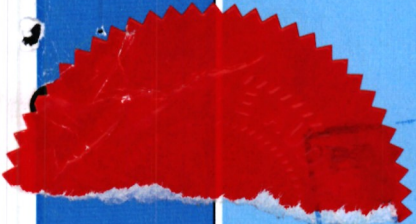
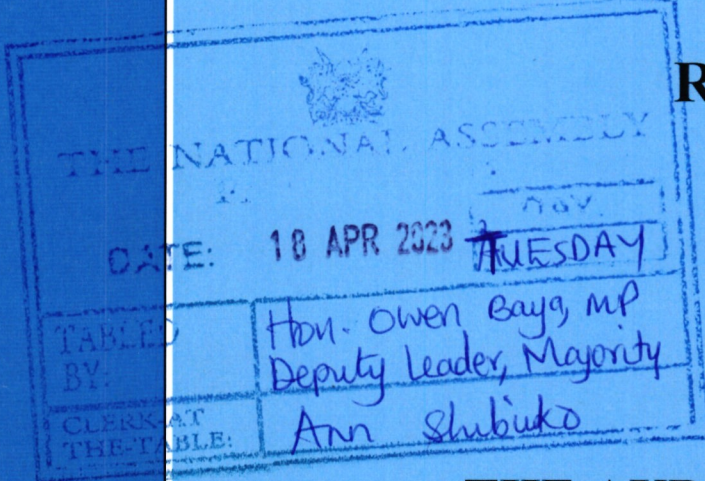


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

ON

PETROLEUM TRAINING LEVY FUND

**FOR THE YEAR ENDED
30 JUNE, 2022**





MINISTRY OF PETROLEUM AND MINING

STATE DEPARTMENT FOR PETROLEUM

PETROLEUM TRAINING LEVY FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

30TH JUNE 2022

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

**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2022**

Table of Contents

1.0 KEY ENTITY INFORMATION AND MANAGEMENT	iv
1.1 Background information.....	iv
1.2 Key Management.....	iv
1.4 REPORT OF THE PRINCIPAL SECRETARY	x
2.0 MANAGEMENT DISCUSSION AND ANALYSIS	xiv
2.1 BUSINESS PERFORMANCE.....	xiv
2.1.1 Revenue.....	xiv
2.1.2 Cash flow.....	xiv
2.2 OPERATIONAL PERFORMANCE	xiv
2.3 REPORT OF THE MANAGEMENT.....	xv
2.4 STATEMENT OF MANAGEMENT’S RESPONSIBILITIES.....	xvi
3.0 REPORT OF INDEPENDENT AUDITOR.....	xviii
4.0 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 TH JUNE, 2022	1
5.0 STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE, 2022.....	2
6.0 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 TH JUNE, 2022.....	3
7.0 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 TH JUNE, 2022	4
8.0 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 30 TH JUNE, 2022.....	5
9.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	6
9.1 Statement of compliance and basis of preparation	6
9.2 Adoption of new and revised standards	6
9.2.1 Revenue recognition.....	7
Transfers from other government entities.....	7
9.3 Interest income.....	7
9.4 Budget information	7
9.5 Contingent liabilities	8
9.6 Nature and purpose of reserves.....	8
9.7 Related parties	8

**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2022**

9.8 Cash and cash equivalents.....	8
9.9 Comparative figures.....	8
9.10 Events after the reporting period.....	8
9.11 Ultimate and Holding Entity.....	8
9.12 Currency	8
9.13 Significant judgments and sources of estimation uncertainty	9
9.14 Estimates and assumptions	9
9.15 Useful lives and residual values.....	9
9.16 Financial risk management.....	9
9.17 Credit risk.....	10
9.18 Market risk.....	10
9.19 Interest rate risk	11
9.19.1 Management of interest rate risk	11
9.19.2 Sensitivity analysis	11
9.20 Capital risk management.....	12
10. NOTES TO THE FINANCIAL STATEMENTS.....	13
1) Fines, penalties & Levies.....	13
2) Fines and Penalties receivables	13
3) Other Revenues	13
4) General expenses	13
5) Transfer to other Government Units.....	14
6) Cash and Cash equivalents.....	14
7) Accounts Receivables - Fines, penalties and levies	14
8) Accounts Receivables - Outstanding Imprest and Clearance Accounts.....	15
10) Fund balance Brought Forward.....	15
11) Changes in receivables.....	16
12) Related party balances	16

**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2022**

11. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	17
MINISTRY OF PETROLEUM AND MINING TRIAL BALANCE FOR THE YEAR ENDED 30 TH JUNE, 2022.	20

1.0 KEY ENTITY INFORMATION AND MANAGEMENT

1.1 Background information

The Ministry of Petroleum and Mining was created in 2021 through Executive Order No. 1 of February, 2021. Initially, the State Department was created in 2018 through Executive Order No. 1 of June 2018 and before 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 was headed by the Cabinet Secretary, Hon John K. Munyes, EGH who was responsible for general policy and strategic direction of the Ministry. He relinquished his position and in his place Amb. (Dr) Monica Juma (Oxon), EGH was appointed to Act

1.2 Key Management

The Ministry of Petroleum & Mining, State Department for Petroleum's day-to-day management is under the following key organs:

S/No	Designation	Name
1.	Cabinet Secretary	Amb. (Dr) Monica K. Juma (Oxon) EGH
2.	Principal Secretary	Mr. Andrew N. Kamau (CBS)
3.	Secretary Administration	Mr. M. B. Mohamed, OGW
4.	Commissioner Petroleum	Mr. James Ng'ang'a Mbugua
5.	Director Macro Planning	Ms. Electine Nanzala
6.	Director, HRM&D	Ms. Agnes Muthuo
7.	Chief Finance Officer	CPA (K) Mathew Musyoka
8.	Deputy Accountant General	CPA (K) Charles Liyayi Shidzugane
9.	Deputy Director, Supply Chain Management	Ms. Chepkemoi Kerich

**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2022**






*Amb. (Dr) Monica K. Juma
(Oxon), EGH
Ag. Cabinet Secretary
Ministry of Petroleum and
Mining*

Amb. (Dr) Monica K. Juma (Oxon), EGH was appointed Ag. Cabinet Secretary for Ministry of Petroleum and Mining by President Uhuru Kenyatta in February 2022. She currently serves as Cabinet Secretary, Ministry of Energy and Petroleum. She previously served as the Cabinet Secretary for Ministry of Defence of the Republic of Kenya and Cabinet Secretary for Foreign Affairs. She is a distinguished diplomat, with grounded expertise in strategic management, policy making and analysis in international affairs, defense, peace, security and governance. She combines in-depth expertise with experience drawn from public, diplomatic service, research and academia, accumulated over three decades from across the world. As a person, she is a consensus builder, who is known for building fit-for purpose institutions and for creating teams around their strategic visions. She conducts her private public affairs with integrity and utmost professionalism.

Amb. (Dr.) Juma was appointed to the Ministry of Defence from the Ministry of Foreign affairs, where she served first as Principal Secretary (2016-2018) and then as Cabinet Secretary (2018-2020). During her tenure, Kenya became a demonstrative thought leader and championed numerous agenda that brought like-minded countries and regions together. She led Kenya in championing and convening on critical global agenda such as environment, terrorism, and blue economy to mention a few. She also led efforts in deepening Kenya's Pan-African and global south engagements. She served as Chair of the Commonwealth Ministerial Action Group (2018-2020). Before serving at the helm of Kenya's diplomacy, Dr Juma served as Principal Secretary in the security triad of government. In the Ministry of Interior and Coordination of National Government (2014-2015) she championed national security and administrative reforms. Prior to this, Dr. Juma was the Principal Secretary in the Ministry of Defence (2013-2014) where she was instrumental in strengthening the business process systems within the Ministry, clarifying the defence strategic orientation and bolstering the professional stature of the Kenya Defence Forces.

Previously, Amb. Dr. Juma was Ambassador Extra-Ordinary and Plenipotentiary of Kenya to Ethiopia and Djibouti, and Permanent Representative of Kenya to the African Union, the Inter-Governmental Authority on Development (IGAD) and United Nations Commission for Africa (UNECA), (2010-2013). She Forged consensus around complex issues facing the continent and the United Nations at the time, such as the Arab Spring, Rise of fundamentalism, terrorism, international migration, political fragility and state formation.

**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2022**

 <p style="text-align: center;"><i>Mr. Andrew N. Kamau, CBS Principal Secretary</i></p>	<p>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 State Department 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.</p>
 <p style="text-align: center;"><i>Mr. M. B. Mohamed, OGW Secretary Administration</i></p>	<p>Mr. Mohamed Birik Mohamed, OGW, assumed the position of Secretary Administration in the Ministry of Petroleum and Mining in June 2022. He joined the Public Service in 1993 as a District Officer and rose through the ranks to become District Commissioner, County Commissioner and a Regional Commissioner.</p> <p>He is currently in charge of General Policy Co-ordination and provision of Support Services in the Ministry and has 29 years’ experience in Public Service Co-ordination and Management. He is a peace champion having been trained on Peace and Conflict Resolutions. He holds a Bachelor’s degree in Education, majoring in Economics from the University of Nairobi and Advanced Public Administration course from Kenya Institute of Administration (K.I.A).</p>
 <p style="text-align: center;"><i>Mr. James Nganga Commissioner Petroleum</i></p>	<p>Mr. James Nganga has been the Ag. Secretary, Petroleum since 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. Bsc and PG Dip.</p>

**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2022**

 <p><i>Ms. Electine M. Nanzala Director Macro Planning</i></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>
 <p><i>CPA. Mathew K. Musyoka Chief Finance Officer</i></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><i>Ms. Agnes N. Muthuo Director/HRM&D</i></p>	<p>Ms. Agnes N. 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>

**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2022**



*CPA. Charles Liyayi
Shidzugane
Deputy Accountant General*

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 Option) 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.



*Ms. Chepkemoi Kerich
Deputy Director, Supply
Chain Management*

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.

**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2022**

(a) Ministry of Petroleum and Mining, Headquarters

P.O. Box 30582 – 00100
Nyayo House Building
Kenyatta Avenue
NAIROBI, KENYA

(b) State Department for Petroleum

Telephone: (254) (020) 3310112
E-mail: ps@petroleum.go.ke
Website: www.go.ke

(c) Independent Auditors

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

(d) Principal Legal Adviser

E-mail: info@ag.go.ke
Tel: 2542227461.
Website: wwwag.go.ke

(e) State Department for Petroleum Bankers

Kenya Commercial Bank
Kenyatta Avenue
P. O. Box 19828
GPO 00100
Nairobi, Kenya

**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2022**

1.4 REPORT OF THE PRINCIPAL SECRETARY

It is my pleasure to present the Petroleum Training Levy Fund financial statements for the year ended 30th June 2022. The financial statements present the financial and non-financial performance of the fund over the past year.

1.4.1 Non-financial performance

The fund has continued to grow in leaps and bounds over the years. Among the key achievements of the state department that will see the continued growth of the petroleum training levy fund is the establishment of a commercial database and Upstream Integrated Economic Planning System and the separation of the streams of incomes received from oil companies.

The commercial Database and Upstream Integrated Economic Planning System will not only enhance the database compiling process of all information on all petroleum exploration blocks in the country (to include remittances and work obligations, extensions of exploration periods, and all necessary information to track oil and gas companies' operations in the country). But also will enable high quality government decision making around extensions and re-licensing of the individual PSA's, Host Agreements and Stakeholder participation at any stage of upstream value chain. The contract for the Programme has been awarded Target Oilfield Services Company to build the Petroleum Integrated Planning System (PIPS) to serve as the "Commercial Database and Upstream Economic Planning System". The System will facilitate compliance monitoring of the existing Production Contracts (PSC's) terms and conditions and the creation of a forward-looking trend for total investments. In addition, the system will accurately determine levies and fees due from contractors, costs and revenue levels in the upstream sector.

In order to be compliant with the (exploration and production) Act, cap 308 which spells out that only remittances by contractors as training contribution are to be paid into the fund, a separate bank account was opened for the surface fees. This will enable the two streams of income i.e. the training g fees and surface fees to account for separately. The move will also ensure that the monies are used for the intended purposes only.

**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2022**

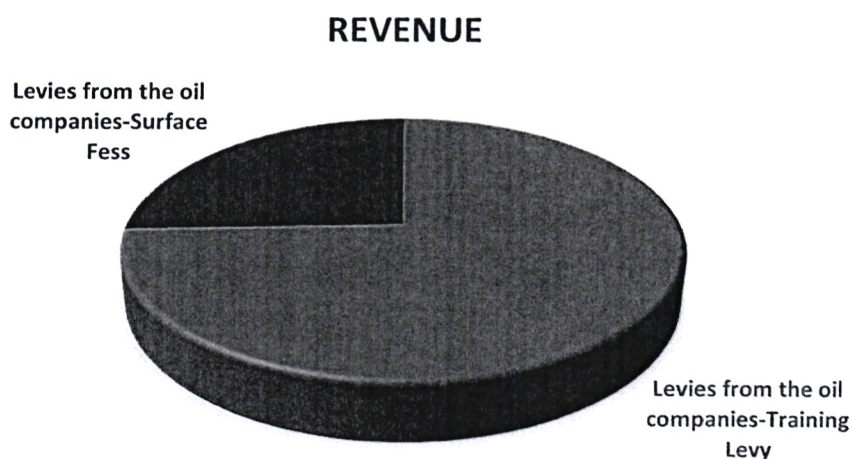
1.4.2 Financial Performance

1.4.2.1 Revenue

In the year ended 30th June 2022. The fund had projected revenues of **Kshs.260,471,428**. Out of the projected revenue, the fund was able to realise **Kshs. 21,726,282**, actual revenues, representing 8.3 %. Out of the total revenue collected, **Kshs. 18,630,000.00** and **Kshs. 3,096,282** relates to training levy and surface fees respectively. Interest accruing from the monies held in the bank for the financial year amounted to **Kshs. 33,038,409.15**. Revenue amounting to **Kshs. 451,766,486.80** was not realised during the financial year and thus it was reported as Fines, penalties and levies receivable in the financial statement. In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue budget (Kshs.)	Actual (Kshs.)	Realization (%)
Revenue	Kshs.	Kshs	
Fines, penalties and levies	260,471,428.00	21,726,282.00	8.34
Other income	0	33,038,409.15	
Total income	260,471,428.00	54,764,691.15	21.03

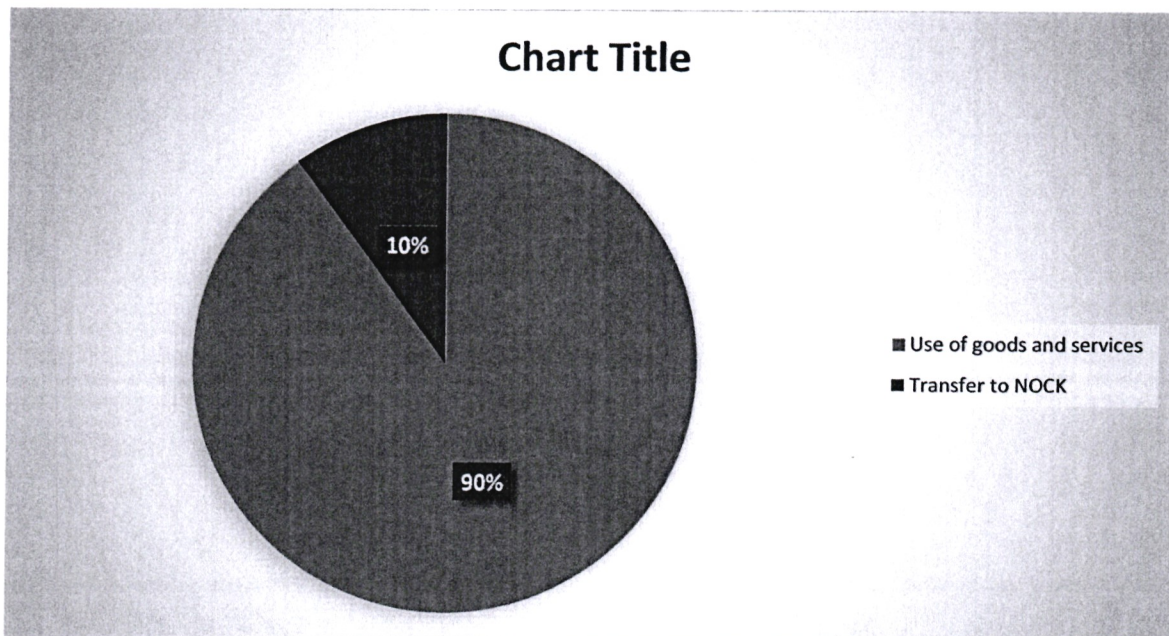
A graphical representation of the revenue budget is as shown below:



**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2022**

1.4.2.2 Expenditure

During the financial year 2021/2022, the fund spent on use of goods and services of which **Kshs. 250,940,458.95** was for training expenses. This was a decline of **Kshs. 13,149,473.05** from the expenditure for the prior year. Although the training expenditure reduced, there was an increased budget for training expenses. Additionally, the state department employed more staff who had to undergo a number of trainings to build their capacity to enable them acclimatize to the operations of the ministry. Further, more stakeholders in the petroleum, oil and gas exploration have benefitted from trainings funded by petroleum training levy fund. So far, there has been a number of Kenyans other than Ministry employees in the gas and oil sector who have benefitted from the training fund. The Ministry is also looking up into ways that will ensure that beneficiaries of the fund will include but not limited to students from Universities and Colleges or other learning institutions so as to enhance Kenyans' knowledge and skills on petroleum operations.



1.4.2.3 Cash flows

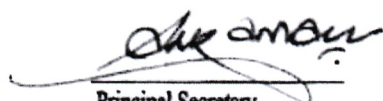
The FY 2021/2022, was relatively stable as far as liquidity of the fund is concerned despite the fact that the revenue collection for training fees declined sharply. The cash flow was adequate to meet the liquidity needs of the entity although the cash and cash equivalents decreased from **Kshs. 959,948,229** to **Kshs 664,108,672.30** as at June 30th 2022.

**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2022**

Conclusion

FY 2021/2022 was a good year in general. Good progress was made and the momentum has been created to enable Petroleum Training Levy Fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on 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 we have worked hand in hand to ensure that Petroleum Training Levy fund achieves its mission.



Principal Secretary
Andrew Kamau, CBS

**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2022**

2.0 MANAGEMENT DISCUSSION AND ANALYSIS

The fund has continued to grow over the years and the management has put measures in place to safeguard against risks. The fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to staff with an established credit history.

The management has ensured that we comply with statutory requirements relating to the functions of the fund and also making sure that statutory deductions are remitted on time to avoid incurring penalties and interests for non-compliance.

2.1 BUSINESS PERFORMANCE

2.1.1 Revenue

The fund earned revenues from non- exchange transactions amounting to **Kshs. 21,726,282.00** realised from levies, fines and penalties from oil companies (training fees and surface fees **Kshs. 18,630,000.00** and **Kshs. 3,096,282.00** respectively) and **Ksh. 33,038,409.15** from interest income from bank deposits. The revenue from exchange transactions reduced from **Kshs. 40,470,263** to **Kshs. 33,038,409.15**

Actual Levies from Oil companies to the fund experienced a sharp decrease of 89% from last financial year's revenue collected. This was attributed to the fact that only one oil company remitted its training and surface fees financial obligation.

2.1.2 Cash flow

The cash and cash equivalents reduced from **Kshs. 959,948,229** as at 30 June 2022 to **Kshs 664,105,397.30** during the current financial year. This can be attributed to increased training expenditure during the year.

2.2 OPERATIONAL PERFORMANCE

The fund's core operating activity has been the offering training to the ministry's staff. The ministry has supported the fund and the stable collections from oil companies has also added to the fund's better performance. The introduction of a commercial database and upstream integrated economic planning system introduced during the year is aimed at facilitating compliance monitoring of the existing production

**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2022**

sharing contracts (PSC) terms and conditions and the creation of a forward-looking trend for total investments, cost revenue levels in the upstream sector. This will also bring together all stakeholders in the oil industry.

Conclusion

We appreciate the unrelenting support from the management, staff, the Ministry and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2022/2023.

2.3 REPORT OF THE MANAGEMENT

The management submit their report together with the audited financial statements for the year ended June 30th, 2022 which show the state of the Fund affairs.

Principal activities

The principal activity of the Fund is to provide training to the Ministry staff.

Results

The results of the Fund for both financial and non-financial performance for the year ended June 30th, 2022 are set out in pages ix to xvi.

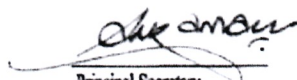
Management Team

The management team who served during the year under review are displayed on page iv to viii.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

For the Management


Principal Secretary
Andrew Kamau, CBS

Date: 30-9-2022

**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2022**

2.4 STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Public Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30th, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

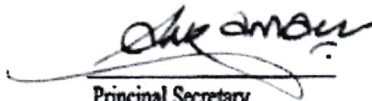
The Administrator of the Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2022**

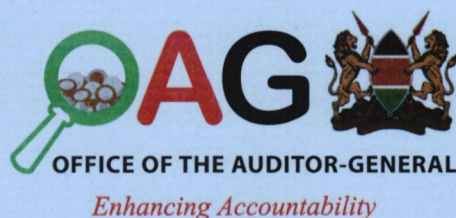
Approval of the financial statements

The Fund's financial statements were approved by the Principal Secretary on 30-9 - 2022 and signed on its behalf by:


Principal Secretary
Andrew Kaman, CBS

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON PETROLEUM TRAINING LEVY FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Petroleum Training Levy Fund set out on pages 1 to 19, which comprise of the statement of financial position as at

30 June, 2022, and statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Petroleum Training Levy Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Petroleum Act, 2019.

Basis for Qualified Opinion

1. Inaccuracies in Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalent balance of Kshs.664,105,397. The balance includes an amount of Kshs.111,338,125 held at the surface fees account relating to collections during the year under review and prior years. According to Section 52(3) of the Petroleum Act 2019, all moneys raised by the contractors as training contribution shall be paid into the Training Fund. However, amounts collected in respect of surface fees do not comprise the Training Fund revenue and ought to have been accounted for under the Ministry as Appropriations-In-Aid or surrendered to the Exchequer.

In addition, the financial statements of the Fund reflects the amounts received in respect of surface fees but did not indicate an accrued transfer to The National Treasury as an expense or a corresponding liability under accounts payables in the statement of financial position as at 30 June, 2022. No explanation was provided for failure to remit the amount of Kshs.111,338,125 surface fees collected during the year review and prior years under to The National Treasury.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.664,105,397 for the year ended 30 June, 2022 could not be confirmed.

2. Long Outstanding Training and Service Fees

The statement of financial position reflects a balance of Kshs.2,732,715,009 in respect of accounts receivable - fines, penalties, and levies. The balance relates to training levy and service fees brought forward from the financial year 2020/2021 amounting to Kshs.2,280,948,522 which has been accumulating over the years and had remained unpaid by oil exploration companies since the year 2011. The amount was due from nine (9) oil companies that operated eighteen (18) oil blocks as at 30 June, 2022.

Further, two (2) of the nine (9) contractors with an outstanding amount of US\$.925,751.10 (equivalent to Kshs.99,842,256) have since relinquished their blocks to the Government

while the remaining seven (7) are still active. However, the two contractors who relinquished their blocks were discharged before settling the outstanding training levy and surface fees. The Management did not provide support evidence to demonstrate how and when the amount will be recovered.

In the circumstances, the recoverability of accounts receivables balance of Kshs.2,732,715,009 as at 30 June, 2022 remains doubtful.

3. Unaccounted for Expenditure

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

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

4. Inaccuracies in Accounts Receivables Balances

The statement of financial position reflects accounts receivables - fines, penalties and levies balance of Kshs.2,732,715,009 as at 30 June, 2022. As disclosed in Note 7 to the financial statements, the balance comprises of fines, penalties and levies brought forward from 2020/2021 financial year amount of Kshs.2,280,948,522 and fines, penalties and levies for the year under review amount of Kshs.451,766,487.

Review of the ledgers revealed that the accounts receivables - fines, penalties and levies brought forward was translated at a historical rate of Kshs.93.47 instead of the closing rate of Kshs.117.8324. Additionally, the account receivables - fines, penalties and levies for the year was translated at a rate of Kshs.117.45 instead of the closing rate of Kshs.117.8324. This was contrary to paragraph 44(a) of the International Public Sector Accounting Standards (IPSAS) which if Assets and liabilities for each statement of financial position presented, including comparatives shall be translated at the closing rate at the date of that statement of financial position.

In the circumstances, the account receivables - fines, penalties and levies balance is understated by Kshs.596,049,830.

5. Inaccuracies in Revenue from Non-Exchange Transactions

The statement of financial performance reflects revenue from non-exchange transactions - fines, penalties and levies amounting to Kshs.21,726,282 (2020 - Kshs.198,837,610) comprising of Kshs.18,630,000 and Kshs.3,096,282 in respect of training levy and surface fees respectively. According to Section 52(3) of the Petroleum Act, 2019, the Fund comprises of funds raised from contractors as training contribution. Effectively, amounts

collected in respect of surface fee do not comprise the Training Fund revenue and ought to have been accounted for under the State Department as Appropriation-In-Aid or surrendered to the Exchequer. However, the financial statements of the Fund recognised the amounts received in respect of surface fee but did not recognise an accrued transfer to The National Treasury expense and the corresponding liability under accounts payable in the statement of financial position as at 30 June, 2022.

In addition, the reduction of the levies for the Oil Company - Training Levy from Kshs.147,792,592 to Kshs.18,630,000 and surface fee from Kshs.51,045,016 to Kshs.3,096,282 have not been explained or reconciled despite the fact that fines, penalties and levies not recoverable from the oil Companies have increased by over 40%.

In the circumstances, the accuracy of the revenue from non-exchange transactions of Kshs.3,096,282 from surface fees included in the statement of financial performance for the year under review could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and the Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or explained contrary to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury Circular Ref: No. AG.3/88/Vol.VII (20) dated 11 May, 2022.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else

has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.260,471,428 and Kshs.54,764,691 respectively resulting to an under-funding of Kshs.205,706,737 or 79% of the budget. However, the Fund expended a total of Kshs.286,921,963 against an approved budget of Kshs.260,471,428 resulting in an excess expenditure of Kshs.26,450,535 or 10% of the budget. The Management did not provide the approval or authority for the excess expenditure.

In addition, the Management did not provide a statement explaining the variations between the actual expenditure and the budgeted amount in the financial statements as required under Section 81(2) of the Public Finance Management Act 2012.

Therefore, the Fund Management did not comply with the approved budget provisions and Section 81(2) of the Public Finance Management Act 2012.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit

the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all internal controls matters that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

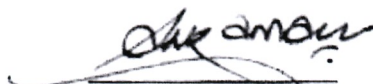
24 January, 2023

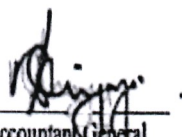
4.0 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH
JUNE, 2022

		2021/2022	2020/2021
	Note		
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Fines, penalties and levies	1	21,726,282.00	198,837,610.00
Fines, penalties and levies Receivables	2	451,766,486.80	317,875,905.00
		473,492,768.80	516,713,515.00
Revenue from exchange transactions			
Other revenues	3	33,038,409.15	40,470,263.00
Total revenue		506,531,177.95	557,183,778.00
Expenses			
General expenses	4	256,974,937.85	267,788,525.00
Transfer to other Government Units	5	30,000,000.00	30,000,000.00
Total expenses		286,974,937.85	297,788,525.00
Deficit/ Surplus for the period		219,556,240.1	259,395,253.00

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Management on

30-9-2022 by;


Principal Secretary
Andrew Kamau, CBS


Deputy Accountant General
Charles Liyayi Shidzugane
ICPAK Member Number: 5068

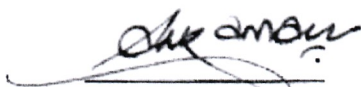
**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2022**

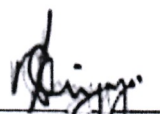
5.0 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2022

1. ASSETS	Note	2021/2022	2020/2021
		Kshs.	Kshs.
CURRENT ASSETS			
Cash and Cash Equivalents	6	664,105,397.30	959,948,229
Accounts receivables-fines, penalties and levies	7	2,732,715,008.80	2,280,948,522
Accounts Receivables - Outstanding Imprest and Clearance Accounts	8	64,288,625.00	656,040.00
TOTAL ASSETS		3,461,109,031.10	3,241,552,791.00
LIABILITIES			
Accounts Payables – Advance Payment			-
NET ASSETS		3,461,109,031.10	3,241,552,791.00
REPRESENTED BY			
Fund balance b/fwd	10	3,241,552,791.00	2,982,157,538.00
Surplus for the year		219,556,240.10	259,395,253.00
TOTAL ASSETS AND LIABILITIES		3,461,109,031.10	3,241,552,791.00

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Management on

30-9-2022 by;


Principal Secretary
Andrew Kamau, CBS


Deputy Accountant General
Charles Liyayi Shidzugane
ICPAK Member Number: 5068

**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2022**

6.0 STATEMENT OF CHANGES IN NET ASSETS AS AT 30TH JUNE, 2022.

	2021/2022
	KShs.
Balance as at 1 st July 2020	2,982,157,538
Surplus for the year	259,395,253.00
Balance as at 30 th June 2021	3,241,552,791.00
Balance as at 1 st July 2021	3,241,552,791.00
Surplus for the year	219,556,240.10
Balance as at 30 th June 2022	3,461,109,031.10

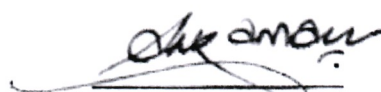
**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2022**

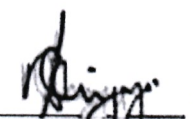
7.0 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2022

2.	Note	2021/2022	2020/2021
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Tax Revenues	1	21,726,282.00	198,837,610.00
Other Revenues	3	33,038,409.15	40,470,262.85
Cash flow from operating activities		54,764,691.15	239,307,872.85
Payments for operating expenses			
General Expenses	4	256,974,937.85	267,788,525.00
Transfers to Other Government Units	5	30,000,000.00	30,000,000.00
		286,974,937.85	297,788,525.00
Adjusted for:			
Changes in receivables	11	(63,632,585.00)	68,180,283.00
Changes in payables		-	(31,248,076)
Net cash flow from operating activities		(295,839,556.70)	(21,548,445.10)
NET INCREASE IN CASH AND CASH EQUIVALENT		(295,839,556.70)	(21,548,445.10)
Cash and cash equivalent at BEGINNING of the year		959,948,229.00	981,496,674
Cash and cash equivalent at END of the year		664,105,397.30	959,948,229

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Management on

30-9-2022 by;


Principal Secretary
Andrew Kamau, CBS



Deputy Accountant General
Charles Liyayi Shidzugane
ICPAK Member Number: 5068


**Petroleum Training Levy Fund
Reports And Financial Statements
For The Year Ended 30th June 2021**

8.0 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 30TH JUNE, 2022

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=d/c %
Revenue from non-exchange transactions						
Fines, penalties and levies	260,471,428.00		260,471,428.00	21,726,282.00	(238,745,146.00)	8.34%
Other income				33,038,409.15	33,038,409.15	
Total Receipts	260,471,428.00		260,471,428.00	54,764,691.15	(205,706,736.85)	21.03%
PAYMENTS						
Use of goods and services	230,471,428.00		230,471,428.00	256,974,937.85	26,503,509.85	111.50%
Transfer to other government units	30,000,000.00		30,000,000.00	30,000,000.00	-	100.00%
Grand Total	260,471,428.00		260,471,428.00	286,921,962.95	26,450,534.95	110.15%

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Management on 30-9-2022 by;


Principal Secretary
Andrew Kamau, CBS


Deputy Accountant General
Charles Liyayi Shidzugane
ICPAK Member Number: 5068

9.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

9.1 Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method.

This is the first year the financial statements have been prepared on accrual basis.

9.2 Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2022 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2022: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022.

9.2.1 Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions

9.3 Interest income

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

9.4 Budget information

The original budget for FY 2021/2022 was approved by the National Assembly on June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9.5 Contingent liabilities

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

9.6 Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

9.7 Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the Principal Secretary and the Fund Accountant.

9.8 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 commercial banks at the end of the financial year.

9.9 Comparative figures

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

9.10 Events after the reporting period

There were no material adjusting and non- adjusting events after the reporting period.

9.11 Ultimate and Holding Entity

The entity is a Public Fund established by Section 167 of the Public Finance Management (PFM) Act 2012. Its ultimate parent is the Ministry of Petroleum.

9.12 Currency

The financial statements are presented in Kenya Shillings (Kshs).

9.13 Significant judgments and sources of estimation uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

9.14 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

9.15 Useful lives and residual values

- The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:
- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

9.16 Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable

levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

9.17 Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount (Kshs.)
At 30 June 2021	
Bank balances	959,948,229.00
Total	959,948,229.00
At 30 June 2022	
Bank balances	664,105,397.30
Total	664,105,397.30

The entity has significant concentration of credit risk on amounts deposited with banks.

The management sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

9.18 Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

9.19 Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

9.19.1 Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

9.19.2 Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

9.20 Capital risk management

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2021/2022	2020/2021
	Kshs.	Kshs.
Total assets	3,461,109,031.10	3,241,552,791
Less payables	-	-
Accumulated surplus	3,461,109,031.10	3,241,552,791
Less: cash and bank balances	664,105,397.30	959,948,229
Accounts receivables and outstanding imprests	64,285,350.00	656,040.00
Gearing	0%	0%

10. NOTES TO THE FINANCIAL STATEMENTS

1) Fines, penalties & Levies

Description	2021/2022	2020/2021
	Kshs.	Kshs.
Levies from the oil companies-Training Levy	18,630,000.00	147,792,594
Levies from the oil companies-Surface Fess	3,096,282.00	51,045,016
Total	21,726,282.00	198,837,610

These refers to levies received from oil companies in the year and due from them for the same year.

2) Fines and Penalties receivables

Description	2021/2022	2020/2021
	Kshs.	Kshs.
Levies from the oil companies	451,766,486.80	317,875,905
Total	451,766,486.80	317,875,905

3) Other Revenues

Description	2021/2022	2020/2021
	Kshs.	Kshs.
Interest income from bank deposits	33,038,409.15	40,470,263
Total interest income	33,038,409.15	40,470,263

4) General expenses

Description	2021/2022	2020/2021
	Kshs.	Kshs.
Training expenses	250,940,458.95	264,089,932.00
Bank Charges	5,601,824.85	-
Exchange Rate Losses	432,654.05	3,698,593
Total	256,974,937.85	267,788,525.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5) Transfer to other Government Units

Description	2021/2022	2020/2021
	Kshs.	Kshs.
Transfer to NOCK	30,000,000.00	30,000,000
Total	30,000,000.00	49,559,020

6) Cash and Cash equivalents

Description	2021/2022	2020/2021
	Kshs.	Kshs.
PTL Bank Account	552,767,272.05	851,703,110
Surface Fees Bank Account	111,338,125.25	108,245,119
Total	664,105,397.30	959,948,229

7) Accounts Receivables - Fines, penalties and levies

Description	2021/2022	2020/2021
	Kshs.	Kshs.
Fines, penalties and levies brought forward	2,280,948,522.00	1,963,072,617
Fines, penalties and levies receivable for the year	451,766,486.80	317,875,905
Total	2,732,715,008.80	2,280,948,522

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8) Accounts Receivables - Outstanding Imprest and Clearance Accounts

	Kshs.	Kshs.
Imprest	656,040.00	656,040.00
Development Bank A/c	63,632,585.00	-
Total Receivables	64,288,625.00	656,040.00

9) Imprest holders register

NAME OF OFFICER	DATE ISSUED	AMOUNT ISSUED	AMOUNT SURENDERED	BALANCE
CATHERINE KATHINGO	20/4/2017	656,040.00	0	656,040.00
		656,040.00		656,040.00

10) Fund balance Brought Forward

Description	2021/2022	2020/2021
	Kshs.	Kshs.
Bank accounts	959,948,229	981,496,674
Fines, penalties and levies Receivables	2,280,948,522	1,963,072,617
Receivables - Outstanding Imprests	656,040.00	68,836,323
Payables – Deposits	-	(31,248,076)
TOTAL	3,241,552,791	2,982,157,538

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11) Changes in receivables

	2021/2022	2020/2021	Change
	Kshs.	Kshs.	Kshs.
Outstanding Imprest and Clearance Accounts	64,288,625.00	656,040.00	(63,632,585.00)
Total	64,288,625.00	656,040.00	(63,632,585.00)

12) Related party balances

a) Nature of related party relationships

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) Ministry of Petroleum;
- b) Key management personnel.

(f) Related parties transactions

	FY2021/2022	FY2020/2021
	Kshs.	Kshs.
Transfers to related parties (NOCK)	30,000,000.00	30,000,000.00
TOTAL	30,000,000.00	30,000,000.00

11. PROGRESS ON FOLLOW UP OF AUDITOR 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)
REPORT OF FINANCIAL STATEMENTS					
1.	Non-conformity with state departments financial statement-use of IPSAS accrual as opposed to IPSAS cash basis	The adoption of accrual basis in preparation of financial statements was consistent with other funds by other MDAs	SP	Not yet	Started
2.	Incorrect recognition of revenue-recognising surface fees as part of training fees	The state department has sought authority to open bank account	HAU	Bank account opened	Within this financial year 2018/2019

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)
1.2	Difference between training fund budget and voted provisions resulting to excess AIA which have not been utilized	in order to enable the recording of the collections separately. The state department has employed new staff who will utilize the funds for their training needs	SP	Not yet	Within the financial year 2018/2019
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES					
1	Grant and subsidies-Disclosure of the purpose of funds and expenditure returns for funds transferred to National oil corporation	Letter have been written to NOCK submit their expenditure returns	SP	Not yet	N/A
REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE					

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)
1.	Uncollected training levy-Failure of oil companies to pay training fees and surface fees	Demand notices have been issued besides engaging the oil companies through telephone conversations and face to face meetings.	SP	On going	
2.	Weakness in revenue collection and recording	Compilation on oil petroleum exploration blocks in the country	SP	In progress	
4.	Underutilization of training fund	The inclusion of all stakeholders in petroleum and oil and gas exploration for training	SP	In progress	

**MINISTRY OF PETROLEUM AND MINING TRIAL BALANCE FOR THE YEAR
ENDED 30TH JUNE, 2022.**

	Dr	Cr
	Amount (kshs.)	Amount (kshs.)
Fund balance b/f		3,241,552,791.00
Fines, penalties and levies -training fees	-	18,630,000.00
Fines, penalties and levies surface fees	-	3,096,282.00
Fine, Penalties Recievables		451,766,486.80
Payment received in advance	-	
Accounts receivables-fines, penalties and levies	2,732,715,008.80	
Temporary Imprests	656,040.00	
PTL Bank Account	552,767,272.05	
Surface Fees Bank Account	111,338,125.25	
Transfer to NOCK	30,000,000.00	
Transfers to Development Account for state department for petroleum	63,632,585.00	
Training expenses	250,940,458.80	
Interest income		33,038,409.00
Bank Charges	5,601,824.85	
Exchange Rate Losses	432,654.05	
Total	3,748,083,968.95	3,748,083,968.95



<p>UNITED STATES DEPARTMENT OF AGRICULTURE</p> <p>OFFICE OF THE ASSISTANT SECRETARY FOR</p> <p>TECHNICAL ASSISTANCE</p>	
<p>NAME</p>	<p>ADDRESS</p>
<p>CITY</p>	<p>STATE</p>
<p>ZIP</p>	<p>DATE</p>