.
- Need to develop strategies and respective legislation for management of community expectations.

Need to strengthen national and county governments' collaboration and other stakeholders engagement at all stages of programme/project development.

- Linkages with other sectors with a coordinated approach in the implementation of the various flagship projects. The collaboration will entail capacity building with various technical institutions, environmental matters, occupational safety and health services concerns amongst others.
- There is need to strengthen the involvement of relevant local professionals in all phases of project implementation, including conceptualization, design, construction and commissioning to ensure capacity building and knowledge transfer.
- 
- Need to come up with strategies to mitigate negative impacts on fluctuating global commodity prices and marketing trends which affect returns on investment.
- Enhancing capacity building in the counties in the oil and gas sector through partnerships with the national government, TVET training institutions, Universities and investors.

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**SUMMARY OF FINANCIAL PERFORMANCE**

**Budget Utilisation**

The State Department spent KShs. 2,572,234,969.20 against an approved budget of KShs. 3,275,713,154.00 representing an absorption of 79%. Utilisation of the budget was carried out through various activities (economic classifications) as shown in the chart below:

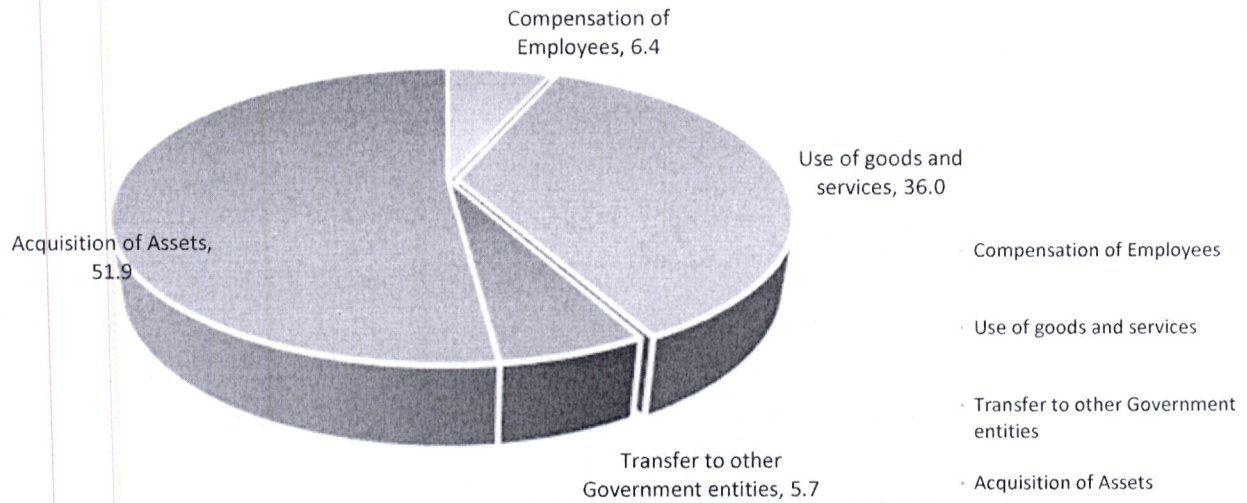
Financial Performance	Printed Estimates	Actual	Variance	%
	Kshs	Kshs	Kshs	Utilisation Variance
Total Receipts	5,707,102,900	2,608,843,791.30	3,098,259,108.7	54%
Total Payments	5,707,102,900	2,573,214,429.20	3,133,888,470.8	55%
<b>Surplus</b>	<b>0</b>	<b>35,629,362.10</b>	<b>(35,629,362.10)</b>	

	Approved Budget Allocation	Actual Payments	Variance
	Kshs.	Kshs.	Kshs.
Compensation of Employees	156,200,000.00	156,024,130.65	175,869.35
Use of goods and services	875,157,664.00	973,418,815.65	(98,261,151.65)
Transfer to other Government entities	140,000,000.00	140,000,000.00	0.00
Acquisition of Assets	2,038,355,500.00	1,303,771,482.90	734,584,017.10
<b>Total Payments</b>	<b>3,209,713,164.00</b>	<b>2,573,214,429.20</b>	<b>636,498,734.80</b>

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**Budget utilization per economic item**

**BUDGET UTILIZATION PER ECONOMIC ITEM**



**Current Year Performance against Prior Year**

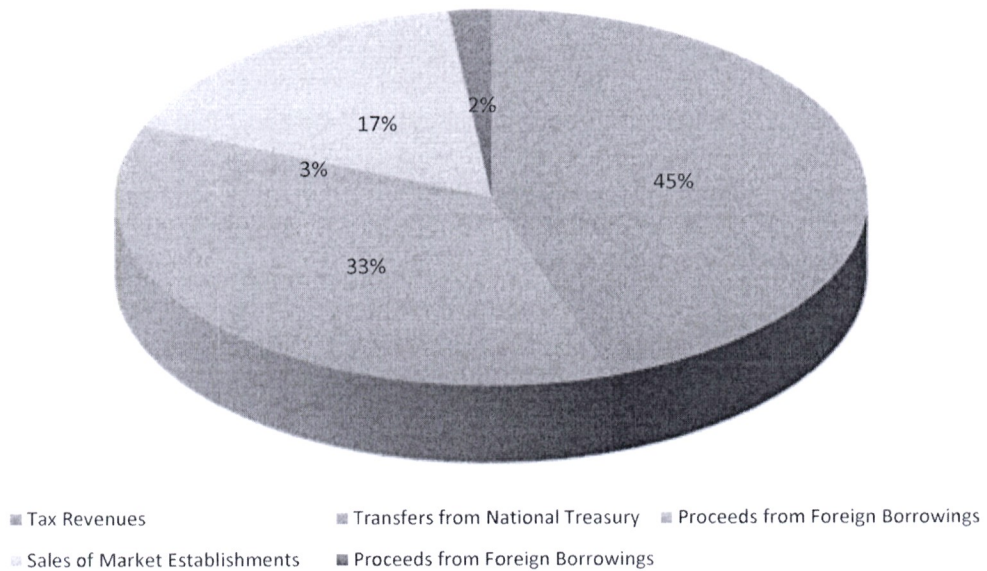
Financial Performance	Year to 30th June 2020	Year to 30th June 2019	Change	%
	Kshs	Kshs	Kshs	Change
Total Receipts	2,608,843,791.30	2,945,249,041	-425,304,611	-(14)
Total Payments	2,573,214,429.20	2,809,194,026	-355,205,269	-(13)
<b>Surplus For the Year</b>	<b>35,629,362.10</b>	<b>136,055,016</b>		

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**Receipts**

The state department's total receipts summed up to 3,172,841,904 comprising mainly of Tax revenues, Exchequer releases, grants & borrowings, and AIA the total receipts increased by 93% due to the increased budgetary provision in the year

Revenue



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**Total Receipts Breakdown**

	<b>Year to 30th June 2020</b>	<b>Year to 30th June 2019</b>	<b>Change</b>	<b>%</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Change</b>
Tax Revenues	1,138,323,033.60	1,773,170,473	(634,847,439)	(36)
Transfers from National Treasury	854,625,269.75	921,753,196.00	(67,127,926)	(7)
Proceeds from Foreign Borrowings	74,301,848.75	11,125,770	63,176,079	568
Sales of Market Establishments	427,842,637.20	211,373,745	216,468,892	102
Proceeds from Foreign Borrowings	47,000,000.00	47,317,195	(317,195)	(1)
<b>Total Receipts</b>	<b>2,542,092,789.30</b>	<b>2,964,740,379.00</b>	<b>(422,647,590.00)</b>	<b>(14.00)</b>

The diagram above depicts the share of major categories of receipts for the fiscal year ended 30<sup>th</sup> June 2020. The major source of funding for the State Department for Petroleum is Tax Receipts that account for 45.45% of the total receipts

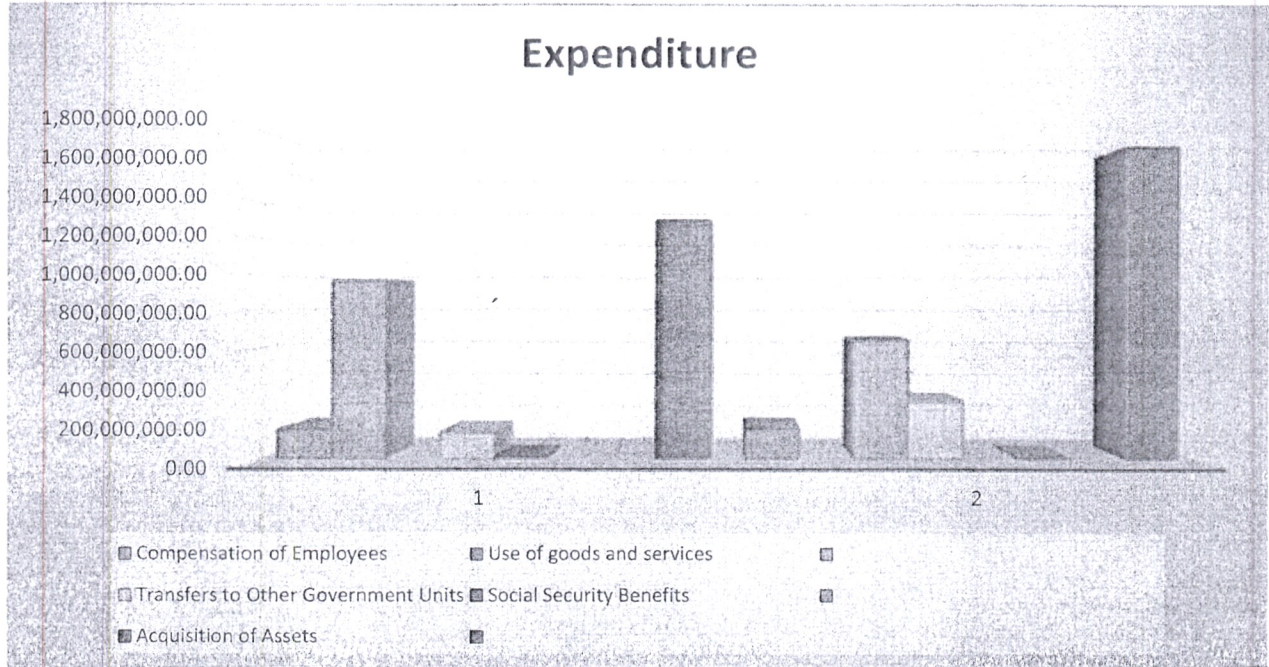
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**Payments**

The State Department's payments mainly comprise of Transfers to Other Government entities i.e. National Oil Corporation Kenya, Energy Regulatory Commission and KEPTAP project

	Kshs	Kshs	Kshs	Change
Payments	Year to 30th June 2020	Year to 30th June 2019	Change	%
	Kshs	Kshs	Kshs	Change
Compensation of Employees	156,024,130.65	160,858,530	(4,834,399)	(3.01)
Use of goods and services	973,418,815.65	647,110,545	326,308,271	50.43
Transfers to Other Government Units	140,000,000.00	313,000,000	(173,000,000)	(55.27)
Social Security Benefits	0	1,647,884	(1,647,884)	(100.00)
Acquisition of Assets	1,303,771,482.90	1,706,068,405	(403,276,382)	(23.64)
<b>Total</b>	<b>2,573,214,429.20</b>	<b>2,828,685,363</b>	<b>(255,470,933.80)</b>	<b>(9.07)</b>

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*John K. Munyes*

**Hon. John K. Munyes, EGH**  
**Cabinet Secretary**  
**Ministry of Petroleum and Mining**

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**3. STATEMENT OF PERFORMANCE AGAINST MDA'S PREDETRMINED OBJECTIVES**

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 MDA's 2018-2022 plan are to:**

- To strengthen the Policy, Legal and Institutional framework for the Petroleum development and accelerating the speed of completion of projects;
- To ensure there is capacity development in the Oil/Gas and minerals sector;
- To improve access to competitive, reliable and safe supply of petroleum products to all Kenyans;
- To promote Sustainable petroleum reserves;
- To promote Efficient utilization and conservation of oil and gas;
- To promote Exploration and development of fossil fuel resources;
- To optimize utilization of both human and financial resources.
- To explore alternative financing models for Petroleum sub-sector projects.
- To enhance Public-Private Partnerships in the provision of oil and gas facilities and services;

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**Progress on attainment of Strategic development objectives**

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:

**Progress on attainment of Strategic development objectives**

<b>MDA Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
<b>Exploration and Distribution of Oil and Gas</b>	To ensure availability and access of reliable petroleum and gas	Petroleum Blocks Reviewed	Number of blocks reviewed for creation and gazettelement of new blocks	55 Blocks (This is a continuous exercise where all licensed and open Blocks are reviewed with an aim of demarcating and gazeting new Blocks. The Department has reviewed the block coordinates and boundaries. This is currently awaiting gazettelement and subsequent revision of the Petroleum Exploration Block Map of Kenya)
		South Lokichar Field Development Plan	Finalized Field Development Plan	1 Report (The Department has been involved in the review of the technical components of the South Lokichar Field Development Plan, a draft FDP has been prepared and submitted for further discussions and review. The Finalized FDP will be submitted in Q1 of 2020/21 upon finalization of the commercial/cost analysis)
		Appraisal and Exploration Wells Drilled	Number of Exploration and Appraisal Wells Drilled	The target to one (1) Exploratory well within the Mlima Prospect offshore Lamu Basin in the Fourth Quarter of the FY 2019/20. Towards this Department has been involved in a series of engagements with the contract/IOC to realize this target
		Petroleum Exploration Blocks marketed Nationally and Internationally	Number of Petroleum Exploration Blocks marketed	25 Blocks against a target of 30 Blocks:- In order to attract investment in country's oil and gas sector open blocks, the Department participated in the Africa Oil Week 2019 held in Cape Town, November 2019. The planned activities for Q3 & Q4i.e. AAPG Conference and the CERA week have been affected by the COVID 19 Global Pandemic

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<b>MDA Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
		Geoscientific (Geological and Geophysical) Data Acquisition and Management	Number of Geoscientific Reports prepared	Geophysical and Geological data acquisition, processing and interpretation is a continuous exercise throughout the FY. The Department has acquired gravity and magnetic data in Block L19A within the Lamu Basin, and gravity data within the Kipetu Gas Prospect in Kajiado County. Geological survey is ongoing. These activities have been slowed down by the COVID 19 Pandemic. Draft Geophysical and Geological Reports have been prepared, data processing and interpretation is ongoing to enable preparation of the final reports within Q4.
		Barrels of Early Oil delivered to KPRL storage terminals	Number of barrels	177,654 against a target of 200,000 barrels: - Production has been suspended due to damaged roads in the North Rift i.e. Ortum area. Road repairs by KeNHA are currently underway. Production and trucking of crude will resume upon completion of the repairs to enable the achievement of the set target.
		FEED [1] and ESIA [2] for the proposed Lokichar-Lamu crude oil export pipeline.	ESIA and FEED reports	ESIA Completed and report submitted to NEMA in November 2019, FEED Completed Phase 1 and 2 compilation of the final report is ongoing.
		Kenya Petroleum Technical Assistance Project (KEPTAP)	Number of staff trained under KEPTAP	254 against a target of 361: - The project restructuring that occurred in November 2019 collapsing the three PITs into one lead to the freezing of project account. The project was therefore not able to facilitate training of officers. Budget cuts of about KES 800m also affected project operations

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<b>MDA Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
		Task Order Reports	Number of Task Orders Report	All the 4 reports were received and reviewed by the technical team as planned
		Petroleum products distributed	Metric tonnes (MT) of petroleum products	425,6760 MT against 487,5000 MT: - The imports in the third quarter were affected greatly by the global pandemic and the lock downs in the neighbouring countries that Kenya supplies to. Most importers pulled out their tender participations in the Open Tender System (OTS) and this made the March OTS flop.
		Fuel Marking	Number of samples tested from different sampled distribution points.	15,023 against a target of 13,500: - This is an ongoing exercise to ensure that fuel sold in the Kenyan market is of good quality.
		LPG Storage facilities constructed in major towns	No. of bulk storage facilities	Contract preparation and signing with the Third-Party Inspector, Tender Evaluation for the Supply and delivery of new empty 6Kg LPG cylinders, 2-burner cookers, 1.5-meter-long flex rubber hose pipes, and Cylinder Smart Meters is ongoing. The Ministry has written to KIPRA to develop a criteria and on board the target beneficiaries of the cylinders and accompanying accessories.
		LPG cylinders purchased, tagged and distributed to low income households	No. of cylinders	Contract preparation and signing with the Third-Party Inspector, Tender Evaluation for the Supply and delivery of new empty 6Kg LPG cylinders, 2-burner cookers, 1.5-meter-long flex rubber hose pipes, and Cylinder Smart Meters is ongoing. The Ministry has written to KIPRA to develop a criteria and on board the target beneficiaries of the cylinders and accompanying accessories.
		LPG Skids	No of LPG skids	Installation of the LPG filling plants (SKIDS)

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MDA Program	Objective	Outcome	Indicator	Performance
		purchased and installed		became a challenge due to time constraint and land acquisition where the SKIDS will be constructed and commissioned.
	Petroleum sector stakeholders' engagements and reporting		Number of reports	16 against a target of 18: - The engagements during the Q3 & Q4 have been affected by the global covid 19 pandemic. There were no engagements in the month of March.

#### **4. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

##### **Background**

Community development as stipulated in the Production sharing contract is primarily a strategic means which the government ensures how well the company is achieving its goals or benchmarks for social responsibility. In reference to Production Sharing contracts for licensed Blocks, article 1.4.2. For the purposes of auditing, the Government may examine and verify, at reasonable times all charges and credits relating to the petroleum production Sharing Contract' operations. Also, in line with the PSC's the Government through the relevant departments and stakeholders monitors all Corporate Social Responsibility programs together with Community Development Projects and assess its level of acceptance to the host community.

##### **Sustainability**

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

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

##### **Environmental Performance**

The State Department is guided by Environmental Management and Coordination Act (EMCA 2015) in monitoring environmental impacts State Department also insists on the individual company's policy on Health Safety and Environment and check consistency with the existing regulations and laws.

##### **Market place practices-**

The organization should outline its efforts to:

- a) Responsible competition Practice.  
Explain how the organization ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors
- b) Responsible supply chain and supplier relations – explain how the organization maintains good business practices, treats its own suppliers responsibly by honoring contracts and respecting payment practices.
- c) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices
- d) Product stewardship-outline efforts to safeguard consumer rights and interests.

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- a) Use of open tender method, which is the most competitive method of procurement
- b) The department 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 Department rarely punish our suppliers by not cashing their bid bonds.
- c) Market surveys are regularly conducted
  - Technical officers from technical department also ensure they continually research to understand up-to date information in relation to changes in technology and technological product.
- d) The Department ensure that product specifications meet the set standard and threshold as prescribed in the Public Procurement and Asset Disposal Act, 2015 e.g environmental concerns, minimum wage requirements and Tax Compliance requirements.

**Community Engagements-**

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

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**5. STATEMENT OF ENTITY 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 Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the State Department for Petroleum is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2020. 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 State Department for Petroleum accepts responsibility for the entity'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 entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2020, and of the entity's financial position as at that date. The Accounting Officer charge of the State Department for Petroleum further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the State Department for Petroleum confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity'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 state department for petroleum's financial statements were approved and signed by the Accounting Officer on 30.9. 2020.

  
Principal Secretary

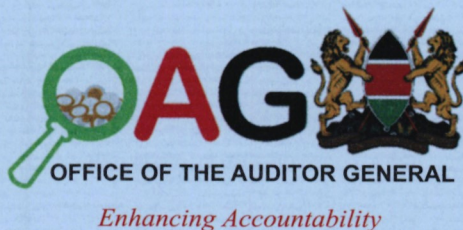
Name: Andrew Kamau, CBS

  
Assistant Accountant General

Name: Charles Liyayi Shidzugane

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## **REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR PETROLEUM FOR THE YEAR ENDED 30 JUNE, 2020**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of State Department for Petroleum set out on pages 35 to 64, which comprise the statement of assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows, summary statement of appropriation - recurrent and development combined 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 the State Department for Petroleum as at 30 June, 2020, 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 Public Finance Management Act, 2012.

#### **Basis for Opinion**

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

### 1. Pending Bills

As disclosed in Note 21 to the financial statements, the State Department for Petroleum had pending bills totalling Kshs.438,179,896 as at 30 June, 2020, that were not settled during the 2019/2020 financial year but were instead carried forward to 2020/2021. Failure to settle bills during the year to which they relate to adversely affects the provisions of the subsequent year to which they have to be charged. Additionally, the reported pending bills amount differs with the detailed schedule figure of Kshs.436,253,689 provided by the State Department resulting to a variance of Kshs.1,926,207 which has not been explained.

### 2. Budgetary Control and Performance

The statement of appropriation-recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.3,275,722,164 and Kshs.2,608,843,791 respectively, resulting in underfunding of Kshs.666,878,373 or 20%. Similarly, the State Department incurred a total expenditure of Kshs.2,573,214,429 against an approved budget of Kshs.3,275,713,164 resulting in an under-expenditure of Kshs.702,502,735 or 21% of the budget. However, included in the total expenditure of Kshs.2,573,214,429 is an amount of Kshs.973,418,817 under use of goods and services component which was incurred against a budget of Kshs.941,157,664 resulting in an over-expenditure of Kshs.32,261,151.65 or about 3% of the budgeted amount.

### 3. Delay of Exchequer Releases

Review of records maintained by the State Department in relation to Exchequer releases revealed that the State Department received Kshs.90,794,153 Exchequer releases from The National Treasury in the month of June, 2020, as detailed below:

<b>Date Funds Released by The National Treasury</b>	<b>Vote</b>	<b>Amount Received (Kshs.)</b>
15 June, 2020	Recurrent	1,035,021
24 June, 2020	Recurrent	11,794,868
28 May, 2020	Development	52,621,360
11 June, 2020	Development	21,038,100
15 June, 2020	Development	4,484,804
<b>Total</b>		<b>90,794,153</b>

The above delay in release of Exchequer may have negatively affected timely implementation of the programmes of the State Department and provision of services to the public.

## 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, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **1. Lack of an Audit Committee**

Section 174(1) of the Public Finance Management (National Government) Regulations, 2015, requires every National Government entity to establish an Audit Committee. However, during the year under review, the State Department did not have an Audit Committee in place. Consequently, the oversight functions expected to be fulfilled by the Committee were not realized.

#### **2. Weak Controls over Fuel Expenditure**

Note 7 to the financial statements reflects expenditure of Kshs.7,483,725 on fuel and lubricants under the Use of Goods and Services expenditure component. The expenditure largely comprised prepayment for petroleum products supported by proforma invoices from the National Oil Corporation Limited (NOC). However, a review of records maintained on usage of the petroleum products revealed lack of a proper stocks management system. For instance, a record of fuel drawn, quantities remaining and levels of stocks requiring replenishment were not being maintained by

the State Department. In addition, no consumption statements were being obtained from NOC, indicating consumption and remaining balances before next payments could be made, and no regular reconciliation of stocks were being done.

The Management indicated that there was a fuel card system in place that was being used by the State Department and that the National Oil Corporation was required to submit monthly reports on quantities drawn against the prepayment made.

In the absence of these documents, it was not possible to ascertain whether the fuel paid for was drawn and utilized for the intended purposes.

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 (Cash 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the State Department's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services using the applicable basis of accounting unless Government is aware of the intention to terminate the State Department or 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 preparing and presenting the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the State Department 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 or 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 control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control system would not necessarily disclose all matters in internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the 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 control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the State Department's ability to continue 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 State Department 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 State Department to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**25 May, 2021**

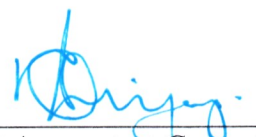
STATE DEPARTMENT FOR PETROLEUM  
Reports and Financial Statements  
For the year ended June 30, 2020

7. **STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2019-2020	2018-2019
		Kshs	Kshs
<b>RECEIPTS</b>			
Tax Receipts	1	1,138,323,033.60	1,773,170,473
Proceeds from Domestic and Foreign Grants	2	74,301,848.75	11,125,770
Exchequer releases	3	854,625,269.75	921,753,196
Proceeds from Foreign Borrowings	4	494,593,639.20	211,373,745
Other Revenues	5	47,000,000.00	47,317,195
<b>TOTAL RECEIPTS</b>		<b>2,608,843,791.30</b>	<b>2,964,740,379</b>
<b>PAYMENTS</b>			
Compensation of Employees	6	156,024,130.65	160,858,530
Use of goods and services	7	973,418,815.65	647,110,545
Transfers to Other Government Units	8	140,000,000.00	313,000,000
Social Security Benefits	9	-	1,647,884
Acquisition of Assets	10	1,303,771,482.90	1,706,068,405
<b>TOTAL PAYMENTS</b>		<b>2,573,214,429.20</b>	<b>2,828,685,363</b>
<b>SURPLUS/DEFICIT</b>		<b>35,629,362.10</b>	<b>136,055,016</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30.09 2020 and signed by:

  
Principal Secretary  
Name: Andrew Kamau, CBS

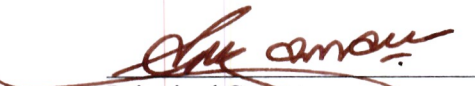
  
Assistant Accountant-General  
Name: Charles Liyayi Shidzugane  
ICPAK Member Number: 5068


STATE DEPARTMENT FOR PETROLEUM  
Reports and Financial Statements  
For the year ended June 30, 2020

**8. STATEMENT OF ASSETS AND LIABILITIES**

	Note	2019/2020	2018/2019
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	11	79,108,210.10	168,283,736
		-	-
<b>Total Cash and cash equivalent</b>		<b>79,108,210.10</b>	<b>168,283,736</b>
Accounts receivables – Outstanding Imprests	12	304,438.00	25,778
<b>TOTAL FINANCIAL ASSETS</b>		<b>79,412,648.10</b>	<b>168,309,514</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payables – Deposits and retentions	13	43,757,488.00	32,254,498
<b>NET FINANCIAL ASSETS</b>		<b>35,655,160.10</b>	<b>136,055,016</b>
<b>REPRESENTED BY</b>			
<b>Fund balance b/fwd</b>	14	136,055,016	138,547,175
Refund to the National Treasury		(136,029,238)	(138,547,175)
		25,778	
<b>Surplus/Deficit for the year</b>		<b>35,629,362.10</b>	<b>136,055,016</b>
<b>Fund balance b/d</b>		35,655,140.10	136,055,016
<b>NET FINANCIAL POSITION</b>		<b>35,655,140.10</b>	<b>136,055,016</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30.9. 2020 and signed by:

  
Principal Secretary  
Name: Andrew Kamau, CBS

  
Assistant Accountant General  
Name: Charles Liyayi Shidzugane  
ICPAK Member Number: 5068

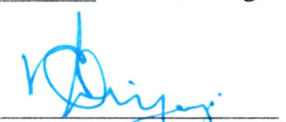
STATE DEPARTMENT FOR PETROLEUM  
Reports and Financial Statements  
For the year ended June 30, 2020

**9. STATEMENT OF CASH FLOWS**

		Kshs	Kshs
<b>Receipts for operating income</b>			
Tax Revenues	<b>1</b>	1,138,323,033.60	1,773,170,473
Proceeds from Domestic and Foreign Grants	<b>2</b>	74,301,848.75	11,125,770
Transfers from National Treasury	<b>3</b>	854,625,269.75	921,753,196
Other Revenues	<b>5</b>	47,000,000.00	47,317,195
		<b>2,114,250,152.10</b>	<b>2,753,366,634.00</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	<b>6</b>	156,024,130.65	160,858,530
Use of goods and services	<b>7</b>	973,418,815.65	647,110,545
Transfers to Other Government Units	<b>8</b>	140,000,000.00	313,000,000
			1,647,884
		<b>1,269,442,946.30</b>	<b>1,122,616,958</b>
<b>Adjusted for:</b>			
Adjustments during the year	<b>15</b>	(124,804,908)	(106,224,455)
<b>Net cash flow from operating activities</b>		<b>720,002,297.80</b>	<b>1,524,525,221</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	<b>10</b>	(1,303,771,482.90)	(1,706,068,405)
<b>Net cash flows from Investing Activities</b>		<b>(1,303,771,482.90)</b>	<b>(1,706,068,405)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	<b>4</b>	494,593,639.20	211,373,745
<b>Net cash flow from financing activities</b>		<b>494,593,639.20</b>	<b>211,373,745</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(89,175,525.90)</b>	<b>29,830,561</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>168,283,736</b>	<b>138,453,175</b>
<b>Cash and cash equivalent at END of the year</b>		<b>79,108,210.10</b>	<b>168,283,736</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30.9.2020 and signed by:

  
Principal Secretary  
Andrew Kamau, CBS

  
Assistant Accountant General  
Charles Liyayi Shidzugane  
ICPAK Member Number: 5068

**10. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED**


Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>RECEIPTS</b>						
Tax Receipts- (AIA)	1,844,000,000	-	1,844,000,000	1,138,323,033.60	705,676,966.40	62
Proceeds from Domestic and Foreign Grants	164,232,000.00	(100,000,000)	64,232,000	74,301,848.75	10,069,848.75	116
Exchequer releases	2,461,049,800.00	(1,520,380,736)	940,669,064	854,625,269.75	86,043,794.25	91
Proceeds from Foreign Borrowings	1,079,821,100.00	(700,000,000)	379,821,100	494,593,639.20	114,781,539.20	130
Other Receipts	23,500,000.00	(23,500,000)	47,000,000	47,000,000.00	-	100
<b>TOTAL RECEIPTS</b>	<b>5,572,602,900.00</b>	<b>(2,296,880,736)</b>	<b>3,275,722,164</b>	<b>2,608,843,791.30</b>	<b>666,878,372.70</b>	<b>80</b>
<b>PAYMENTS</b>						
Compensation of Employees	76,000,000	80,200,000	156,200,000.	156,024,130.65	175,869.35	100
Use of goods and services	1,721,785,400	(780,618,736)	941,157,664.	973,418,815.65	(32,261,151.65)	103
Other grants and transfers	325,000,000	( 185,000,000)	140,000,000.	140,000,000.0	-	100
Acquisition of Assets	3,449,817,500	(1,411,462,000)	2,038,355,500.	1,303,771,482.90	735,563,477.10	64
<b>TOTAL PAYMENTS</b>	<b>5,572,602,900</b>	<b>( 2,296,880,736)</b>	<b>3,275,722,164</b>	<b>2,573,214,429.20</b>	<b>702,507,734.80</b>	<b>79</b>

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- i. The 105% on use of goods and services arose due to reduction of the budget on the Kenya petroleum assistance project (KEPTAP). The budget was adjusted after expenditure arising from direct payments had already been incurred. For the purpose of transparency and accountability the expenditure had however to be captured so as to reflect the true position
- ii. The underutilization of 63.9 % on acquisition of assets resulted from the pandemic that paralysed the operations not only globally but also on the state department activities, hence some of the activities in the work plan were not undertaken and

The entity financial statements were approved on 30.9. 2020 and signed by:

  
Principal Secretary  
Andrew Kamau, CBS

  
Assistant Accountant General  
Charles Lijayi Shidzugane  
ICPAK Member Number: 5068


STATE DEPARTMENT FOR PETROLEUM  
Reports and Financial Statements  
For the year ended June 30, 2020


**11. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT**

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>RECEIPTS</b>						
Tax Receipts-(AIA)						
Proceeds from Domestic and Foreign Grants						
Exchequer releases	186,463,153.20	-	186,463,153.20	186,463,153.20	-	-
Other Receipts	23,500,000.00	23,500,000.00	47,000,000.00	47,000,000.00	-	-
<b>TOTAL RECEIPTS</b>	<b>209,963,153.20</b>	<b>23,500,000.00</b>	<b>233,463,153.20</b>	<b>233,463,153.20</b>	<b>-</b>	<b>-</b>
<b>PAYMENTS</b>						
Compensation of Employees	76,000,000	80,200,000	156,200,000	156,024,130.65	175,869.35	99.89
Use of goods and services	57,732,300	19,381,264	77,113,564	65,651,737	11,461,827	85.14
Acquisition of Assets	767,700	(262,000)	505,700	478,250	27,450	94.57
<b>TOTAL PAYMENTS</b>	<b>134,500,000</b>	<b>99,319,264</b>	<b>233,819,264</b>	<b>222,154,117.65</b>	<b>11,665,146.35</b>	<b>95.01</b>

(i). The underutilization of 85 % on use of goods and services resulted from the pandemic that paralysed the operations not only globally but also on the state department activities .hence some of the activities in the work plan were not undertaken and

The entity financial statements were approved on 30.09.2020 and signed by:

  
Principal Secretary  
Andrew Kamau, CBS

  
Assistant Accountant General  
Charles Liyayi Shidugane  
ICPAK Member Number: 5068

STATE DEPARTMENT FOR PETROLEUM  
Reports and Financial Statements  
For the year ended June 30, 2020

**SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT**


Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>RECEIPTS</b>						
Tax Receipts-(AIA)	1,844,000,000	-	1,844,000,000	1,138,323,033.60	705,676,966.40	62
Proceeds from Domestic and Foreign Grants	164,232,000	(100,000,000)	64,232,000	74,301,848.75	(10,069,848.75)	116
Exchequer releases	2,350,049,800.	(1,596,209,000)	753,840,800	668,162,116.55	85,678,683.45	89
Proceeds from Foreign Borrowings	1,079,821,100	(700,000,000)	379,821,100	494,593,639.20	(114,781,539.20)	130
<b>TOTAL RECEIPTS</b>	<b>5,438,102,900</b>	<b>(2,396,209,000)</b>	<b>3,041,893,900</b>	<b>2,375,380,638.10</b>	<b>(87,336,538.20)</b>	<b>78</b>
<b>PAYMENTS</b>						
Use of goods and services	1,664,053,100	(800,000,000)	864,044,100	907,767,078.65	(43,722,978.65)	105
Transfer to other government units	325,000,000	(185,000,000)	140,000,000	140,000,000	-	100
Acquisition of Assets	3,449,049,800	(1,411,200,000)	2,037,849,800	1,303,293,232.90	735,536,027.10	64
<b>TOTAL PAYMENTS</b>	<b>5,438,102,900</b>	<b>(2,396,209,000)</b>	<b>3,041,893,900</b>	<b>2,351,060,311.55</b>	<b>691,813,048.45</b>	<b>77</b>


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(i) The 105% on use of goods and services arose due to reduction of the budget on the Kenya petroleum assistance project (KEPTAP). The budget was adjusted after expenditure arising from direct payments had already been incurred. For the purpose of transparency and accountability the expenditure had however to be captured so as to reflect the true position

(ii) The underutilization of 64 % on acquisition of assets resulted from the pandemic that paralysed the operations not only globally but also on the state department activities .hence some of the activities in the work plan were not undertaken as planned.

The entity financial statements were approved on 30.9.2020 and signed by:

  
Principal Secretary  
Andrew Kamau, CBS

  
Assistant Accountant General  
Charles Liyayi Shidzugane  
ICPAK Member Number: 5068

**BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES**

Programme/Sub-programme	Original Budget 30TH, 2019 Kshs	Adjustments Kshs	Final Budget 30TH, 2019 Kshs	Actual on comparable basis 30TH, 2019 Kshs	Budget utilization difference Kshs
<b>Exploration and Distribution of Oil and Gas</b>	<b>3,275,713,164</b>	-	3,275,722,164	2,573,214,429.20	702,507,734.80
Oil and Gas exploration	2,386,763,269	-	2,386,772,269	2,237,781,544.50	148,990,724.5
Distribution of petroleum and gas	888,949,895	-	888,949,895	335,432,884.70	553,517,010.30
<b>TOTAL</b>	<b>3,275,713,164</b>	-	<b>3,275,722,164</b>	<b>2,573,214,429.20</b>	<b>702,507,734.80</b>

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based. Ensure that this document is completed to enable consolidation by the National Treasury)

## **12. SIGNIFICANT ACCOUNTING POLICIES**

The principle accounting policies adopted in the preparation of these financial statements are set out 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 Entity**

The financial statements are for the State Department for Petroleum. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

#### **i. Kenya Petroleum Technical Assistance Project**

### **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.

### **4. Significant Accounting Policies**

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

#### **a) Recognition of Receipts**

The Entity recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Entity.

#### **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. (Check if this policy is applicable to entity)

STATE DEPARTMENT FOR PETROLEUM  
Reports and Financial Statements  
For the year ended June 30, 2020

**SIGNIFICANT ACCOUNTING POLICIES**

- **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 entity.

- **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 entity 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 the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30<sup>th</sup> June 20xx, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

- **Other 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 Entity recognises all payments when the event occurs, and the related cash has been paid out by the Entity.

- **Compensation of Employees**

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

- **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.

- **Interest on Borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they are paid for.

STATE DEPARTMENT FOR PETROLEUM

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• **Repayment of Borrowing (Principal Amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

• **Acquisition of Fixed Assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

**5. In-kind contributions**

In-kind contributions are donations that are made to the Entity 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 Entity 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.

**6. Third Party Payments**

Included in the receipts and payments, are payments made on its behalf to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties in the statement of receipts and payments as proceeds from foreign borrowings.

**7. 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.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2020, this amounted to Kshs 43,757,488.00 compared to Kshs 32,254,498 in prior period as indicated on note 13.

There were no other restrictions on cash during the year.

STATE DEPARTMENT FOR PETROLEUM  
Reports and Financial Statements  
For the year ended June 30, 2020

**SIGNIFICANT ACCOUNTING POLICIES**

**8. Accounts Receivable**

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 AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**9. Accounts Payable**

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 by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

**10. Pending Bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Entity at the end of the year. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made.

**11. Budget**

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, 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 on June 2019 for the period 1<sup>st</sup> July 2019 to 30<sup>th</sup> June 2020 as required by Law and there were two 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.

**12. Comparative Figures**

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

STATE DEPARTMENT FOR PETROLEUM  
Reports and Financial Statements  
For the year ended June 30, 2020

**SIGNIFICANT ACCOUNTING POLICIES**

**13. Subsequent Events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30<sup>th</sup> June 2020.

**14. Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

During the year, errors that have been corrected are disclosed under note 26 explaining the nature and amounts.

**15. Related Party Transactions**

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

STATE DEPARTMENT FOR PETROLEUM  
Reports and Financial Statements  
For the year ended June 30, 2020

**13. NOTES TO THE FINANCIAL STATEMENTS**

**1 TAX REVENUES**

	2019-2020	2018-2019
	Kshs	Kshs
Taxes on Goods and Services	1,138,323,033.60	1,773,170,473
<b>Total</b>	<b>1,138,323,033.60</b>	<b>1,773,170,473</b>

*(These are monies received from Petroleum Development Levy Fund and Petroleum Training Levy Fund to cater for the State department for petroleum development expenditure. An amount of kshs. 996,797,982.50 and kshs 141,525,051.10 were drawn from Petroleum Development Levy Fund and Petroleum Training Levy Fund respectively.*

**2 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS**

Name of Donor	Date received	Indicate whether it was a direct payment	Amount in foreign currency	2019-2020	2018-2019
				Kshs	Kshs
<b>Grants Received from Multilateral Donors (International Organisations)</b>					
World Bank		Direct payment		74,301,848.75	11,125,770
<b>Total</b>		Direct payment		<b>74,301,848.75</b>	<b>11,125,770</b>

*These direct payments were used to cater for the Kenya Petroleum Technical Assistance Project (KEPTAP payments)*

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3 EXCHEQUER RELEASES**

Description	2019/2020	2018/2019
	Kshs	Kshs
Total Exchequer Releases for quarter 1	200,953,408	173,948,585
Total Exchequer Releases for quarter 2	319,102,972	121,322,556
Total Exchequer Releases for quarter 3	213,302,827	126,994,555
Total Exchequer Releases for quarter 4	121,266,021	499,487,500
<b>Total</b>	<b>854,625,269</b>	<b>921,753,196</b>

*The State Department for Petroleum received the total budgeted exchequer for both development and recurrent*

**4 PROCEEDS FROM FOREIGN BORROWINGS**

	2019-2020	2018-2019
	Kshs	Kshs
Foreign Borrowing - Direct Payments	494,593,639.20	211,373,745
<b>Total</b>	<b>494,593,639.20</b>	<b>211,373,745</b>

*These amounts borrowed were part of the funding for the Kenya Petroleum Technical Assistance Project (KEPTAP)*

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**5 OTHER REVENUES**

Description	2019-2020	2018-2019
	Kshs	Kshs
Sales by Market Establishments	47,000,000.00	47,317,195.00
<b>Total</b>	<b>47,000,000.00</b>	<b>47,317,195.00</b>

**6 COMPENSATION OF EMPLOYEES**

	2019/2020	2018/2019
	Kshs	Kshs
Basic salaries of permanent employees	95,350,782.75	91,093,403
Basic wages of temporary employees		3,999,977
Personal allowances paid as part of salary	60,673,347.90	65,765,149
<b>Total</b>	<b>156,024,130.65</b>	<b>160,858,530</b>

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**7 USE OF GOODS AND SERVICES**

	2019/2020	2018/2019
	Kshs	Kshs
Utilities, supplies and services	2,605,210.75	2,362,465
Communication, supplies and services	4,396,024.65	6,483,013
Domestic travel and subsistence	12,680,800.00	16,726,057
Foreign travel and subsistence	4,335,715.00	2,570,068
Printing, advertising and information supplies & services	3,285,204.00	3,322,564
Rentals of produced assets		-
Training expenses	94,782,906.40	56,526,162
Hospitality supplies and services	259,202,288.60	302,996,145
Insurance costs		
Specialized materials and services	2,094,165.20	1,330,372
Office and general supplies and services	6,651,606.00	11,507,130
Other operating expenses	572,550,646.35	206,435,037
Routine maintenance – vehicles and other transport equipment	1,674,199.90	6,421,556
Routine maintenance – other assets	1,676,323.80	1,899,939
Fuel oil and lubricants	7,483,725.00	9,038,699
<b>Total</b>	<b>973,418,815.65</b>	<b>627,619,207</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8 GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES**

The above transfers were made to the following self-reporting entities in the year:

Description	Recurrent Kshs	Development Kshs	Total Kshs	2018-2019 Kshs
<b>Transfers to SAGAs and SCs</b>				
National oil corporation	-	140,000000	140,000000	140,000000
<b>TOTAL</b>	<b>-</b>	<b>140,000000</b>	<b>140,000000</b>	<b>140,000000</b>

We have confirmed these amounts with the recipient entities and attached these confirmations as an Appendix to this financial statements

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**9 SOCIAL SECURITY BENEFITS**

Explanation	20XX -20XX	20XX -20XX
	Kshs	Kshs
Government pension and retirement benefits		1,647,884
<b>Total</b>		<b>1,647,884</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**10 ACQUISITION OF ASSETS**

<b>Non Financial Assets</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Overhaul and Refurbishment of Construction and Civil Works		212,500
Overhaul of Vehicles and Other Transport Equipment		-
Purchase of Office Furniture and General Equipment	251,700.00	1,272,040
Purchase of Specialised Plant, Equipment and Machinery	140,126,047.30	141,860,390
Research, Studies, Project Preparation, Design & Supervision	955,007,615	1,445,116,915
Rehabilitation of Civil Works	208,386,100.00	117,606,560
<b>Total</b>	<b>1,303,771,482.90</b>	<b>1,706,068,405</b>

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• **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

• **11 Bank Accounts**

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Developm ent, deposit e.t.c	Exc rate (if in foreign currenc y)	2019/2020	2018/2019
				Kshs	Kshs
<i>Central Bank of Kenya, Recurrent</i>	-	-	-	14,329,620.25	7,821,386
<i>Central Bank of Kenya, Development</i>				21,021,101.85	128,207,852
<i>Central Bank of Kenya, Deposit</i>				43,757,488.00	32,254,498
<b>Total</b>				<b>79,108,210.10</b>	<b>168,283,736</b>

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**12 ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS**

<i>Description</i>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Government Imprests	304,438.00	25,778
<b>Total</b>	<b>304,438.00</b>	<b>25,778</b>

*List of officers with outstanding imprests*

<i>Name of Officer or Institution</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
Mercy Nyaga	30/6/2019	25,778	-	25,778
Protus Ewasit Akijah	6/02/2020	153,924.00	-	153,924.00
Johnson Kapua Ekamais	06/02/2020	114,736.00	-	114,736.00
Sophia Kerubo Ondieki	24/10/2019	10,000.00		10,000.00
<b>Total</b>		<b>304,438.00</b>	<b>-</b>	<b>278,660.00</b>

**13 ACCOUNTS PAYABLE**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Deposits	43,757.488.00	32,254,498
<b>Total</b>	<b>43,757.488.00</b>	<b>32,254,498</b>

These are monies received from Kenya national boundary office to pay for a company that was charged with the responsibility of procuring seismic data reprocessing and reinterpretation services upon completion of the exercise, which had to be verified by the State Department before making payment.

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**14 FUND BALANCE BROUGHT FORWARD**

Description	2019/2020	2018/2019
	Kshs	Kshs
Bank accounts	136,029,238	138,453,175
Accounts Receivables	25,778	94,000
Accounts Payables	32,254,498	-
<b>Total</b>	<b>168,309,514</b>	<b>138,547,175</b>

*Accounts payables related to deposits in the state department*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**15 PRIOR YEAR ADJUSTMENTS**

Description of the error	2019/2020	2018/2019
	Kshs	Kshs
Refund to the National Treasury	(136,029,238)	(138,547,175)
Adjustments on payables	11,502,990	32,254,498
Adjustments on receivables	(252,882.00)	68,222
Others ( <i>specify</i> )		
	<b>(124,804,908)</b>	<b>(106,224,455)</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**16. CHANGES IN RECEIVABLE**

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Outstanding Imprest as at 1 <sup>st</sup> July 2019 (A)	25,778.00	94,000.00
Imprest issued during the year (B)	153,389,548.80	196,883,200.00
Imprest surrendered during the Year (C)	153,136,666.80	196,951,422.00
Net changes in account receivables D= A+B-C	278,660.00	<b>25,778.00</b>

**17. CHANGES IN ACCOUNTS PAYABLE – DEPOSITS AND RETENTIONS**

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Deposit and Retentions as at 1 <sup>st</sup> July 2019 (A)	32,254,498	32,254,498
Deposit and Retentions held during the year (B)	11,502,990.	-
Deposit and Retentions paid during the Year (C)	-	-
Net changes in account receivables D= A+B-C	<b>43,757,488</b>	<b>32,254,498</b>

**18 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 State Department for Petroleum

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

**Related party transactions:**

	2019- 2020	2018- 2019
	Kshs	Kshs
Transfers to other National Oil corporation	140,000,000	310,000.000
<b>Total</b>	<b>140,000,000</b>	<b>310,000.000</b>

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**19 OTHER IMPORTANT DISCLOSURES**

**19.1: PENDING ACCOUNTS PAYABLE (See Annex 1)**

	Balance b/f FY 2018/2019	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings				
Construction of civil works				
Supply of goods	28,829,120	1,697,040	28,829,120	1,697,040
Supply of services	189,299,375	436,482,856	189,299,375	436,482,856
<b>Total</b>	<b>218,128,495</b>	<b>438,179,896</b>	<b>218,128,495</b>	<b>438,179,896</b>

**19.2 External Assistance**

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
External assistance received in cash		
External assistance received as loans and grants	414,362,118	249,814,006
External assistance received in kind- as payment by third parties	568,895,488	223,354,046
<b>Total</b>	<b>983,257,605.3</b>	<b>473,168,052</b>

*a) External assistance relating loans and grants*

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
External assistance received as loans	316,109,242	169,833,341
External assistance received as grants	98,252,876	79,980,665
<b>Total</b>	<b>414,362,118</b>	<b>249,814,006</b>

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*b) Undrawn external assistance*

	Purpose for which the undrawn external assistance may be used	FY 2019/2020	FY 2018/2019
Description		Kshs	Kshs
Undrawn external assistance – loans	The funds will be utilized to implement various activities as per the annual work plans and budget and in line with the project appraisal documents	1,721,891,679	2,182,909,522
Undrawn external assistance – grants		112,592,331	33,146,965
<b>Total</b>		<b>1,834,484,010</b>	<b>2,216,056,487</b>

*c). Classes of providers of external assistance*

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
Use of goods	568,895,488	154,314,267
Acquisition of assets		69,039,779
<b>Total</b>	<b>568,895,488</b>	<b>223,354,046</b>

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
Multilateral donors	983,257,605.3	473,168,052
<b>Total</b>	<b>983,257,605.3</b>	<b>473,168,052</b>

*Purpose and use of external assistance*

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
Use of goods and services	568,895,488	154,314,267
Acquisition of Assets		69,039,779
<b>TOTAL</b>	<b>568,895,488</b>	<b>223,354,046</b>

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*N/B The above sub-classification will be adopted based on the purpose of the external assistance and how the external assistance was used.*

***f. External Assistance paid by Third Parties on behalf of the Entity by Source***

*This relates to external assistance paid directly by third parties to settle obligations on behalf of the entity*

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
Multilateral donors-World bank	568,895,488	223,354,046
<b>Total</b>	<b>568,895,488</b>	<b>223,354,046</b>

## 20. PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITOR'S RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Difference Between Financial Statement and Cashbook Ledger Balance	THE management is in constant communication with the national treasury through the IFMIS department to ensure that the anomaly is corrected.	HAU	RESOLVED	
	Under-absorption of Budget	The under expenditure was due to non-payment for consultancies in the State Department whose contracts were signed but the activities were still under implementation and the payments had not been effected since the deliverables had not been achieved	CFO	RESOLVED	
	Incomplete Implementation of Mwananchi Gas Project	The Ministry contracted 10 firms to supply various components of the project at an aggregate cost of Kshs.999,975,230. The State Department procured a Third Party Inspection Services	CFO PSCO SECRETARY PETROLEUM	RESOLVED	


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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		in FY 2019/20 after the withdrawal of the court case by COFEK and clearance from the Directorate of Criminal Investigation for LPG cylinders which were procured in FY 2016/17			

**Guidance Notes:**

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

  
 Principal Secretary  
 Andrew Kamau, CBS

  
 Assistant Accountant General  
 Charles Lijayi Shidzugane  
 ICPAK Member Number: 5068

21. ANNEXURE

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance	
				2020	2019
A	B	C	d=a-c		
Garden Hotel	769,500	28/10/2019	0	769,500	
Intercontinental Hotel	80,000	19/11/2019	0	80,000	
Intercontinental Hotel	180,000	20/01/2020	0	180,000	
Intercontinental	108,000	22/11/2019	0	108,000	
Intercontinental Hotel	36,000	11/12/2019	0	36,000	
Intercontinental	67,980	12/03/2019	0	67,980	
Intercontinental	237,510	02/01/2020	0	237,510	
Realedgeafrica Venture	139,140	22/11/2019	0	139,140	
Realedgeafrica Venture	451,850	09/09/2019	0	451,850	
Realedgeafrica Venture	206,210	18/11/2019	0	206,210	
Realedgeafrica Venture	263,630	09/09/2019	0	263,630	
Pago Airtravel	35,600	16/12/2019	0	35,600	
Pago Airtravel	187,000	12/04/2019	0	187,000	
Pago Airtravel	174,710	01/08/2020	0	174,710	
Pago Airtravel	174,775	09/12/2019	0	174,775	
Pago Airtravel	187,660	14/08/2019	0	187,660	
Pago Airtravel	23,360	27/01/2020	0	23,360	
Pago Airtravel	449,250	29/10/2019	0	449,250	
Pago Airtravel	184,990	11/07/2019	0	184,990	
Darwin Tours	125,025	18/11/2019	0	125,025	
Lake Naivasha Simba	481,900	10/11/2019	0	481,900	
Tin Tin Restaurant	54,000	15/11/2019	0	54,000	

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Tin Tin Restaurant	40,500	31/01/2020	0	40,500
Jubatus Travel Ltd	597,500	09/06/2019	0	597,500
Jubatus Travel Ltd	17,750	11/07/2019	0	17,750
Astorian Hotel	76,550	07/10/2019	0	76,550
Astorian Hotel	53,600	16/01/2020	0	53,600
Standard Group Ltd	266,800	26/11/2019	0	266,800
Intercontinental Hotel	132,000	25/02/2020	0	132,000
Intercontinental Hotel	36,000	13/03/2020	0	36,000
Intercontinental Hotel	36,000	28/02/2020	0	36,000
Standard Group Plc	255,200	22/11/2018	0	255,200
Intercontinental Hotel	160,000	18/3/2020	0	160,000
Tintin Restaurant	27,000	03/05/2020	0	27,000
Tintin Restaurant	40,500	03/11/2020	0	40,500
Tintin Restaurant	27,000	03/04/2020	0	27,000
Darwin Tours And Travel	173,610	10/02/2019	0	173,610
Pago Airways	81,090	29/09/2017	0	81,090
Pago Airways	25,925	30/11/2018	0	25,925
Big Man Travel	560,420	31/07/2019	0	560,420
Specicom Technologies Ltd	1,697,040	06/03/2020	0	1,697,040
Realedgeafrica Venture	24,900	24/02/2020	0	24,900
Realedgeafrica Venture	133,765	30/04/2019	0	133,765
Realedgeafrica Venture	412,080	13/02/2020	0	412,080
Lake Naivasha Resort	175,500	12/08/2019	0	175,500
Tin Tin Restaurant	54,000	4/3/20-5/3/20	0	54,000
Tin Tin Restaurant	40,500	03/11/2020	0	40,500
Intercontinental Hotel	24,300	19/03/2020	0	24,300
Intercontinental Hotel	116,000	16/3/20-18/3/20-18/3/20	0	116,000

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Crown Motors	27,700	18/2/20-20/2/20	0	27,700
Pago Airways	18,000	11/03/2019	0	18,000
Green Max Ltd	612,000	24/04/2020	0	612,000
Realedgeafrica Venture	968,365	12/2/2019-12/2/19	0	968,365
Pago Airways	275,000	14/11/2019	0	275,000
Pago Airways	1,715,760	19/08/2019	0	1,715,760
Dawin Tours And Travel	128,670	18/11/2019	0	128,670
Dawin Tours And Travel	72,330	13/11/2019	0	72,330
MS Palamed Healthcare	1,960,000	30/6/2020	33,793.10	1,926,207
Nation Media Group	251,604	26/11/2019	0	251,604
Nation Media Group	251,604	20/08/2019	0	251,604
Mfi	64,148	02/10/2018	0	64,148
Commissioner Tax (IHs Global Ltd)	17,024,557	16/12/2019	0	17,024,557
Commissioner Tax (Fichtner GmbH & Cokg)	16,588,756	22/10/2018	0	16,588,756
Commissioner Tax (Aegide International)	3,830,880	02/09/2020	0	3,830,880
Commissioner Tax (Target Oilfield Services)	7,428,651	22/10/2019	0	7,428,651
Commissioner Tax (Schlumberger Offshore )	16,278,805	14/11/2019	0	16,278,805
Commissioner Tax (Houston International Business)	3,854,822	19/11/2019	0	3,854,822
Commissioner Tax (Public Health By Design (Phd)	2,602,029	02/03/2020	0	2,602,029
	3,981,656	27/02/2020	0	3,981,656

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Commissioner Tax (Vision Ri Connexion Services Private Ltd)						
Commissioner Of Income Tax ( Beicip)	12,674,282	30/08/2019	0	12,674,282		
Commissioner Of Income Tax ( Beicip)	10,301,757	12/10/2019	0	10,301,757		
Commissioner Of Income Tax ( Icf)	4,557,441	10/12/2019	0	4,557,441		
COMMISSIONER OF INCOME TAX(POLARIS)	4,775,116	19/11/2019	0	4,775,116		
COMMISSIONER OF TAX(POLARIS)	3,183,410	02/06/2020	0	3,183,410		
COMMISSIONER INCOME TAX (HOUSTON)	2,610,432	17/02/2020	0	2,610,432		
COMMISSIONER OF INCOME TAX	660,814	10/01/2019	0	660,814		
COMMISSIONER TAX (ICF RESOURCE LLC )	11,743,122	10/12/2019	0	11,743,122		
COMMISSIONER TAX (CARDNO EMERGING USA)	5,193,551	05/08/2019	0	5,193,551		
COMMISSIONER TAX (ACAL CONSULTING )	1,353,240	02/10/2020	0	1,353,240		
24 PARTICIPANTS	973,000	10/11/2019	0	973,000		
CYPRIAN NYAKUNDI	479,096	14/01/2020	0	479,096		
ROBERT GTHINJI	832,616	14/01/2020	0	832,616		
SILAS SANGA	367,509	14/01/2020	0	367,509		
JEMIMAH MULI	292,525	14/01/2020	0	292,525		
MUENI MUTUNGA	495,644	25/11/2019	0	495,644		

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	822,120	25/11/2019	0	822,120
DAVID KIBE				
KENNETH NJUGUNA, JOHN OTIENO, COSMAS MUTORO, MARY INDENJE	1,486,872	03/02/2020	0	1,486,872
ENASHIPAI RESORT	2,357,750	25/2/19-26/3/19-20/5/19	0	2,357,750
IFP FRANCE	27,592,860	17/03/2020	0	27,592,860
IHRDC	4,536,800	19/03/2020	0	4,536,800
PETROSKILS	1,639,775	15/10/2019	0	1,639,775
SWALE HOUSE PARTNERS	2,113,250	04/03/2020	0	2,113,250
KRA OFFICERS	873,600	18/12/2019	0	873,600
CLYDE & CO	15,349,137	17/04/2020	0	15,349,137
TARGET OIL FIELDS SERVICES	45,420,897	03/09/2020	0	45,420,897
ADVANTECH CONSULTING	6,658,261	12/11/2019	0	6,658,261
FTHM CONSULTING	9,763,074	27/02/2020	0	9,763,074
HOUSTON INTERNATIONAL BUSINESS CORP	9,917,188	17/02/2020	0	9,917,188
HOUSTON INTERNATIONAL BUSINESS CORP	19,834,376	05/07/2020	0	19,834,376
BEICIPFRANLAB	38,488,653	15/5/20-30/4/20	0	38,488,653
DALBERG ADVISORS	4,075,920	30/01/2020	0	4,075,920
DALBERG ADVISORS	6,113,880	30/01/2020	0	6,113,880
CARDNO EMERGING MARKETS	5,265,984	14/11/2019	0	5,265,984
PETRAD	3,913,895	28/11/2019	0	3,913,895
NETHERLAND SEWEL AND ASSOCIATES INC	5,217,012	02/07/2020	0	5,217,012
KURRENT TECHNOLOGIES	5,254,060	23/10/2019	0	5,254,060
RSK ENVIRONMENTAL LTD	1,747,899	24/03/2020	0	1,747,899

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Kenya National Trading Corporation	1,339,619	01/01/2020	0	1,339,619
Kenya National Trading Corporation	1,316,522	20/04/2020	0	1,316,522
Kenya National Trading Corporation	1,334,399	10/01/2019	0	1,334,399
Kenya National Trading Corporation	1,316,522	10/06/2020	0	1,316,522
Intercontinental Nairobi	151,850	08/09/2019	0	151,850
ATS Travel	19,630	20/03/2020	0	19,630
ATS Travel	72,220	04/11/2020	0	72,220
TIN TIN RESTAURANT	35,000	18/02/2020	0	35,000
TIN TIN RESTAURANT	40,500	19/02/2020	0	40,500
PANAROMA PARK HOTEL LIMITED	255,000	23/02/2018	0	255,000
Palamed (Africa) Healthcare Ltd	1,957,262.10	24/5/2020	0	1,957,262.10
Project management staff salaries	65,556,652	March to June salaries	0	65,556,652
	<b>438,179,896</b>			<b>438,179,896</b>

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**ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER**

Asset class	Historical Cost b/f (Kshs) 2018/2019	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) 2019/2020
Land					
Buildings and structures					
Transport equipment	19,453,000	-	-	-	19,453,000
Office equipment, furniture and fittings	3,088,936	251,700	-	-	3,340,636
ICT Equipment					
Machinery and Equipment	509,468,831	140,126,047.30			649,594,878
Biological assets					
Infrastructure Assets- Roads, Rails					
Heritage and cultural assets					
Intangible assets	2,232,623,313	1,161,081,526.90	-	-	3,393,704,840
Work in Progress					
<b>Total</b>	<b>2,764,634,080</b>	<b>1,301,459,274.20</b>	<b>-</b>	<b>-</b>	<b>4,066,093,354</b>

*NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year. Ensure this section is complete covering all the entities assets)*

**ANNEX 3 – LIST OF PROJECTS IMPLEMENTED BY THE STATE DEPARTMENT FOR PETROLEUM**

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
1	<b>KENYA PETROLEUM TECHNICAL ASSISTANCE PROJECT</b>			<b>YES</b>

**ANNEX 4 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE STATE DEPARTMENT FOR PETROLEUM**

<b>Ref</b>	<b>SC, SAGA or Public Fund's name</b>	<b>Principal activity of entity</b>	<b>Accounting Officer</b>	<b>Amount transferred during the year</b>	<b>Inter- entity reconciliations done?(yes/no)</b>
1	<b>NATIONAL OIL CORPORATION(NOCK)</b>	Petroleum supply chain covering the upstream oil and gas exploration, midstream petroleum infrastructure development and downstream marketing of petroleum products.		140,000,000	
2	<b>RNERGY AND PETROLEUM REGULATORY AUTHORITY</b>	Regulating the energy and petroleum sector		-	
3	<b>PETROLEUM DEVELOPMENT LEVY FUND</b>	Funding of the development budget		(996,797,982.50)	
4	<b>PETROLEUM TRAINING LEVY FUND</b>	Funding of the development budget		(141,525,051.10)	

**ANNEX 5 – CONTINGENT LIABILITIES REGISTER**

	<b>Nature of contingent liability</b>	<b>Payable to</b>	<b>Currency</b>	<b>Estimated Amount Kshs</b>	<b>Expected date of payment</b>	<b>Remarks</b>
1	Pending court case	Accurate Power Systems Ltd	Kshs.	18,935,850	By end of the Financial Year	
2	Pending court case	Surge Energy Ltd	Kshs.	196,101,528	By end of the Financial Year	
3	Pending court case	All Day Technologies Ltd	Kshs.	5,859,600	By end of the Financial Year	
				<b>220,896,978.00</b>		



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**ANNEX 6- REPORTS GENERATED FROM IFMIS**

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes
- xi. GOK IFMIS Budget Execution by Programmes and Sub-programmes