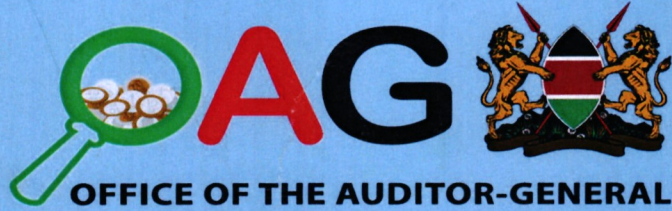



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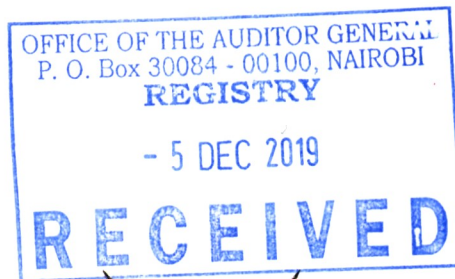
THE AUDITOR-GENERAL

ON

PETROLEUM DEVELOPMENT LEVY FUND

**FOR THE YEAR ENDED
30 JUNE, 2019**

MINISTRY OF ENERGY



MINISTRY OF ENERGY

STATE DEPARTMENT FOR ENERGY

PETROLEUM DEVELOPMENT LEVY FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2019

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

**Petroleum Development Levy Fund
Reports and Financial Statements
For the financial year ended June 30, 2019**

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**Petroleum Development Levy Fund
Reports and Financial Statements
For the financial year ended June 30, 2019**

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background Information

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

(b) Key Management

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

- Principal secretary for Energy (Fund Administrator)
- Fund Management

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

Ref	Name	Position
1	Dr. Eng. Joseph Njoroge, CBS	Principal Secretary
2	Moses Gitari	Head of Accounting Unit
3	Felista N Ng'ang'a	Senior Assistant Director Supply Chain
4	Walter Oselu	Chief Finance Officer

(d) Fiduciary Oversight Arrangement

- i. Budget Implementation committee
- ii. Internal Audit committee
- iii. Parliamentary committee activities

**Petroleum Development Levy Fund, State Department of Energy
Reports and Financial Statements
For the financial year ended June 30, 2019**

(e) Petroleum Development Levy Fund Headquarters

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

(f) Petroleum Development Levy Fund Contacts

Telephone: (254)203310112
E-mail: ps@energy.go.ke
Website: www.energy.go.ke

(g) Petroleum Development Levy Fund Bankers

Kenya Commercial Bank
Kipande House Branch
Nairobi, Kenya

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

**Petroleum Development Levy Fund, State Department of Energy
Reports and Financial Statements
For the financial year ended June 30, 2019**

MANAGEMENT TEAM

The management during the financial year consisted of:



Dr. Eng. Joseph Njoroge, CBS

Principal Secretary

Eng. Dr. Joseph Njoroge has wide experience in power engineering and management. He previously worked at Kenya Power and rose through the ranks to become Managing Director before being nominated to the position of Principal Secretary in the Ministry of Energy and Petroleum. Eng. Njoroge holds a Bachelor of Science degree in electrical engineering and Master of Business Administration with a major in strategic management. He is a Chartered Electrical Engineer, a member of the Institution of Engineering and Technology, UK, a Registered Consulting Engineer, and is also a Fellow of the Institution of Engineers of Kenya. He is also Chairman of the MBA Chapter of University of Nairobi Alumni Association. He also holds a PhD from University of Nairobi's School of Business.



Moses Gitari

Assistant Accountant General

CPA Moses Gitari is the Head of Accounting Unit, State Department for Energy. He holds an MBA in Strategic Management from Nairobi University and BBA in Accounting and Finance from KEMU.

Mr Gitari is a practicing Accountant and a member of Institute of Certified Public Accountant of Kenya (ICPAK) ICPAK. He has vast experience in Accounting Systems Implementation and Business process re-engineering.

He has previously worked in the Ministry of Health as an Accountant and at the National Treasury IFMIS Department as the Head of business process re-engineering.

**Petroleum Development Levy Fund, State Department of Energy
Reports and Financial Statements
For the financial year ended June 30, 2019**



Felista N Ng'ang'a

Assistant Director Supply Chain & Management

Felista Njoki Ng'ang'a is the head of Supply Chain Management Service Unit in the Ministry of Energy. She is a holder of MBA (Strategic Management) She is a holder of a B.Com (Business Administration) professionally, she is a member of KISM and KIM. She has a Diploma in Purchasing and Supplies Management She has 15years of experience in Public Procurement particularly in areas of Strategy, Contract Management and Binding process having worked in various government ministries and departments.



FA. Walter Oselu

Senior Chief Finance Officer

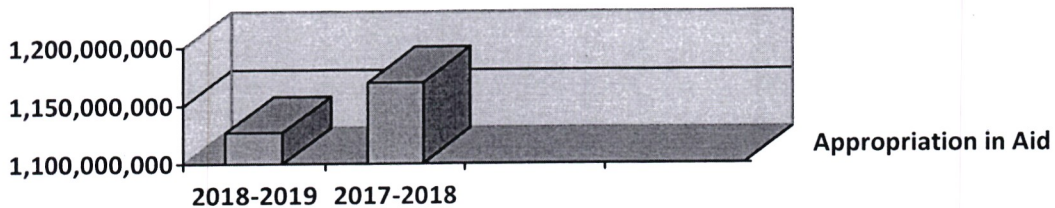
FA Walter J. Oselu is the Director of Finance in the Ministry of Energy. He has served in the Civil Service for 27 years and Head of Finance Department for 11 years. He has served in various ministries such as Agriculture, Livestock and Fisheries, Office of the Director of Public Prosecution, National Treasury, Ministry of State for Special Programmes, Public Works, and Ministry of Education. He holds an MBA in Finance from University of Pune, India and a Bachelors' degree in Business Studies and Economics from University of Nairobi. He is a Certified Investment Financial Analyst and a member of the Institute of the Certified Investment and Financial Analysts (ICIFA)

II. FORWARD BY THE FUND ADMINISTRATOR

(a) Budget Performance Against Actual Amounts for 2018/2019

The budget for the financial year 2018-2019 from appropriations in aid was Kshs.. 1,127,000,000. The actual amounts collected for the same was Kshs.. 1,127,000,000.

Budget Performance



(b) Key Achievements of the Petroleum Development Levy Fund

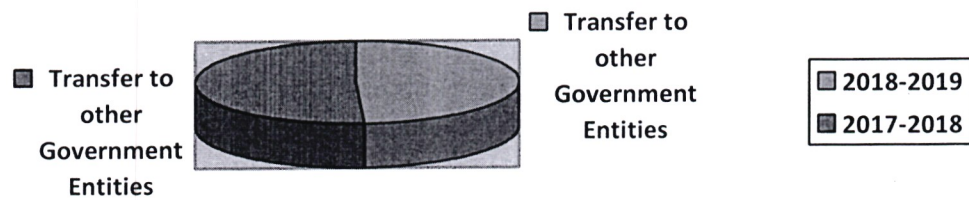
The fund collected Kshs.. 1,127,000,000 in appropriations in Aid and utilized the amount by transfer to other government entities of Kshs.. 1,315,550,727 and other general expenses for Kshs.. 3,063,410.

The transfer to other government entities was to State Department of Energy for Kshs.. 188,427,619, Rural Electrification Authority (REA) Kshs.. 687,000,000, Kenya Association of Manufacturers (KAM) Kshs.. 35,000,000 and refund to the National Treasury Kshs. 405,123,108. A 13% decrease in transfers to other Government entities was recorded in the financial year 2018-2109 compared to the prior financial year 2017-2018.

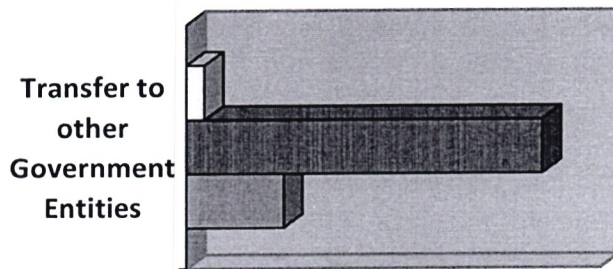
The other expenses included bank charges and withholding tax on interest income of Kshs.. 3,063,410.

**Petroleum Development Levy Fund, State Department of Energy
 Reports and Financial Statements
 For the financial year ended June 30, 2019**

Expenditure



Transfer to other Government analysis 2018-2019



	Transfer to other Government Entities
<input type="checkbox"/> KAM	35,000,000
<input checked="" type="checkbox"/> REA	687,000,000
<input checked="" type="checkbox"/> State Department of Energy	188,427,619

<input type="checkbox"/> KAM
<input checked="" type="checkbox"/> REA
<input checked="" type="checkbox"/> State Department of Energy

**Petroleum Development Levy Fund, State Department of Energy
Reports and Financial Statements
For the financial year ended June 30, 2019**

(c) Emerging Issues Related to the Petroleum Development Levy Fund

The appropriation in aid in the financial year 2018-2019 reduced by 4%. The A & A collected in the financial year 2017-2018 was Kshs. 1,170,000,000 while the collection in financial year 2018-2019 was Kshs. 1,127,000,000. A decrease of Kshs. 43,000,000 was noted.

However, we have not had any liquidity disruptions as the cash flow from collections was as per the budgeted amount.


(d) Implementation Challenges

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

(e) Way Forward

Financial Year 2018/2019 was a good year in general. Good progress was made and the momentum has been created to enable Petroleum Development Levy Fund continue on a trajectory into prosperity. We have identified gaps and areas to improve in the subsequent years.

I take this opportunity to thank the management team for their support. I would also want to thank all staff who have worked hand in hand to ensure that Petroleum Development Levy Fund achieves its mission.



Fund Administrator

Name: Dr. Eng. Joseph Njoroge, CBS

**Petroleum Development Levy Fund, State Department of Energy
Reports and Financial Statements
For the financial year ended June 30, 2019**

III. STATEMENT OF FUND MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the Fund Administrator in charge of 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.

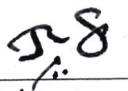
The Fund Administrator in charge of the State Department of Energy is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting year; (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 Fund Administrator in charge of the State Department of Energy 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 Fund Administrator is of the opinion that the Petroleum Development Levy Fund's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2019, and of the entity's financial position as at that date. The Fund Administrator in charge of the Petroleum Development Levy Fund 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 Fund Administrator in charge of the State Department of Energy confirms that the entity has complied fully with applicable Government Regulations 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 Fund Administrator 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 Petroleum Development Levy Fund's financial statements were approved and signed by the Fund Administrator on 24/9 2019.



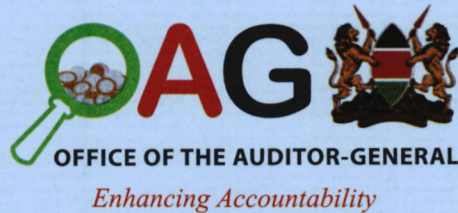
Fund Administrator
Name: Dr. Eng. Joseph Njoroge, CBS



Fund Accountant
CPA Moses Gitari
ICPAK Number: 4204

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON PETROLEUM DEVELOPMENT LEVY FUND FOR THE YEAR ENDED 30 JUNE, 2019 – MINISTRY OF ENERGY

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Petroleum Development Levy Fund set out on pages 1 to 9, which comprise of the statement of financial assets as at 30 June, 2019, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Petroleum Development Levy Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Petroleum Development Levy Fund Act No.4 of 1991 (Revised 2012) and the Public Finance Management Act, 2012.

Basis of Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Petroleum Development Levy Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Matter

Budget Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,127,000,000 and Kshs.1,147,386,300 resulting to an over-collection of Kshs.20,386,300 being interest income. Similarly, the Funds spent Kshs.1,318,614,137 against the approved budget of Kshs.1,127,000,000 resulting to an over-absorption of Kshs.191,614,137 or 17% of the budget.

Management has not explained the reason for material deviations as required under IPSAS 24 and as per the reporting template.

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 on whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities which govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 which are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of the internal control, risk management and governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of management's systems for monitoring compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in 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 which includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion on whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in

compliance with the authorities which govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution, and submit the audit report in compliance with Article 229(7) 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 would not necessarily disclose all matters in the internal control which 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 which 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 Fund's 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 which 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 which may cast significant doubt on the Fund's ability to continue sustaining its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease sustaining 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 which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 which 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 which may reasonably be thought to bear on my independence, and where applicable, related safeguards.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

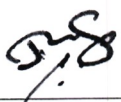
18 December, 2020


**Petroleum Development Levy Fund, State Department of Energy
Reports and Financial Statements
For the financial year ended June 30, 2019**

**IV. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH
JUNE 2019**

	Note	2018/2019	Restated 2018/2017	2018/2017
		Kshs.	Kshs.	Kshs.
Revenue from non-exchange transactions				
Fines, penalties and levies	1	1,127,000,000	1,170,000,000	1,170,000,000
Total revenue from non- exchange transactions		1,127,000,000	1,170,000,000	1,170,000,000
Interest income	2	20,386,300	33,089,591	33,089,591
Total revenue from exchange transactions		20,386,300	33,089,591	33,089,591
Total revenue		1,147,386,300	1,203,089,591	1,203,089,591
Expenses				
Transfer to other government entities	3	1,315,550,727	1,508,046,180	793,000,000
General expenses	4	3,063,410	4,966,483	-
Total expenses		1,318,614,137	1,513,012,663	793,000,000
(Deficit)/surplus for the year		(171,227,837)	(309,923,072)	410,089,591

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 24/9/2019 and signed by:


Fund Administrator
Name: Dr. Eng. Joseph Njoroge, CBS

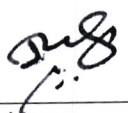

Fund Accountant
CPA Moses Gitari
ICPAK Number: 4204


**Petroleum Development Levy Fund, State Department of Energy
Reports and Financial Statements
For the financial year ended June 30, 2019**

V. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2019

	Note	2018/2019	Restated	2018/2017
		Kshs.	Kshs.	Kshs.
Financial Assets				
Current assets				
Cash and cash equivalents	5	233,895,271	405,123,108	410,089,591
Total financial assets		233,895,271	405,123,108	410,089,591
Represented by				
Fund balance b/fwd	6	405,123,108	715,046,180	
(Deficit)/surplus for the year		(171,227,837)	(309,923,072)	410,089,591
Net financial position		233,895,271	405,123,108	410,089,591

The Accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 24/9/2019 and signed by:


Fund Administrator
Name: Dr. Eng. Joseph Njoroge, CBS

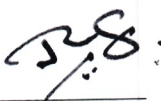

Fund Accountant
CPA Moses Gitari
ICPAK Number: 4204


**Petroleum Development Levy Fund, State Department of Energy
Reports and Financial Statements
For the financial year ended June 30, 2019**

VI. STATEMENT OF CASH FLOWS FOR THE YEAR 30TH JUNE 2019

	Note	2018/2019	Restated 2018/2017	2018/2017
		Kshs.	Kshs.	Kshs.
Cash flows from operating activities				
Receipts for operating activities				
Fines, penalties and levies	1	1,127,000,000	1,170,000,000	1,170,000,000
Interest income	2	20,386,300	33,089,591	33,089,591
Total Receipts		1,147,386,300	1,203,089,591	1,203,089,591
Payments for operating activities				
Transfer to other government entities	3	1,315,550,727	1,508,046,180	793,000,000
General expenses	4	3,063,410	4,966,483	-
Total Payments and adjusted for		1,318,614,137	1,513,012,663	793,000,000
Net cash flows from operating activities		-171,227,837	-309,923,072	410,089,591
Net (decrease)/increase in cash and cash equivalents		-171,227,837	-309,923,072	410,089,591
Cash and cash equivalents at 1 JULY		405,123,108	715,046,180	-
Cash and cash equivalents at 30 JUNE	5	233,895,271	405,123,108	410,089,591

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 24/9/2019 and signed by:


Fund Administrator
Name: Dr. Eng. Joseph Njoroge, CBS


Fund Accountant
CPA Moses Gitari
ICPAK Number: 4204

**Petroleum Development Levy Fund, State Department of Energy
Reports and Financial Statements
For the financial year ended June 30, 2019**

VII. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Original Budget	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	c=a+b	d	e=c-d	f=d/c %
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Revenue					
Fines, penalties and levies	1,127,000,000	1,127,000,000	1,127,000,000	-	100%
Interest income			20,386,300	-20,386,300	100
Total income	1,127,000,000	1,127,000,000	1,147,386,300	-20,386,300	102%
Expenses					
Transfer to other government entities	1,127,000,000	1,127,000,000	1,315,550,727	-188,550,727	81%
General expenses	-	-	3,063,410	3,063,410	-100
Total expenditure	1,127,000,000	1,127,000,000	1,318,614,137	-191,614,137	117%
Deficit for the year	-	-	-171,227,837		

Budget Notes

- *Included in the transfer to other government entities is an amount of Kshs.405,123,108 being refund to the National Treasury.*

VIII. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a. Basis of Preparation

i. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the 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.

ii. Reporting entity

The financial statements are for the Petroleum Development Levy Fund under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

iii. Reporting currency

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

b. Significant Accounting Policies

a) Recognition of receipts

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

- **Appropriation-in-Aid**

These relates to receipts such as levies from oil companies . These are recognised in the financial statements the time associated cash is received.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Recognition of payments

The Fund recognises all payments when the event occurs and the related cash has actually been paid out by the Fund.

c) Use of goods and services

Goods and services are recognized as payments in the year when the goods/services are consumed and paid for. If not paid for during the year where goods/services are consumed, they shall be disclosed as pending bills.

d) 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.

e) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same Year as the financial statements. The Fund's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year.

A high-level assessment of the Fund's actual performance against the comparable budget for the financial year/Year under review has been included in an annex to these financial statements.

f) Comparative figures

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

g) Subsequent events

There have been no events subsequent to the financial year/Year end with a significant impact on the financial statements for the year ended June 30, 2019.

**Petroleum Development Levy Fund, State Department of Energy
Reports and Financial Statements
For the financial year ended June 30, 2019**

V. NOTES TO THE FINANCIAL STATEMENTS

1. FINES, PENALTIES AND LEVIES

Description	2019/2018	Restated 2018/2017	2018/2017
	Kshs.	Kshs.	Kshs.
Petroleum Development Levy (Appropriations In Aid)	1,127,000,000	1,170,000,000	1,170,000,000
Total	1,127,000,000	1,170,000,000	1,170,000,000

These refer to appropriations in Aid received through The National Treasury

2. INTEREST INCOME

Description	2019/2018	Restated 2018/2017	2018/2017
	Kshs.	Kshs.	Kshs.
Interest income	20,386,300	33,089,591	33,089,591
Total	20,386,300	33,089,591	33,089,591

3. TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2019/2018	Restated 2018/2017	2018/2017
	Kshs.	Kshs.	Kshs.
State Department of Energy	188,427,619	-	-
Rural Electrification Authority (REA)	687,000,000	697,000,000	697,000,000
Kenya Association of Manufacturers (KAM)	35,000,000	35,000,000	35,000,000
Kenya Electrification Expansion Program (KEEP)	-	61,000,000	61,000,000
Refund to National Treasury	405,123,108	715,046,180	-
Total	1,315,550,727	1,508,046,180	793,000,000

4. GENERAL EXPENSES

Description	2019/2018	Restated 2018/2017	2018/2017
	Kshs.	Kshs.	Kshs.
Bank charges and withholding tax paid	3,063,410	4,966,483	-
Total	3,063,410	4,966,483	-

**Petroleum Development Levy Fund, State Department of Energy
Reports and Financial Statements
For the financial year ended June 30, 2019**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. CASH AND CASH EQUIVALENTS

Description	2019/2018	Restated 2018/2017	2018/2017
	Kshs.	Kshs.	Kshs.
Current account	233,895,271	405,123,108	410,089,591
Total	233,895,271	405,123,108	410,089,591

6. FUND BALANCE BROUGHT FORWARD

Description	2019/2018	Restated 2018/2017	2018/2017
	Kshs.	Kshs.	Kshs.
Bank Balance	405,123,108	715,046,180	-
Total	405,123,108	715,046,180	-

7. RELATED PARTY BALANCES

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

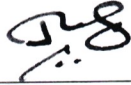
- a) State Department of Energy,
- b) Kenya Association of Manufacturers (KAM)
- c) Rural Electrification Authority (REA)

Description	2019/2018	Restated 2018/2017	2018/2017
	Kshs.	Kshs.	Kshs.
State Department of Energy	188,427,619	-	-
Rural Electrification Authority (REA)	687,000,000	697,000,000	697,000,000
Kenya Association of Manufacturers (KAM)	35,000,000	35,000,000	35,000,000
Kenya Electrification Expansion Program (KEEP)	-	61,000,000	61,000,000
Total	910,427,619	793,000,000	793,000,000

8. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

**Petroleum Development Levy Fund, State Department of Energy
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No issues were raised by the Auditor General in the prior year, therefore for the current year, there are no recommendations whose follow up progress require reporting.



Fund Administrator
Name: Dr. Eng. Joseph Njoroge, CBS



Fund Accountant
CPA Moses Gitari
ICPAK Number: 4204