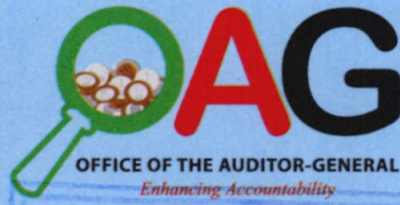


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 03 DEC 2025

DAY.

wed

REPORT

TABLED
BY:

Deputy Leader of Majority

Hon. Owen Bayo

CLERK-AT
TABLE:

Halima Sulaiman

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

PETROLEUM DEVELOPMENT FUND

**FOR THE YEAR ENDED
30 JUNE, 2025**

STATE DEPARTMENT FOR PETROLEUM



STATE DEPARTMENT FOR PETROLEUM

PETROLEUM DEVELOPMENT FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30TH JUNE, 2025

**Transitional IPSAS Financial Statements/Prepared in accordance with the Accrual Basis of Accounting Method Under
International Public Sector Accounting Standards (IPSAS)**

(STATE DEPARTMENT FOR PETROLEUM -PETROLEUM DEVELOPMENT FUND
Annual Report and Financial Statements for the year ended June 30, 2025

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1. ACRONYMS AND GLOSSARY OF TERMS

AIE	Authority to Incur Expenditure
CFO	Chief Finance Officer
HAU	Head of Accounting Unit
ICT	Information Communication Technology
IPSAS	International Public Sector Accounting Standards
KPC	Kenya Pipeline Corporation
KPRL	Kenya Petroleum Refineries Limited
NOCK	National Oil Corporation of Kenya
MDAs	Ministries Departments and Agencies
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
PFM	Public Finance Management
PFMC	Public Finance Management Committee
DEV	Development
EPRA	Energy and Petroleum Regulatory Authority

B: Definition of Key Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation.

2.Key Ministry Information and Management

(a) Background information

The State Department for Petroleum (SDP) was established as one of the State Departments in the Ministry of Energy and Petroleum vide Executive Order No. 1 of 2025 on the Organization of the Government and charged with the mandate of providing policy direction and strategic management of the Oil and Gas Sector.

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

Vision statement

A regional leader in exploration, exploitation and supply of oil and gas for sustainable development

Mission statement

To promote sustainable exploitation and management of oil and gas in Kenya.

Core Values

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

- i. Professionalism and Integrity
- ii. Transparency and accountability
- iii. Innovativeness
- iv. Stakeholder participation
- v. Customer centric
- vi. Teamwork and Commitment
- vii. Sustainability
- viii. Inclusivity and impartiality

(b) Mandate

The State Department's mandate is derived from the Executive Order No. 1 of 2025 on the Organization of the Government of the Republic of Kenya. The functions of SDP as outlined in the Executive Order include:

- i. Petroleum Policy;
- ii. Strategic Petroleum Stock Management;
- iii. Management of Upstream Petroleum Products Marketing;
- iv. Oil and Gas Exploration Policy Development;
- v. Oil/Gas Sector Capacity Development;
- vi. Petroleum Products Import/Export Marketing Policy Management;
- vii. Licensing of Petroleum Marketing and Handling; and
- viii. Quality Control of Petroleum Products.

The State Department has an oversight responsibility over National Oil Corporation of Kenya (NOCK), Kenya Pipeline Company (KPC) and Kenya Petroleum Refineries Limited (KPRL),

Strategic Objectives

The Strategic Objectives of the State Department are:

- i) To enhance exploitation of petroleum resources;
- ii) To ensure security of supply of petroleum products;
- iii) To ensure uninterrupted availability of petroleum products;
- iv) To enhance environmental conservation; and

To improve legal, policy and Institutional regulatory framework

(c) Key Management

To effectively implement and deliver on its mandate, the State Department has the following Directorates/Departments/Units:

- (i) Upstream Directorate;
- (ii) Mid/Downstream Directorate;
- (iii) General Administration and Support Services which include:
 - Administration
 - Human Resource Management and Development (HRM&D)
 - Public Communications

- Central Project Planning and Monitoring Department (CPPMD)
- Supply Chain Management Services
- Information Communication Technology (ICT)
- Finance
- Accounts
- Legal
- Internal Audit
- Records Management

(d) Fiduciary Management

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

No.	Designation	Name
1	Cabinet Secretary	Opiyo Wandayi
2	Principal Secretary, Petroleum	Mohamed Liban
3	Commissioner, Petroleum	Mr. Joseph Cambb Otieno
4	Secretary, Administration	M. B. Mohamed, EBS
5	Senior Chief Finance Officer	CPA Dismas Ogot
6	Director HRM&D	Eliud Mwaruah
7	Senior Deputy Accountant General	CPA Veronica Kamau
8	Chief Economist	Lucy Gaithi
9	Director Supply Chain Management	MCIP Joyce N. Ala

(f) Fiduciary Oversight Arrangements

(a) Audit Committee Activities

The Ministry of Energy and Petroleum has a functional Audit Committee as per the requirement of Section 73(5) PFM Act, 2012. The Committee comprises of four members. It serves the State Department for Energy and State Department for Petroleum.

The main function of the Audit Committee is to:

- i. Support the Accounting Officer regarding issues of risk, control and governance and associated assurance. The responsibility remains with the management of the concerned entity; and
- ii. Follow up on the implementation of the recommendations of internal and external auditors.

The audit committee was appointed and inducted during the FY 2024/2025. The Committee held a meeting with the Internal Auditors as part of the Committee's mandate to regularly engage with the internal audit function. The purpose of such meetings is to review the audit reports, discuss audit findings, assess the effectiveness of internal controls, and plan future audit activities.

(b) Public Finance Management Standing Committee (PFMSC)

The State Department had in place an established PFMSC that provided direction on the financial management of the State Department. The PFMSC also provided leadership and engagements in strategic plan review, budget formulation, budget implementation, prudent procurement, quarterly reporting to the Controller of Budget, parliamentary departmental committees, accounting and reporting internal control systems and control, as well as external audit reporting, control and closing. The overall budget absorption levels attained was 88 per cent.

(c) Senior Management Committee

The State Department, in pursuit of strong governance and compliance, held periodic Heads of Department meetings that prepared annual work plans and performance contracting targets for execution and quarterly reviews, reporting and addressing of challenges. The initiative yielded high results in attainment of planned targets and financial stewardship.

(a) State Department Headquarters

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

State Department Contacts

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

(b) Petroleum Development Levy Bankers

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

(c) Independent Auditors

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

(d) Principal Legal Adviser

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

3.Profiles of Cabinet Secretary.



**Hon. J. Opiyo Wandayi,
Cabinet Secretary, Ministry of Energy
and Petroleum**

Hon. Opiyo Wandayi, was appointed to the position of Cabinet Secretary in August, 2024. Hon. Wandayi is a social democrat and firm believer in equity and fairness in the management of private and public affairs. Hon. Wandayi is an alumnus of the University of Nairobi (UoN) where he graduated with a Bachelor of Science in Agriculture, specializing in Agricultural Economics in 1996. In addition, the Hon. Wandayi holds a Masters in Business Administration (MBA) from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Diploma in Business Management from the Kenya Institute of Management (KIM). He has recently obtained a Bachelor of Laws Degree from Daystar University..

4. Profile of Accounting Officer and Key Management



Mohamed Liban

Principal Secretary

Mr. Mohamed was appointed to the position in December, 2022. Prior to the appointment he was the Chairman of the Ewaso Ng'iro North Development Authority, a position he held from 2019. He has a wealth of Leadership capabilities having served as Regional Elections Coordinator under the Independent Electoral and Boundaries Commission from 2009 – 2017. Other Positions held include Regional Health manager with Kenya Red Cross Society of Kenya and Deputy Chief Clinical Officer at the Ministry of Health.

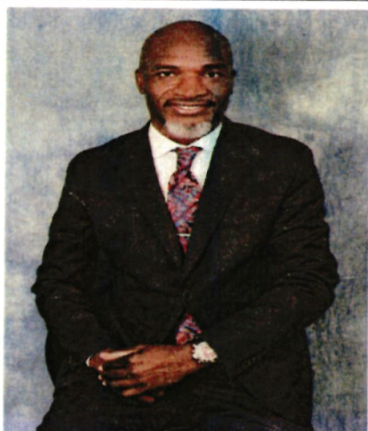
As the PS, he steers the Petroleum docket at the Ministry where he oversees implementation of Petroleum projects/operations. Mr. Liban holds a Masters of Public Health and Epidimeology from Kenyatta University, Higher National Diploma in Cataract Surgery from Kenya Medical Training college (KMTC), International Diploma in Community Eye Health from London University and Higher National Diploma in Ophthalmology from KMTC and have attended several Human Resource management Courses.



Mohamed Birik Mohamed, EBS


Secretary, Administration


Mr. Mohamed Birik assumed the position of Head of Administration in June, 2022. He is in charge of the overall Administration Function in the Department. Mr. Birik Holds a Master's Degree in Peace and Conflict Resolution from Kenyatta University, Bachelors of Arts Degree in Education from University of Nairobi and Diploma in Public Administration. He has a wealth of expertise in Strategy & Policy Development, Conflict Management & Resolution, Financial Management, Performance Management and relationship skill.




**Mr. Joseph Cambb Otieno,
Commissioner, Petroleum**

Mr. Joseph C. Otieno, R. Geol, is the Commissioner for Petroleum, responsible for the overall coordination of the Petroleum function. He has over 18 years of experience in the Petroleum industry. He holds an M.Sc. degree in Petroleum Geoscience from the Royal Holloway, University of London, United Kingdom; B.Sc. (Hons) degree in Geology from the University of Nairobi; Certificate in Petroleum Policy and Resource Management from PETRAD, Norway; Certificate in International Petroleum Business from the Institute of Petroleum Development, USA; among other qualifications. Mr. Otieno is a Registered Geologist with the Geologist's Registration Board (GRB) and a Professional Member of the Geological Society of Kenya

	<p>CPA Dismas Ogot Senior Chief Finance Officer</p> <p>CPA Dismas Ogot assumed the position of Head of Finance Unit in 17th January, 2023. He is in charge of Public Finance Management; Budget preparation, coordination, implementation, control, monitoring and evaluation, budget reviews and periodic reporting, as by law provided. He holds an MBA (Strategic Management) and Honors Bachelor of Arts (Economics), of the University of Nairobi. He is a CPA (K) holder, and also a member of the ICPAK.</p>
	<p>Eliud Mwaruah, Director/HRM&D</p> <p>Mr. Eliud Mwaruah assumed the position of Head, Human Resource Management and Development in March, 2023. He is in charge of managing the Human Resource Function in the Department including Training & Development, and Governance Programmes for effective and efficient Service delivery. He holds an MBA Methodist University, a Bachelor of Arts degree in Political Science from the University of Nairobi and a Post graduate Diploma in Human Resource Management. A member of Institute of HRM and Institute of Directors Kenya.</p>

	<p>CPA Veronica Kamau Senior Deputy Accountant General</p> <p>Ms. Veronica Kamau assumed the position of Head of Accounting Unit in March, 2023 a position she holds to date. She is in charge of Accounting and Financial Reporting as well as designing, implementing and monitoring internal controls. She is responsible for the preparation of financial reports in line with the relevant International Public Sector Accounting Standards (IPSAS). She holds an MBA (Strategic Management), Bachelor of Commerce (Accounting Option) and she's a Certified Public Accountant of Kenya and a member of the Institute of Certified Public Accountants of Kenya. She is a Certified ISO Auditor and attended several Management Courses including Women Managers Course, SLDP and others.</p>
	<p>Lucy Gaithi Director, Planning and Project management</p> <p>Ms. Lucy Gaithi assumed the position of Head of Economic Planning in March, 2023 a position she holds to date. She is responsible for Coordination of Economic Planning and Monitoring implementation of Programmes and Projects in the State Department. She holds a Master of Management in Public and Development Management (MM P&DM) from the University of Witwatersrand, Johannesburg South Africa and a Bachelor of Arts (Economics &</p>

	<p>Statistics) from University of Nairobi. She is member of the Economist Society of Kenya (ESK).</p>
	<p>MCIPS Joyce N. Ala Director, Supply Chain Management Services (SCMS)</p> <p>Ms. Joyce Ala assumed the position of Head of Supply Chain Management Division in March, 2023 a position she holds to date. Her functions include: Procurement of Good and services and Disposal of Unserviceable/surplus Assets/Stores and Inventory Management. She holds an MBA (Strategic Managements) from Moi University, Bachelor of Arts in Business Administration from Daystar and Diploma in Supplies Management. She's a member of Kenya Institute of Supplies Management (No. 62400).</p>

5.Statement by the Cabinet Secretary

The Ministry of Energy and Petroleum is established by the Executive Order No. 1 of 2025 on Organization of the Government of the Republic of Kenya and has two State departments namely: The State Department for Energy and the State Department for Petroleum.

The Executive Order outlines the mandate of the State Department for Petroleum as: Petroleum Policy; Strategic Petroleum Stock Management; Management of Upstream Petroleum Products Marketing; Oil and Gas Exploration Policy Development; Oil/Gas Sector Capacity Development; Petroleum Products Import/Export Marketing Policy Management; Licensing of Petroleum Marketing and Handling; and Quality Control of Petroleum Products.

The State Department’s strategic objectives are: to promote investments in oil and gas development; to enhance commercialization of Kenya crude oil and petroleum products; to generate, process and interpret geoscientific data; and to formulate and review regulatory frameworks and undertake institutional reforms.

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

The annual report and financial statements for the year ended 30th June, 2025, provide an opportunity to interrogate and understand our programs and activities and to showcase how we have been able to accomplish a lot with the limited resources available.

.....

Cabinet Secretary

Ministry of Energy and Petroleum

6.Statement by the Accounting Officer

The Annual Report and Financial Statements for the year ended 30th June 2025 provides the State Department for Petroleum with an opportunity to demonstrate how the Department used allocated resources prudently and efficiently. Several activities were undertaken during the period under review and are discussed in subsequent sections. All these activities were undertaken in collaboration with the relevant stakeholders.

The activities planned for implementation during the period under review included: finalization of Petroleum Policy; Review of the Field Development Plan to develop the hydrocarbon resources in South Lokichar; Clean cooking gas rollout for Public Learning Institutions; Distribution of 6kgs Gas cylinders to households to promote LPG uptake in the Country; Finalization of the 2023-2027 Strategic Plan; Geoscientific data acquisition in Blocks L17 and L18; and Continuous capacity building.

Other activities entailed: implementation of Government-to-Government mode of importation of petroleum products; continuous marketing of petroleum blocks to attract investors; development of a National Liquefied Petroleum Gas (LPG) Strategy that includes a clear roadmap and implementation plan to distribute LPG; and the development of Natural Gas as a feedstock for allied industries and for power generation.

The achievements realized during the period under review included: successful implementation of the Government-to-Government importation mode, hence ensuring the Country doesn't encounter petroleum products stockouts; finalization of the 2023-2027 Strategic Plan; review of the Draft National Petroleum Policy; review of the south Lokichar Field Development Plan; acquisition of Geoscientific data in an area covering 1,265km² in Block L17 zone 2 and L18; approval of a Cabinet Memo on LPG Growth Strategy; continuous engagement of the stakeholders and Communities in the project areas; among others.

The State Department experienced budget cuts during budget reviews, which in turn affected the achievement of some of the planned activities. The formulation of this report employed a highly consultative and participatory approach where various Departments contributed to its formulation.

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

7.Statement Of Performance Against Predetermined Objectives for The FY2024/25

Strategic Objectives

- i) To enhance exploitation of petroleum resources;
- ii) To ensure security of supply of petroleum products;
- iii) To ensure uninterrupted availability of petroleum products;
- iv) To enhance environmental conservation; and
- v) To improve legal, policy and Institutional regulatory framework.

Progress on the attainment of Strategic Objectives through Performance Contracting

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

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S/No.	Outcome/ Key Output	Key Performance Indicator	Target FY 2023/24	Achievement	Remarks
1.	Petroleum Blocks	No. of Petroleum blocks marketed	3	10	10 Petroleum Blocks were marketed at the 11 th East African Petroleum Conference and Exhibition 2025 (EAPCE'25) in Dar es Salaam and Africa Oil week in Cape Town South Africa in October 2025
2.	South Lokichar Oil Field	% of land acquisition process	60	55	ESIA license for the make-up water pipeline issued. Series of stakeholder engagement and public participation forums were undertaken in West Pokot and Turkana Counties. Survey done for whole crude oil pipeline. Land acquisition plan undertaken for Meru and Samburu Counties
		% of the preliminary activities for the make-up water pipeline undertaken	50	45	Procurement process for the consultancies for development of land acquisition, resettlement and livelihood framework and for the development for grievances redress framework are being finalized Reports have been finalized
4.	Lokichar-Lamu Crude Oil Pipeline developed	Proportion (%) of preliminary activities on development of Crude Oil Pipeline undertaken	60	55	Community engagement and sensitization in project-affected area commenced. Survey, demarcation and registration of community land of twenty-three (23) of the sixty-three (63) communities in Turkana County ongoing for Turkana section of the proposed crude oil pipeline.

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S/No.	Outcome/ Key Output	Key Performance Indicator	Target FY 2023/24	Achievement	Remarks
					Development of land acquisition plans for the counties of Lamu, Meru and Samburu in preparation for land inquiries for the said counties completed.
5.	Petroleum legislation, regulations and Master Plan	No. of Petroleum Regulations developed	2	1	Draft Petroleum (Liquefied Petroleum Gas) Regulations, 2024 completed and forwarded to AG's Office for clearance
		Amended Petroleum Act	1	0	
6	Geo-scientific Data in Block 14T	No, of Geological Reports	1	1	Reports have been finalized
		No. of Geophysical Reports	1	1	Reports have been finalized
7	Petroleum products Distributed	Metric Tonnes of petroleum products distributed ('000)	6,960	5,831	There was an increase in demand for the products in quarter 3 and 4. The country and region were well supplied and there were no stock outs experienced.

8. Governance Statement

The Petroleum Development Fund is guided by the Petroleum Act ,2019.The fund is under control of Management committee which provide strategic leadership

9. Management Discussion and Analysis

In the FY 2024/25,the Funds primary focus remained on financial strategic petroleum sector development projects,supporting capacity building initiatives,and ensuring timely disbursement of resources to priority programs.The state department received kshs 25,543,498,320.10 for the petroleum development fund.

Description	2024-2025
	Kshs
DEVELOPMENT ACCOUNT	
Transfer to NOCK	302,000,000
Transfer to EPRA	150,000,000
Transfer to State Department for Petroleum	2,383,127,808
Transfer to treasury	100,000,000
RECURRENT ACCOUNT	
Transfer to State Department for Petroleum - Oil Market Price Stabilization	13,181,443,068
Transfer to NOCK	4,913,000,000
Transfer to KPRL	3,515,911,634
Total	24,545,482,510

Total expenditure amounted to kshs 24,545,482,510 against the Receipt of kshs25,543,498,320.10 Resulting a surplus of kshs 998,015,810.65

a) Challenges

- i)Funding and Budgetary Constraints
- ii)Unstable Geo Political Environment
- iii)Human Resource constraints
- iv)inadequate specialized technical capacity in the sector
- v)stakeholders' resistance to programmes and projects

b) Mitigation measures

- i)Lobbied the National Treasury and Parliament and embraced PPP as a way of project financing.
- ii)Stabilization framework through energy subsidies.
- iii)Human Resource capacity enhanced through recruitment of additional staff and training
- iv)Through EPRA, enhanced monitoring, surveillance to prevent and deter diversion of fuel meant for transit
- v)Enhanced sensitization of the public on the multiple benefits of exploration to counter the high expectation

10. Environmental and Sustainability Reporting

The State Department for Petroleum is established, as one of the two State Departments under the Ministry of Energy and Petroleum, by the Executive Order No. 1 of 2025 on Organization of the Government of the Republic of Kenya. This executive order on organization of Government gives the mandate of the State Department for Petroleum as follows:

- i. Petroleum Policy;
- ii. Strategic Petroleum Stock Management;
- iii. Management of Upstream Petroleum Products Marketing;
- iv. Oil and Gas Exploration Policy Development;
- v. Oil/Gas Sector Capacity Development;
- vi. Petroleum Products Import/Export Marketing Policy Management;
- vii. Licensing of Petroleum Marketing and Handling; and
- viii. Quality Control of Petroleum Products.

While performing her mandate, environmental concerns can broadly be divided into four (4) main categories as listed below;

Environmental	Natural disasters	<ul style="list-style-type: none"> • Leads to infrastructural damage • Potential invocation of Force majeure on contractual obligations
	Pollution	Potential adverse effect on marine and terrestrial life
	Waste management	Pollution prevention
	Climate change	May have adverse effects on water sources required for upstream development

The State Department has identified these factors and developed avenues of reporting any incidences and subsequent actions taken as elaborated below. The reporting structure has been developed in compliance with National Environmental Management Authority (NEMA) guidelines.

PART VIII: of the Petroleum Act 2019 provides for matters Environment, Health and Safety and **Clause 59. (1)** Opinions that... “A contractor shall carry out upstream petroleum operations in the contract area in accordance with all the applicable environment, health, safety and maritime laws and best petroleum industry practices”.

Clause 63. (1) of the Petroleum Act 2019 provides that... “A person engaged in any undertaking or activity pursuant to a petroleum agreement or permit issued under this Act shall notify the Authority within forty eight hours in writing, in the form and manner prescribed by the Authority, of any accident or incident causing loss of life, personal injury, explosion, oil spill, fire or any other accident or incident causing harm or damage to the environment or property which has arisen in Kenya or within Kenya's Exclusive Economic Zone or Outer Continental Shelf”.

a) Sustainability strategy and profile

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

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

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

The State Department is guided by Environmental Management and Coordination Act (EMCA 2015) in monitoring environmental impacts. The State Department also insists on the individual company’s policy on Health Safety and Environment and check consistency with the existing regulations and laws. The State Department has developed a National Liquefied Petroleum Gas strategy to increase the use of LPG as a cleaner source of energy as compared to biomass (firewood, charcoal etc). The strategy is to enhance LPG penetration and increase LPG per capita consumption from the current 7.5 kg per year to 15 kg per year and enhance its penetration from

approximately 24% currently to 70% by 2028. The use of LPG as a source of fuel has the benefit of reducing indoor pollution, reduction of respiratory diseases due to indoor pollution.

c) Employee welfare

The state Department has a Recruitment Plan for its Technical Staff. Vacancies are identified and forwarded to Public Service Commission in accordance with the Regulations for recruitment. All the stakeholders are engaged and recruitment is done in accordance with the Guiding Policies.

d) Operational practices/ Market place practice

The State Department has put in place several efforts including:

The State Department for Petroleum has put in place

- a) Project Implementation Committee
- b) Inspection, Receipt and Acceptance Committee that ensures goods received confirm to specification and the payment to suppliers is affected within the shortest period possible.

Clients who show interest in trading with the Department are encouraged to submit all the mandatory registration documents and hence included in the registered list of suppliers with the Department which is a continuous process as per Public Procurement Asset Disposal Act and its attendant regulation 2020.

The State Department also complies with Article 227 of the constitution where all suppliers are treated equally without any favourism.

- a) Use of open tender method, which is the most competitive method of procurement
- b) The State Department continually register suppliers in various categories of goods, works and services
 - Suppliers visits our offices and are given audience
 - Suppliers are informed of problems about their contracts which is resolved through audience to rectify any problems with their contracts amicably for the interest of both parties.
 - Contract period can be extended for suppliers to complete deliveries as per requests
 - The State Department rarely punish our suppliers by not cashing their bid bonds.

- c) Market surveys are regularly conducted
- Technical officers also ensure they continually research to understand up-to date information in relation to changes in technology and technological product.
- d) The State Department ensure that product specifications meet the set standard and threshold as prescribed in the Public Procurement and Asset Disposal Act, 2015.

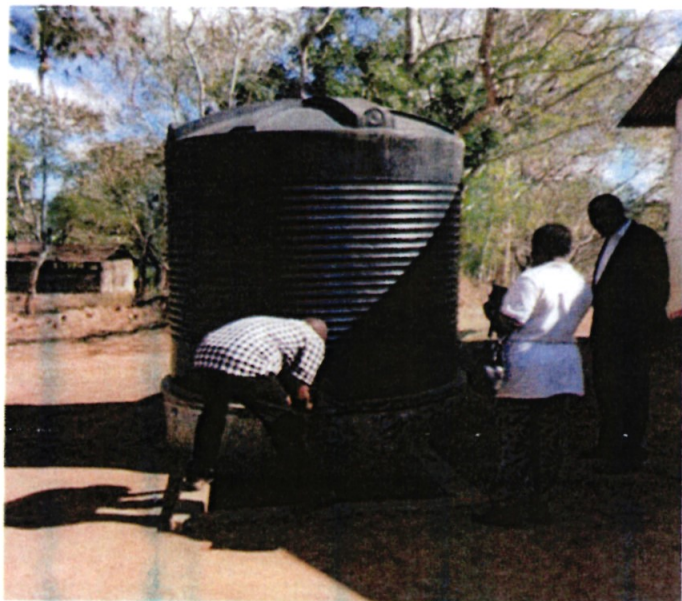
e) Community Engagements-

The State Department advocates that all players in the petroleum industry to engage the local leadership and host communities in identifying CSR projects to be undertaken as part of their obligation as per the provisions of the Production Sharing Contracts.

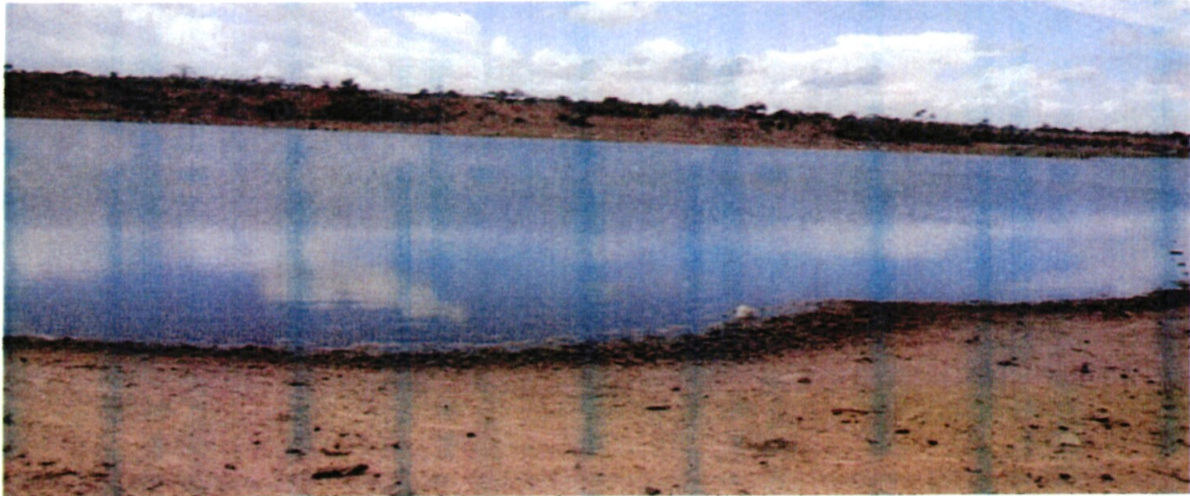
The State Department conducts stakeholders' forums in all the active Blocks including other Projects like Crude Pipeline and South Lokichar. Community Liaison Officers have been recruited and the community are constantly engaged on all petroleum operations in their area.

The International Oil Companies have undertaken various CSR projects in collaboration with local leaders and community representatives. Most of the CSR projects revolve around local needs like provision of water in arid/ semi-arid areas, building classrooms, dining halls and dormitories in needy schools, and provision of desks and chairs.

Below are some of the CSR projects undertaken:



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



Construction of a water pan at Gulanze Town, Kwale County



Installation of Community water Tanks/ borehole at Ganze Village, Kwale County

Impacts:

In all the schools where classrooms were constructed, the children enjoy better learning conditions and their morale has been boosted hence increased enrolment. Where boreholes were dug and water tanks installed, the projects benefitted the communities and schools by providing an opportunity for them to free up the time they spent on looking for water, which could now be spent on other development activities. Having clean water available also helped in decreasing water borne diseases within the communities. The water pan provided livestock farmers with water for their livestock.

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In all cases, the communities appointed committees to manage the community projects. The committees were encouraged to work with the local leaders and county governments in order to obtain financial support when and if needed. As concerns the schools, their Board of Management (BOM) were mandated to manage and sustain their projects.

11. Statement of Management Responsibilities

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the **State Department for Petroleum** is responsible for the preparation and presentation of the Petroleum Development fund financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the **State Department for Petroleum** accepts responsibility for the Petroleum Development Fund financial statements, which have been prepared in accordance with transitional to IPSAS accrual basis. The Accounting Officer is of the opinion that the financial statements give a true and fair view of the **Petroleum Development fund** transactions during the financial year ended June 30, 2025, and of the Petroleum Development fund financial position as at that date. The Accounting Officer in charge of the **State Department for Petroleum** further confirms the completeness of the accounting records maintained which have been relied upon in the preparation of the **Petroleum Development fund** financial statements as well as the adequacy of the systems of internal financial control.

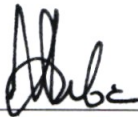
The Accounting Officer in charge of the **State Department for Petroleum** confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the **Petroleum Development** funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the Petroleum Development fund

(STATE DEPARTMENT FOR PETROLEUM -PETROLEUM DEVELOPMENT FUND
Annual Report and Financial Statements for the year ended June 30, 2025

financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The State Department for Petroleum's financial statements were approved and signed by the Accounting Officer on 21/10/2025 and signed by



Name: Mohamed Liban
Accounting Officer



Name: Veronica Kamau
Head of Accounting Unit
ICPAK Number: 10669

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON PETROLEUM DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2025 - STATE DEPARTMENT FOR PETROLEUM

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Petroleum Development Fund - Petroleum set out on pages 1 to 18, which comprise of the statement of financial position

as at 30 June, 2025 and the statement of financial performance, statement of changes 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, the financial statements present fairly, in all material respects, the financial position of the Petroleum Development Fund - State Department for Petroleum as at 30 June, 2025, 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.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Fund in 2024/2025 revealed that lack of governance framework for stabilization of petroleum prices remained unresolved as Management was still awaiting for appearance before Public Accounts Committee.

Other Information

Management is responsible for the Other Information set out on page iii to xxx which comprise of Key Ministry Information and Management, Profile of Cabinet Secretary, Profile of the Accounting Officer and Key Management, Statement by the Cabinet Secretary, Statement by the Accounting Officer, Statement of Performance Against Predetermined Objectives for FY2024/2025, Governance Statement, Management

Discussion and Analysis, Environmental and Sustainability Reporting and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Sustainability Assessment of Stabilization of Petroleum Prices Program

The statement of financial performance reflects transfers to other government entities amounting to Kshs.24,545,482,509. As disclosed in Note 6 to the financial statements,

the amount includes Kshs.13,181,443,068 incurred on oil market price stabilization. Review of documents relating to the stabilization program revealed a letter from The National Treasury dated 21 July, 2022 which advised the State Department to form a multi-agency team to review the resource requirement and assess the sustainability of the fuel price stabilization programme. However, Management did not constitute the taskforce and continued to make payments towards petroleum price stabilization.

In the circumstances, the existence of mechanisms to guide budgeting and financing stabilization of petroleum pump prices program could not be ascertained.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

Those charged with governance are responsible for overseeing the Fund's financial

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


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi

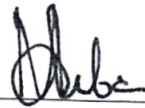
05 November, 2025

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13. Statement of Financial Performance for the year ended 30 June 2025

Description	Note	2024-2025
		Kshs
Revenue from non-exchange transactions		
Levies	5	25,543,498,320
Expenses		
Transfers to other Government Entities	6	24,545,482,509
Total expenses		24,545,482,509
Surplus		998,015,810

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 21/10/25 and signed by:



Name: Mohamed Liban
Accounting Officer



Name: Veronica Kamau
Head of Accounting Unit
ICPAK Number: 10669

14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2025

	Note	2024-2025	2023-2024
Financial Assets			
Current assets			
Bank balances	8	998,015,810	284,846,349
Total financial assets		998,015,810	284,846,349
Represented by			
Fund balance b/fwd	9	284,846,349	237,733,213
Refund to National Treasury		(284,846,349)	(237,733,213)
Surplus for the year		998,015,810	284,846,349
Net financial position		998,015,810	284,846,349

The Accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 21/10/2025 and signed by:



Name: Mohamed Liban
 Accounting Officer



Name: Veronica Kamau
 Head of Accounting Unit
 ICPAK Number: 10669

(STATE DEPARTMENT FOR PETROLEUM -PETROLEUM DEVELOPMENT FUND
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15 Statement of Changes in Net Assets for the year ended 30 June 2025

	Accumulated Surplus
Fund balance as at 30 th June 2023	237,733,213
Refund to the treasury	(237,733,213)
Surplus/ deficit for the year	284,846,349
Fund balance as at 30 th June 2024	284,846,349
Balance as at 1 st July 2024	284,846,349
Refund to the treasury	(284,846,349)
Surplus/ deficit for the year	998,015,810
As at June 30, 2025	998,015,810

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Petroleum Development Fund's financial statements were approved on 21/10/25 2025 and signed by:



.....
Name: MOHAMED LIBAN
Accounting Officer



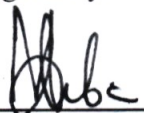
.....
Name: VERONICA KAMAU
Head of Accounting Unit
ICPAK M/No...10669

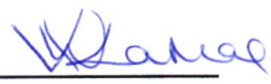
(STATE DEPARTMENT FOR PETROLEUM -PETROLEUM DEVELOPMENT FUND
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I. 16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2025

	Note	2024-2025
Cash flows from operating activities		
Receipts for operating activities		
Levies	5	25,543,498,320
Payments for operating activities		
Transfer to other Government Entities	6	24,545,482,509
Adjusted for;		
Refund to National Treasury/Adjustment	9	(284,846,349)
Net cash flows from operating activities		713,169,461
Net increase/(decrease) in cash and cash equivalents		713,169,461
Cash and cash equivalents at the beginning	9	284,846,349
Cash and cash equivalents at end	8	998,015,810

The Accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 21/10/2025 and signed by:


 Name: Mohamed Liban
 Accounting Officer

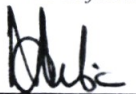

 Name: Veronica Kamau
 Head of Accounting Unit
 ICPAK Number: 10669


(STATE DEPARTMENT FOR PETROLEUM -PETROLEUM DEVELOPMENT FUND
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II. 17. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR FINANCIAL YEAR 2024/25

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=c-d	f=d/c %
RECEIPTS						
Tax Receipts	3,304,564,284	-	3,304,564,284	3,304,564,284	-	100%
Oil Market Price Stabilization	27,000,000,000	(8,428,911,634)	18,571,088,366	13,810,022,402	4,761,065,964	75%
Current Grants	-	8,428,911,634	8,428,911,634	8,428,911,634	-	100%
Total Receipts	30,304,564,284	-	30,304,564,284	25,543,498,320	4,761,065,964	84%
PAYMENTS						
Transfers to other Government Entities	280,000,000	202,000,000	482,000,000	482,000,000	-	100%
Transfer to State Department for Petroleum	3,024,564,284	-	3,024,564,284	2,453,127,808	571,436,476	81%
Oil Market Price Stabilization	27,000,000,000	(8,428,911,634)	18,571,088,366	13,181,443,067	5,389,645,299	71%
Current grant to Sagas	-	8,428,911,634	8,428,911,634	8,428,911,634	-	100%
Grand Total	30,304,564,284	202,000,000	30,506,564,284	24,545,482,509	5,961,081,775	81%

NOTE: The adjustment of kshs 8,428,911,634 from oil market price stabilization to current grants


Name: Mohamed Liban
Accounting Officer


Name: Veronica Kamau
Head of Accounting Unit
ICPAK Number: 10669

18. Notes to the Financial Statements

1. Establishment

The Petroleum Development Fund is established by and derives its authority and accountability from PDF Act. The Petroleum Development Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Petroleum Development Fund 's principal activity is to supplement the Development budget of the Petroleum Development Fund as Appropriation in Aid (AIA)

2. Statement of Compliance and Basis of Reporting

1. Statement of Ccompliance

The financial statements have been prepared in accordance with transitional IPSAS accrual basis.

The use of public resources by Petroleum Development Fund is primarily governed by chapter 12 Of the Constitution, the relevant Appropriation Act, the Public Finance Management Act, of 2012, And the Public Procurement and Disposal Act, of 2015.

These financial statements were authorized for issue by the Accounting Officer on 22 October 2025

The financial statements have been prepared in accordance with transitional IPSAS accrual basis. . The Petroleum Development fund has taken advantage of the transitional provisions under IPSAS 33 and therefore this year's financial statements are transitional financial statements

Notes to the financial statements

Reporting period

The reporting period for these financial statements is for the period ended 30th June 2025

Basis of preparation

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period on transitional IPSAS Accrual basis unless otherwise specified (for example, the Statement of Cash Flows). Under an accrual basis, revenues are recognised when rights to assets are earned or levied rather than when cash is received, and expenses are recognised when obligations are incurred rather than when they are

settled. The financial statements have been prepared and presented in Kenya Shillings to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

Critical accounting judgements

IPSAS requires accounting judgements to be made in determining accounting policies that impact the presentation of these financial statements. The most critical of these judgements, and their impact, are:

Recognition of revenue

A revenue is an increase in the net financial position, other than increases arising from ownership contributions. Revenue is required to be measured when the event occurs and when recognition criteria (probable inflow of resources and ability to reliably measure their value) are met. Judgment is required to determine if these criteria are met, particularly where limited evidence is available at the time the revenue is earned.

Recognition of non-exchange expenses and liabilities

A liability is a present obligation of *entity* for an outflow of resources that results from a past event. Expenses (and other liabilities) are recognized when there is a present obligation (legal or constructive) as a result of a past event. An outflow of resources embodying economic benefits will probably be required to settle the obligation and a reliable estimate of the obligation can be made. Judgment is required in assessing each of these conditions, and therefore reporting if an expense and a present obligation should be reported.

The *entity* pursues a number of policy targets and outcomes. However, the commitment to these targets and outcomes, generally, do not of themselves constitute a present obligation unless the entity is clear on the cost it intends to incur, when payment will be made, and to whom and as a consequence has raised a valid expectation. As a consequence, liabilities are not reported for costs associated with the entity policy objectives and targets. Where a policy choice gives rise to an obligation that exists independently of the entity future actions, expenses (and other related liabilities) are recognized for that policy.

Purpose and nature of financial instruments

Judgment is required in determining whether financial assets (including investment in securities and advances) and financial liabilities are held for trading or to provide a return through interest and principal transactions. Depending on that judgment, financial instruments will be reported at fair value or on an amortized cost basis.

Climate change obligations

Kenya's current National Determined Contribution (NDC) to deliver on the goals of the Paris Agreement sets a headline target of a 32 per cent emission reduction by 2030 relative to the business-as-usual scenario of 143 MtCO₂eq. Petroleum Development Fund's commitment to climate change action does not constitute a present obligation on the balance sheet but are disclosed separately.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

i) *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

There were no new and amended standards issued in the financial year.

ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an MDA.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the</p>

Standard	Effective date and impact:
	<p>scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an MDA shall apply to report useful information to users of financial</p>

(STATE DEPARTMENT FOR PETROLEUM -PETROLEUM DEVELOPMENT FUND
Annual Report and Financial Statements for the year ended June 30, 2025

Standard	Effective date and impact:
	statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

4. Summary of Significant Accounting Policies

a) Revenue recognition

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. Recurrent grants are recognized in the statement of comprehensive income. Development grants are recognized in the statement of financial performance after meeting the revenue recognition criteria. Conditional grants are recognized as revenue upon fulfilment of the set conditions.

b) Budget information

The original budget for FY 2024/25 was approved by the National Assembly on 30th June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations on the 2024/25 budget following the governing body's approval. 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. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented under section xxx of these financial statements.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

a) Financial assets

Classification of financial assets

The Entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Notes to the Financial Statements (Continued)

b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

c) Comparative figures

In preparing these financial statements, the entity has elected to apply paragraph 79 of IPSAS 33, which allows for the election by an entity to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position and an opening statement of financial position as at the time of first-time adoption of the accrual basis of accounting.

d) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

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Notes to the Financial Statements (Continued)

5. Levies

Description	FY 2024-25
	Kshs
Petroleum Development Levy (Development account)	3,304,564,284
Petroleum Development Levy (Oil Market Price Stabilization)	22,238,934,036
Total	25,543,498,320

6. Transfers to other Government Entities

Description	2024-2025
	Kshs
DEVELOPMENT ACCOUNT	
Transfer to Development account (NOCK)	302,000,000
Transfer to Development account (EPRA)	150,000,000
Transfer to State Department for Petroleum (DEV ACCOUNT)	2,383,127,808
Transfer to National Treasury (PDL ACCOUNT)	100,000,000
RECURRENT ACCOUNT	
Transfer to State Department for Petroleum - Oil Market Price Stabilization	13,181,443,068
Transfer to Recurrent account (NOCK)	4,913,000,000
Transfer to Recurrent account (KPRL)	3,515,911,634
Total	24,545,482,510

Notes to the Financial Statements (Continued)

7.Cash and Cash Equivalents at the end

Description	2024-2025	2023/2024
	Kshs	Kshs
Bank balance	998,015,810	284,846,349
Total	998,015,810	284,846,349

8.Bank balances

Description	2024-2025	2023/2024
	Kshs	
1.Central Bank of Kenya A/C NO 1000734407(PDL)	998,015,810	284,846,349
Total	998,015,810	284,846,349

9.Fund Balance Brought Forward

Description	2024-2025	2023/2024
	Kshs	
1.Bank	284,846,349	237,733,213
Total	284,846,349	237,733,213

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10.Related Party Disclosures
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:

Transactions with related Parties

Description	2024-2025
	Kshs
DEVELOPMENT ACCOUNT	
Transfer to Development account (NOCK)	302,000,000
Transfer to Development account (EPRA)	150,000,000
Transfer to state Department for Petroleum (Dev Account)	2,383,127,808
Transfer to treasury National Treasury (PDL ACCOUNT)	100,000,000
RECURRENT ACCOUNT	
Transfer to State Department for Petroleum (Oil Market Price Stabilization)	13,181,443,068
Transfer to Recurrent account (NOCK)	4,913,000,000
Transfer to Recurrent account (KPRL)	3,515,911,634
TOTAL	24,545,482,510

19.Appendix

Appendix 1: Implementation Status of Auditor- General’s Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. in the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:
	Unsupported Stabilization of Petroleum Pump Prices Payments	The supporting documents were availed for audit	Accounting Officer	Awaiting appearance before PAC