

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
PETROLEUM DEVELOPMENT LEVY FUND**

**FOR THE YEAR ENDED  
30 JUNE 2016**

**THE NATIONAL TREASURY**



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
14 FEB 2017  
**RECEIVED**

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**THE NATIONAL TREASURY**

**PETROLEUM DEVELOPMENT LEVY FUND (PDL)**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2016**

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

**THE NATIONAL TREASURY  
 FINANCIAL STATEMENTS  
 PETROLEUM DEVELOPMENT FUND (PDL)  
 FOR THE YEAR ENDED JUNE 30, 2016 (KSHS)**

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**I NATIONAL TREASURY INFORMATION AND MANAGEMENT**

**(a) Background Information**

The National Treasury was established via the Executive Order No. 2 of May 2013. The basis for establishment of the National Treasury is found in Article 225 (i) of the Constitution of Kenya which states that an Act of Parliament shall provide for the establishment, functions and responsibilities of the National Treasury. This has been actualized in Section 11 and 12 of the Public Finance Management (PFM) Act 2012.

At Cabinet Level, the National Treasury is represented by the Cabinet Secretary for Finance, who is responsible for the general policy and strategic direction of the Ministry.

**(b) Key Management**

The National Treasury day-to-day management is under the following key offices:-

**Office of the Principal Secretary**

This office is responsible for the administration of the National Treasury for efficient delivery of public services that have been assigned to this Ministry. The Principal Secretary is also charged with the responsibility of rendering advice to the Cabinet Secretary in order to enhance efficiency and collective responsibility of the National Treasury.

**Organizational structure of the National Treasury**

The Ministry is organized into four (4) technical Directorates headed by Directors General and (1) Administrative and Support Services Directorate headed by a Principal Administrative Secretary. Each Director General is responsible for a Directorate comprising a cluster of Departments responsible for related policy functions. The Directorates and Departments are as follows:

**Directorate of Budget, Fiscal and Economic Affairs**

The Directorate is headed by a Director General, reporting to the Principal Secretary, National Treasury. It is organized into the following five (5) Technical Departments each headed by a Director:

- Budget Department;
- Macro and Fiscal Affairs Department
- Financial and Sectoral Affairs Department;
- Inter-Governmental Fiscal Relations Department
- Public Procurement Department.

**Directorate of Accounting Services and Quality Assurance**

The Directorate is headed by a Director General reporting to the Principal Secretary, National Treasury. It is organized into the following four (4) Technical Departments each headed by a Director:

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- Government Accounting Services;
- Internal Auditor Services Department;
- Financial Management Information Systems (FMIS)
- National Sub-County Treasuries.

**Directorate of Portfolio Management**

The Directorate is headed by a Director General, reporting to the Principal Secretary. It is organized into the following three (3) Technical Departments each headed by a Director:

- Government Investment and Public Enterprises;
- National Assets and Liabilities Management;
- Pensions Department.
- Public Private Partnership Unit

**Directorate of Public Debt Management**

The Directorate is headed by a Director General, reporting to the Principal Secretary. It is organized into the following three (3) Technical Departments each headed by a Director:

- Resource Mobilization (Front Office);
- Debt Policy, Strategy and Risk Management (Middle Office);
- Debt Recording and Settlement (Back Office).

**Directorate of Administrative and Support Services (Common Shared Services)**

The Directorate is headed by a Principal Administrative Secretary, reporting to the Principal Secretary. It is organized into eleven (11) specialized functions offering common shared services. The common shared services of the National Treasury consist of functions that are not core to the National Treasury but offer critical support services to the National Treasury. The functions include:

- Accounting,
- Finance,
- Human Resource Management and Development,
- Central Planning and Project Monitoring,
- Supply Chain Management,
- Legal,
- Public Communications,
- General Administration,
- Records Management;
- Internal Audit;
- ICT

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**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:-

<b>NO.</b>	<b>Designation</b>	<b>Name</b>
1.	Principal Secretary	Dr. Kamau Thugge, CBS
2.	Principal Administrative Secretary	Mr. Mutua Kilaka, CBS, SS
3.	Director General, BFEA	Dr Geoffrey Mwau, EBS
4.	Director General, AS&QA	Mr. Bernard Ndung'u
5.	Director General, PIPM	Ms. Esther Koimett, CBS
6.	Director General, PDMO	Mr. Wohoro Ndohho
7.	Ag. Director, Macro & Fiscal Affairs Department	Mr. Wanyambura Mwambia, OGW
8.	Director, Budget Department	Mr. Francis Anyona, OGW
9.	Ag. Director, Financial and Sectoral Affairs Department	Mr. Nzomo Mutuku
10.	Ag Director, Public Procurement Department	Mr. Eric Korir
11.	Internal Auditor General	Mr. Alfayo Mogaka
12.	Ag. Director, Accounting Services Department	Mr. Wala Jona
13.	Ag. Director, National Sub County Treasuries	Mr. Tom Khakhame
14.	Ag Director, Financial Management Information System	Mr. Jerome Ochieng
15.	Director, Public Private Partnership Unit	Eng. Stanley Kamau
16.	Ag. Director, National Assets and Liability Management	Mrs. Beatrice Gathirwa
17.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
18.	Secretary/Director, Pensions Department	Mr. Shem Nyakutu
19.	Director, Resource Mobilization Department	Mr. Jackson Kinyanjui
20.	Director of Administration	Mr David Oleshege, OGW
21.	Head, Accounts Division	Mr. George K. Gichuru
22.	Head Finance Division	Mr. Kimathi Mugambi
23.	Head, Supplies Chain Management	Mr. Peter Momanyi
24.	Director, Human Resource Management and Development	Mrs. Susan Mucheru
25.	Head, Information Communication and Technology	Mr. Edward Rutere
26.	Head, Central Planning and Project Monitoring Unit	Mr. Antony Muriu
27.	Head, Public Communications	Mr. Maina Kigaga
28.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua

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**(d) Fiduciary Oversight Arrangements**

To manage the fiduciary risk, the National Treasury has put in place fiduciary oversight arrangements including setting up committees. The key oversight arrangements include:

**Internal Audit Unit**

The National Treasury has a well-resourced internal Audit Unit. The Unit is charged with the responsibility of conducting risk based, value for money and systems audit, providing assurance that appropriate institutional policies, procedures and business practices are being followed; verifying the existence of assets administered by the Ministry, and evaluating the adequacy and reliability of information available to the management. The Unit reports directly to the accounting officers on a regular basis.

**Audit Committee**

The Audit Committee forms a key element in the governance process and its principle role is that of providing oversight of financial reporting, risk management and internal controls. The National Treasury established an audit committee comprising officers from all departments of the Ministry. The Committee reviews and analyses all audit queries and makes recommendations on how to reduce fiduciary risks. In addition, the committee ensures that audit queries and external audit recommendations are fully addressed.

**Budget Implementation Committee**

To monitor the implementation of the Ministry's budget, programmes and activities, the National Treasury has appointed a committee comprising officers from all the Departments of the Ministry. The Committee reviews and analyses the progress made by Departments in the implementation of budget and the planned programmes and activities and advises the management accordingly.

**Monitoring and Evaluation**

The Ministry undertakes monitoring and evaluation exercises to establish progress made in the implementation of various programmes and projects including those that are funded by the development partners.

**(e) The National Treasury Headquarters**

P.O. BOX 30007- 00100,  
Treasury Building,  
Harambee, Avenue  
Nairobi Kenya

**(f) The National Treasury Contacts**

Telephone: (254)020-2252299  
Email: [info@treasury.go.ke](mailto:info@treasury.go.ke)  
Website: [www.treasury.go.ke](http://www.treasury.go.ke)

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**II. FORWARD BY THE CABINET SECRETARY**

The National Treasury is mandated to coordinate economic and financial management of the country in accordance with section 12 of the Public Finance Management Act, 2012. Overall, the National Treasury has strived to maintain a policy environment that is conducive to economic growth and development of the Country. As a result of consistent implementation of the bold economic policies, structural reforms and sound macroeconomic management, the economy grew by 5.6 percent in 2015 compared to 5.3 percent growth in 2014. This strong growth was supported by positive growth in agriculture, forestry and fishing (4.8 percent), mining and quarrying (6.9 percent), electricity and water supply (8.5 percent), wholesale and retail trade (7.3 percent), accommodation and restaurant (12.1 percent) and information and communication (9.7 percent). Growth in other sectors, particularly manufacturing, construction, finance and insurance and real estate remained robust.

The annual inflation rate was 6.4 percent by June 2016 compared 6.5 percent in June 2015, and was therefore, within the current allowable margin of 2.5 percent on either side of the target of 5.0 percent. The Kenya shilling continued to display relatively less volatility compared with the major regional currencies due to improved Diaspora remittances and the narrowing of the current account deficit while official foreign exchange reserves held by the Central Bank grew to US\$ 7,648 million (equivalent to 5.1 months of import cover) by June 2016 from US\$ 7,212 million (4.5 months of import cover) in June 2015.

In budget performance, the National Treasury expenditure stood at **Kshs.38,523,924,151** against an approved budget of **Kshs.40,667,213,863** in recurrent while Development expenditure stood at **Kshs.43,832,593,224** against an approved budget of **Kshs.45,836,475,797** giving an overall absorption rate of 95.2%.

Other key achievements during the year under review are:-

- The National Treasury mobilized external resources amounting to Kshs.366.67 billion. This included Kshs.320.23 billion in loans and Kshs.46.44billion in grants.
- The National Treasury continued to support Kenya Revenue Authority to achieve its target in revenue collection and simplification of the tax system. This included the implementation of the *i-tax* platform.
- In its commitment to deepen the Financial Markets, the Ministry finalized the Financial Services Authority bill and disseminated to stakeholders for comments and prepared the draft Nairobi International Financial Centre Bill.
- The National Treasury developed a pipeline of 65 bankable Public Private Partnership projects ready for investment. Other achievements in promoting PPP include continuous financial, technical and legal support to MDAs in the preparation of PPP projects, development of standardized documentation framework to support implementation of PPP and development of a template on PPP project submission.
- The National Treasury continued to build capacity on Public Financial Management in Ministries, Departments, Agencies as well as County Governments. 1,297 officers were trained over the financial year 2015/16 across the country.

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Some of the challenges the National Treasury faced while implementing the budget 2015/16 include:-

1. Lack of adequate funds to finance all the budget requests by Ministries, Departments and Agencies.
2. Inadequate funds to finance all the programmes and projects of the National Treasury.
3. Low absorption of Official Development Assistance (ODA).
4. Slow enactment of relevant regulation and related legal instruments to facilitate financial sector deepening.
5. High turnover of staff especially in the core technical areas of the National Treasury.

To surmount the above challenges and ensure successful implementation of the National Treasury goals and objectives, the Ministry will:-

1. Continue to maintain a prudent fiscal stance consistent with the medium-term debt targets while pursuing a shift in the composition of expenditure towards development priorities.
2. Strengthen capacity building in public financial management to MDAs and County Governments to ensure that the high expectations linked to devolution are met.
3. Enhance the Government's cash management system to avoid undue pressure on payment flows and interest rates, and reduce borrowing costs for the government and the private sector.
4. Ensure constant collaboration between the National Treasury and all the Stakeholders.
5. Promote the Public Private Partnership initiatives to finance government capital projects.
6. Engage other developments partners for concessional loans and grants as well as pursue strategies to facilitate issuance of international bonds to finance government projects.
7. Fast track and implement the proposed new scheme of service for the National Treasury officers to retain staff.



HENRY K. RONICH, EGH  
CABINET SECRETARY

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**III. STATEMENT OF THE MANAGEMENT'S 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 NATIONAL TREASURY shall prepare financial statements in respect of that NATIONAL TREASURY. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

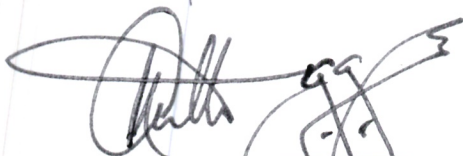
The Accounting Officer in charge of The National Treasury is responsible for the preparation and presentation of the Petroleum Development Levy Fund (PDL) report, which give a true and fair view of the state of affairs of The National Treasury for and as at the end of the financial year (period) ended on June 30, 2016. 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 status of the revenue collected by the National Treasury; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the revenue report, and ensuring that they are free from material misstatements, whether due to error or fraud.


The Accounting Officer in charge of The National Treasury accepts responsibility for the National Treasury's Petroleum Development Levy Fund (PDL) report, which has been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that this Fund report gives a true and fair view of The National Treasury's Fund performance during the financial year ended June 30, 2016. The Principal Secretary in charge of The National Treasury further confirms the completeness of the accounting records maintained for The National Treasury, which have been relied upon in the preparation of this report as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of The National Treasury confirms that the National Treasury has complied fully with applicable Government Regulations. Further the Accounting Officer confirms that this report has been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the Financial Statements**

The Petroleum Development Levy Fund was approved and signed by the Accounting Officer on 30/9 2016

  
DR. KAMAU THUGGE, CBS  
Accounting Officer

  
GEORGE K. GICHURU  
Head of Accounting Unit



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON PETROLEUM DEVELOPMENT LEVY FUND FOR THE YEAR ENDED 30 JUNE 2016 – THE NATIONAL TREASURY

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Petroleum Development Levy Fund set out on pages 9 to 24, which comprise the statement of financial position as at 30 June 2016, and the statement of receipts and payments and statement of cash flows 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.

#### Management's Responsibility for the Financial Statements

The Accounting Officer -National Treasury is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such 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.

The 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, 2015.

#### Auditor-General's Responsibility

My responsibility is to express an opinion on the financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Treasury's internal control. An audit also includes evaluating the

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*Report of the Auditor-General on the Financial Statements of Petroleum Development Levy Fund for the year ended 30 June 2016 – The National Treasury*

appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my adverse opinion.

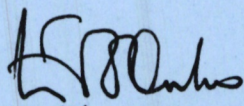
### **Basis for Adverse Opinion**

#### **Unreconciled Balances**

The statement of financial position as at 30 June 2016 reflects a net financial asset balance of Kshs.5,724,613,630.80 comprised of cash with P.M.G balance brought forward of Kshs.5,137,458,103.20 and bank balance (surplus for the year) of Kshs.587,155,527.60. The net financial assets balance of Kshs.5,724,613,630.80 differs from the bank (cash book) balance of Kshs.1,649,028,602.75 by Kshs.4,075,585,028.05 which difference has not been explained. Further, the statement of cash flow reflects a cash and cash equivalents balance as at 30 June 2016 of Kshs.1,952,167,790.20 while the Fund's cash book (bank balances) shows an amount of Kshs.1,649,028,602.75 as at the same date thus resulting in an unexplained difference of Kshs.303,139,187.45. Consequently the validity and accuracy of the net financial assets balance of Kshs.5,724,613,630.80 shown in the statement of financial position as at 30 June 2016 cannot be ascertained.

#### **Adverse Opinion**

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of the Petroleum Development Levy Fund as at 30 June 2016, and of its financial operations for the year then ended in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with Public Finance Management Act, 2012.



**FCPA Edward R.O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

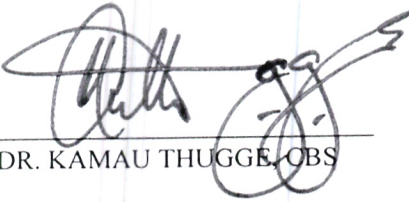
**16 May 2017**


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**V. STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2015-2016 Kshs	2014-2015 Kshs
<b>TAX REVENUES</b>			
Taxes on Income, Profits and Capital Gains		NIL	NIL
Taxes on Property		NIL	NIL
Taxes on Goods and Services		NIL	NIL
Taxes on International Trade & Transactions		NIL	NIL
Other Taxes		NIL	NIL
<b>TOTAL TAX REVENUE</b>		<b>NIL</b>	<b>NIL</b>
<b>NON TAX REVENUES</b>			
Total Receipts for the year	1	1,981,855,527.60	1,785,806,143.20
Social Security Contributions		NIL	NIL
Property Income		NIL	NIL
Fines, Penalties and Forfeitures		NIL	NIL
Other Receipts		NIL	NIL
Sale of Goods and Services		NIL	NIL
Receipts from Sale of Non-Financial Assets		NIL	NIL
<b>TOTAL NON TAX REVENUE</b>		<b>1,981,855,527.60</b>	<b>1,785,806,143.20</b>
<b>TOTAL REVENUE COLLECTED</b>		<b>1,981,855,527.60</b>	<b>1,785,806,143.20</b>
<b>PAYMENTS TO MINISTRY OF ENERGY</b>	2	1,394,700,000.00	1,458,700,000.00
<b>SURPLUS/DEFICIT</b>		<b>587,155,527.60</b>	<b>327,106,143.20</b>

The accounting policies and explanatory notes to this Petroleum Development Levy Fund form an integral part of the Fund statement. This Fund statement was approved on 30/9 2016 and signed by:

  
DR. KAMAU THUGGE, CBS  
Accounting Officer

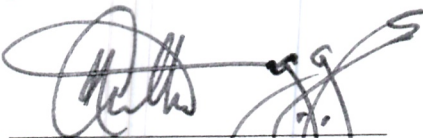
  
GEORGE K. GICHURU  
Head of Accounting Unit


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**VI. STATEMENT OF FINANCIAL POSITION**

<b>FINANCIAL ASSETS</b>	<b>Note</b>		
<b>Cash and Cash Equivalents</b>			
Cash with P.M.G b/fwd.	3	5,137,458,103.20	3,772,445,840.60
Bank Balance (Surplus for the year)		587,155,527.60	1,365,012,262.60
Accounts receivables		NIL	NIL
<b>TOTAL FINANCIAL ASSETS</b>		<b>5,724,613,630.80</b>	<b>5,137,458,103.20</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payables		NIL	NIL
<b>NET FINANCIAL ASSETS</b>		<b>5,724,613,630.80</b>	<b>5,137,458,103.20</b>
<b>REPRESENTED BY</b>			
Cash with P.M.G b/fwd	3	5,137,458,103.20	3,772,445,840.60
Fund balance b/fwd.		NIL	1,037,906,119.40
Surplus/ Deficit for the year		587,155,527.60	327,106,143.20
<b>NET FINANCIAL POSITION</b>		<b>5,724,613,630.80</b>	<b>5,137,458,103.20</b>

The accounting policies and explanatory notes to this Petroleum Development Levy Fund form an integral part of the Fund statement. This Fund statement was approved on 30/9/16 2016 and signed by:

  
 DR. KAMAU THUGGE, CBS  
 Accounting Officer

  
 GEORGE K. GICHURU  
 Head of Accounting Unit

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**VII. V. STATEMENT OF CASH FLOW**

	Note	2015-2016	2014-2015
		Kshs	Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Total receipts for the year	1	1,981,855,527.60	1,785,806,143.20
Social Security Contributions		NIL	
Proceeds from Domestic and Foreign Grants		NIL	NIL
Transfers from National Treasury		NIL	NIL
Transfers from Other Government Entities		NIL	NIL
Reimbursements and Refunds		NIL	NIL
Returns of Equity Holdings		NIL	NIL
Other Revenues		NIL	NIL
		<b>1,981,855,527.60</b>	<b>1,785,806,143.20</b>
<b>Payments for operating expenses</b>			
Compensation of Employees		NIL	NIL
Use of goods and services		NIL	NIL
Subsidies		NIL	NIL
Transfers to Ministry of Energy	2	1,394,700,000.00	1,458,700,000.00
Other grants and transfers		NIL	NIL
Social Security Benefits		NIL	NIL
Finance Costs, including Loan Interest		NIL	NIL
Other Expenses		NIL	NIL
		<b>1,394,700,000.00</b>	<b>1,458,700,000.00</b>
<b>Adjusted for:</b>			
Changes in receivables		NIL	NIL
Changes in payables		NIL	NIL
Adjustments during the year		NIL	NIL
<b>Net cash flow from operating activities</b>		<b>587,155,527.60</b>	<b>327,106,143.20</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets		NIL	NIL
Acquisition of Assets		NIL	NIL
<b>Net cash flows from Investing Activities</b>		<b>NIL</b>	<b>NIL</b>

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**STATEMENT OF CASH FLOW (CONTINUATION)**

<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Domestic Borrowings		NIL	NIL
Proceeds from Foreign Borrowings		NIL	NIL
Repayment of principal on Domestic and Foreign borrowing		NIL	NIL
<b>Net cash flow from financing activities</b>		<b>NIL</b>	<b>NIL</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		587,155,527.60	327,106,143.20
<b>Cash and cash equivalent at BEGINNING of the year</b>		1,365,012,262.60	1,037,906,109.40
<b>Cash and cash equivalent at END of the year</b>		<b>1,952,167,790.20</b>	<b>1,365,012,262.60</b>

**THE NATIONAL TREASURY  
FINANCIAL STATEMENTS  
PETROLEUM DEVELOPMENT FUND (PDL)  
FOR THE YEAR ENDED JUNE 30, 2016 (KSHS)**

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**VIII. SIGNIFICANT ACCOUNTING POLICIES**

The principle accounting policies adopted in the preparation of these revenue statements are set out below:

**1. Statement of Compliance and Basis of Preparation**

The revenue statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and relevant legal framework of the Government of Kenya. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the *National Treasury* and all values are rounded to the nearest thousand (KShs'000). The accounting policies adopted have been consistently applied to all the years presented.

The revenue statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the *National Treasury*.

**2. Recognition of Revenue**

The *National Treasury* recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the *National Treasury*.

**3. Budget**

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the revenue statements. The revenue budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the revenue's actual performance against the comparable budget for the financial year under review has been included in to these revenue statements.

**4. Comparative Figures**

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

**5. Subsequent Events**

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

**IX. NOTES TO THE FINANCIAL STATEMENTS**

1. **Total Receipts for the year** amounts to **Kshs. 1,981,855,527.60** against a budget allocation of **Kshs. 1,803,664,204.00**. This implies there was an over collection by **Kshs.178,191,323.60** This positive impact shows the shift in the composition of oil imports with higher proportion of importation falling within the excisable components i.e. Petrol and Diesel (**Annex I**).
2. **Transfer to other Government Unit Kshs. 1,394,700,000.00 (Annex I).**

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**3. Cash with PMG**

Cash with PMG of kshs.5,137,458,103.20 comprises of a figure of kshs.4,075,585,028.05 carried forward for several years.

These old balances are being addressed through a Treasury appointed Taskforce on old balances (Annex II)

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4. Accounts Receivables – Comparative Budget

	Original Estimates	Revised Estimates	Actual KSHS.	% Realized
Petroleum Development Levy(PDL)	1,394,700,000.00	1,803,664,204.00	1,981,855,527.60	109.879
Total Receipts	-	-	<b>1,981,855,527.60</b>	

Commentary on Actual Revenue against the Revised Estimates

**1140703 - Petroleum Development Levy (PDL)-**

Actual Receipts of Kshs. 1,981,855,527.60 against Revised Estimate of Kshs. 1,803,664,204.00 shows an over collection of **Kshs.178,191,323.60**, this positive impact shows the shift in the composition of oil imports with higher proportion of importation falling within the excisable components (i.e., Petrol and Diesel).

## ANNEX I

**PETROLEUM DEVELOPMENT LEVY FUND  
COLLECTIONS FROM KENYA REVENUE AUTHORITY  
LESS PAYMENTS TO MINISTRY OF ENERGY  
YEAR 2015/2016**

DATE	PV. NO	TOTAL RECEIPTS	PAYMENTS	BALANCE
1-Jul-2015	Cash Book Balance B/Forward - 2014/2015		-	1,061,873,075.15
10-Jul-2015	10710003507	289,969.30		1,062,163,044.45
10-Jul-2015	10710003508	4,277,526.55		1,066,440,571.00
10-Jul-2015	10710003511	8,697,404.00		1,075,137,975.00
10-Jul-2015	10710003509	9,697,949.70		1,084,835,924.70
10-Jul-2015	10710003510	18,865,846.75		1,103,701,771.45
13-Jul-2015	10710003512	7,761,935.20		1,111,463,706.65
14-Jul-2015	10710003513	3,921,394.55		1,115,385,101.20
15-Jul-2015	10710003514	3,146,342.95		1,118,531,444.15
16-Jul-2015	10710003515	3,120,647.35		1,121,652,091.50
17-Jul-2015	10710003516	6,608,791.75		1,128,260,883.25
21-Jul-2015	10710003521	3,397,014.15		1,131,657,897.40
21-Jul-2015	10710003522	5,602,112.20		1,137,260,009.60
22-Jul-2015	10710003517	6,116,755.30		1,143,376,764.90
23-Jul-2015	10710003518	11,582,860.15		1,154,959,625.05
27-Jul-2015	10710003523	9,754,525.10		1,164,714,150.15
27-Jul-2015	10710003520	12,009,606.95		1,176,723,757.10
28-Jul-2015	10710003519	2,896,583.10		1,179,620,340.20
29-Jul-2015	10710003501	4,107,239.80		1,183,727,580.00
30-Jul-2015	10710003502	1,903,261.95		1,185,630,841.95
31-Jul-2015	10710003503	5,518,536.85		1,191,149,378.80
3-Aug-2015	10710003818	7,654,591.80		1,198,803,970.60
4-Aug-2015	10710003819	7,963,512.35		1,206,767,482.95
5-Aug-2015	10710003820	17,961,897.70		1,224,729,380.65
6-Aug-2015	10710003821	6,692,761.05		1,231,422,141.70
7-Aug-2015	10710003822	7,052,073.90		1,238,474,215.60
10-Aug-2015	10710003823	2,850,168.35		1,241,324,383.95
11-Aug-2015	10710003824	2,929,019.10		1,244,253,403.05
12-Aug-2015	10710003825	9,861,782.10		1,254,115,185.15
13-Aug-2015	10710003826	4,064,775.45		1,258,179,960.60
14-Aug-2015	10710003827	5,694,689.80		1,263,874,650.40
17-Aug-2015	10710003828	15,815,169.45		1,279,689,819.85
18-Aug-2015	10710003829	8,356,300.30		1,288,046,120.15
19-Aug-2015	10710003830	8,045,145.40		1,296,091,265.55
20-Aug-2015	10710003831	1,429,335.90		1,297,520,601.45
21-Aug-2015	10710003832	4,113,541.20		1,301,634,142.65
24-Aug-2015	10710003833	15,492,561.30		1,317,126,703.95
25-Aug-2015	10710003834	2,222,427.35		1,319,349,131.30
26-Aug-2015	10710003835	1,595,997.65		1,320,945,128.95
27-Aug-2015	10710003836	8,192,701.05		1,329,137,830.00
28-Aug-2015	10710003837	21,651,665.30		1,350,789,495.30
31-Aug-2015	10710003838	4,176,044.65		1,354,965,539.95
1-Sep-2015	10710004139	1,475,402.70		1,356,440,942.65
2-Sep-2015	10710004138	19,899,190.10		1,376,340,132.75
3-Sep-2015	10710004137	1,107,371.60		1,377,447,504.35
4-Sep-2015	10710004136	14,911,432.55		1,392,358,936.90
7-Sep-2015	10710004135	487,039.40		1,392,845,976.30
8-Sep-2015	10710004134	1,778,195.35		1,394,624,171.65

24-Nov-2015	10710005557	8,165,107.15	371,610,888.55
Nov-2015	10710005556	8,928,725.15	380,539,613.70
27-Nov-2015	10710005555	8,321,931.70	388,861,545.40
30-Nov-2015	10710005554	1,927,760.00	390,789,305.40
1-Dec-2015	10710005946	5,087,167.30	395,876,472.70
2-Dec-2015	10710005947	14,874,883.00	410,751,355.70
3-Dec-2015	10710005948	439,006.70	411,190,362.40
7-Dec-2015	10710005949	5,663,776.40	416,854,138.80
7-Dec-2015	10710005950	6,577,215.15	423,431,353.95
8-Dec-2015	10710005951	353,073.45	423,784,427.40
9-Dec-2015	10710005952	27,651,232.15	451,435,659.55
10-Dec-2015	10710005953	3,855,406.25	455,291,065.80
11-Dec-2015	10710005954	3,577,223.45	458,868,289.25
14-Dec-2015	10710005955	2,028,872.45	460,897,161.70
15-Dec-2015	10710005956	13,657,578.95	474,554,740.65
16-Dec-2015	10710005957	3,269,799.40	477,824,540.05
17-Dec-2015	10710005958	8,425,821.45	486,250,361.50
21-Dec-2015	10710005959	2,049,812.15	488,300,173.65
21-Dec-2015	10710005960	2,240,189.80	490,540,363.45
22-Dec-2015	10710005961	6,159,844.90	496,700,208.35
23-Dec-2015	10710005962	5,169,801.85	501,870,010.20
24-Dec-2015	10710005963	2,701,538.60	504,571,548.80
28-Dec-2015	10710005964	4,499,353.50	509,070,902.30
29-Dec-2015	10710005965	9,245,110.30	518,316,012.60
30-Dec-2015	10710006290	8,238,277.90	526,554,290.50
31-Dec-2015	10710006289	3,095,335.90	529,649,626.40
4-Jan-2015	10710006099	8,797,694.25	538,447,320.65
5-Jan-2015	10710006100	11,987,536.45	550,434,857.10
6-Jan-2015	10710006101	42,381,191.70	592,816,048.80
7-Jan-2015	10710006102	674,626.15	593,490,674.95
8-Jan-2015	10710006103	11,066,680.40	604,557,355.35
12-Jan-2015	10710006104	8,366,953.85	612,924,309.20
12-Jan-2015	10710006105	15,220,055.65	628,144,364.85
13-Jan-2015	10710006106	19,869,584.30	648,013,949.15
14-Jan-2015	10710006107	2,163,018.80	650,176,967.95
15-Jan-2015	10710006108	6,911,949.85	657,088,917.80
18-Jan-2015	10710006109	9,467,789.80	666,556,707.60
20-Jan-2015	10710006110	3,723,405.10	670,280,112.70
20-Jan-2015	10710006111	6,116,578.90	676,396,691.60
21-Jan-2015	10710006112	1,450,184.45	677,846,876.05
22-Jan-2015	10710006113	2,106,630.50	679,953,506.55
25-Jan-2015	10710006114	14,675,139.40	694,628,645.95
26-Jan-2015	10710006115	1,797,676.75	696,426,322.70
27-Jan-2015	10710006116	5,988,091.10	702,414,413.80
28-Jan-2015	10710006117	3,229,322.50	705,643,736.30
29-Jan-2015	10710006118	4,420,385.10	710,064,121.40
2-Feb-2016	10710006266	8,648,527.45	718,712,648.85
2-Feb-2016	10710006267	18,440,066.15	737,152,715.00
3-Feb-2016	10710006268	2,318,855.45	739,471,570.45
4-Feb-2016	10710006269	2,378,465.90	741,850,036.35
5-Feb-2016	10710006272	8,981,052.25	750,831,088.60
9-Feb-2016	10710006274	6,329,602.45	757,160,691.05
9-Feb-2016	10710006263	1,229,323.80	758,390,014.85
10-Feb-2016	10710006275	10,526,262.35	768,916,277.20

9-May-2016	10710007031	8,430,789.05		1,245,910,209.05
9-May-2016	10710007031	11,617,571.75		1,257,527,780.80
9-May-2016	10710007031	15,344,466.60		1,272,872,247.40
9-May-2016	10710007031	23,577,112.45		1,296,449,359.85
10-May-2016	10710007032	5,581,870.30		1,302,031,230.15
11-May-2016	10710007033	15,310,659.60		1,317,341,889.75
13-May-2016	10710007035	1,996,395.25		1,319,338,285.00
13-May-2016	10710007035	3,514,597.95		1,322,852,882.95
17-May-2016	10710007034	6,120,671.35		1,328,973,554.30
17-May-2016	10710007034	14,970,247.75		1,343,943,802.05
17-May-2016	10710007036	9,501,352.85		1,353,445,154.90
19-May-2016	10710007037	3,319,521.00		1,356,764,675.90
20-May-2016	10710007038	7,238,851.35		1,364,003,527.25
24-May-2016	10710007039	16,189,996.95		1,380,193,524.20
24-May-2016	10710007039	17,068,108.30		1,397,261,632.50
25-May-2016	10710007040	6,190,932.40		1,403,452,564.90
26-May-2016	10710007041	526,014.05		1,403,978,578.95
27-May-2016	10710007042	14,060,914.60		1,418,039,493.55
30-May-2016	10710007043	11,327,068.35		1,429,366,561.90
31-May-2016	10710007044	7,371,896.15		1,436,738,458.05
2-Jun-2016	10710007575	6,610,567.50		1,443,349,025.55
3-Jun-2016	10710007576	15,198,429.00		1,458,547,454.55
6-Jun-2016	10710007577	847,465.00		1,459,394,919.55
6-Jun-2016	10710007577	5,130,628.50		1,464,525,548.05
6-Jun-2016	10710007577	5,418,217.15		1,469,943,765.20
6-Jun-2016	10710007577	14,478,744.45		1,484,422,509.65
7-Jun-2016	10710007578	4,458,475.90		1,488,880,985.55
8-Jun-2016	10710007579	17,450,789.45		1,506,331,775.00
9-Jun-2016	10710007580	7,220,542.05		1,513,552,317.05
13-Jun-2016	10710007581	3,265,740.20		1,516,818,057.25
13-Jun-2016	10710007581	9,664,580.70		1,526,482,637.95
14-Jun-2016	10710007582	9,486,161.90		1,535,968,799.85
15-Jun-2016	10710007583	15,786,603.45		1,551,755,403.30
16-Jun-2016	10710007584	3,893,481.25		1,555,648,884.55
17-Jun-2016	10710007585	12,921,249.00		1,568,570,133.55
20-Jun-2016	10710007586	1,617,387.15		1,570,187,520.70
21-Jun-2016	10710007587	6,136,953.05		1,576,324,473.75
22-Jun-2016	10710007588	22,247,819.90		1,598,572,293.65
24-Jun-2016	10710007589	7,839,763.40		1,606,412,057.05
24-Jun-2016	10710007589	8,255,074.15		1,614,667,131.20
28-Jun-2016	10710007590	16,529,205.30		1,631,196,336.50
29-Jun-2016	10710007591	8,122,297.85		1,639,318,634.35
30-Jun-2016	10710007592	1,776,971.25		1,641,095,605.60
30-Jun-2016	10710007592	7,932,997.15		1,649,028,602.75
<b>TOTAL</b>		<b>1,981,855,527.60</b>	<b>1,394,700,000.00</b>	<b>587,155,527.60</b>
<b>AMOUNT IN THE ESTIMATES 2015/2016</b>			<b>1,394,700,000.00</b>	
<b>TOTAL AMOUNT PAID TO MIN OF ENERGY 2015/2016</b>			<b>1,394,700,000.00</b>	
<b>ESTIMATED BALANCE TO BE PAID IN 2016/2017</b>			<b>-</b>	



# ANNEX II

## DIRECTORATE OF ACCOUNTING SERVICES & QUALITY ASSURANCE INTERNAL MEMO

File No. AG/A/2016 / (150)

Date: 6<sup>TH</sup> SEPTEMBER, 2016

TO : PS/NT

*Approved. 9/16*  
*Dr. AS*  
*Whakaue*  
*Let's discuss.*  
*9/16*

Thro' : DGAS&QA *Forwarded/Supported. The necessary adjustments, once cleared by the Task Force will be incorporated in the financial reports for period*

SUBJECT : EXTENSION OF TENURE - THE OLD BALANCES COMMITTEE

The Task Force appointed to analyze the old and unsupported account balances held by various Ministries, Departments and Agencies (MDAs) completed the exercise and forwarded a report to your office refer folio 147 and the contents of the report shared with the Auditor General on 28<sup>th</sup> June, 2016 (see folio 146).

As indicated in the report, a total of 26 MDAs were cleared, 16 MDAs had not resubmitted their revised Financial Statements for review while a total of 7 MDAs had not made any submissions to the Taskforce as enlisted herein.

In addition to the old balances there are entities which had suspense balances as highlighted by the Auditor General in the consolidated financial report for the financial years 2013/2014 and 2014/2015 as per attached copy.

It is for this reason that I am requesting for extension of the period of the Taskforce for another 6 months to enable it assist the remaining departments finalize revision of their financial statements and subsequently oversee implementation of the recommendations.

Appended herebelow are the proposed names of members to the Task Force following the recent transfers and retirement of three members.

① Whakaue

*PS is not in next week. Let's create five the following vacants see the list*

*Whakaue*  
*PS approved to be*  
*enclosed to work*  
*[Signature]*

21. Ministry of Fisheries Development
22. Ministry of Nairobi Metropolitan Development
23. Ministry of Industrialisation
24. Independent Electoral and Boundaries Commission
25. Parliamentary Service Commission
26. Auditor General

**II) MDAs that have been requested to re-do the revised Statements and submit them for review:**

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1. Ministry of State for Public Service
2. Ministry of Planning, National Development and Vision 2030
3. Office of the Deputy Prime Minister and Ministry of Local Government ✓
4. Ministry of Justice, National Cohesion and Constitutional Affairs
5. Ministry of Gender, Children and Social Development
6. Ministry of Environment and Mineral Resources
7. Cabinet Office ✓
8. State Law Office
9. Ministry of Energy
10. Ministry of Information, Communication and Technology
11. Ministry of State for Special Programme
12. Ministry of State for Immigration and Registration of Persons ✓
13. National Security Intelligence Service
14. Ministry of Public Health and Sanitation
15. Ministry of Development of Northern Kenya and Other Arid Lands ✓
16. Ministry of Public Works

**III) MDA's that are yet to make submissions of their revised Statements for review:**

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- 1 Office of the Vice President and Ministry of Home Affairs
- 2 Ministry of Medical Services
- 3 Ministry of Roads
- 4 Ministry of Labour
- 5 Ministry of Youth Affairs and Sports ✓
- 6 Ministry of Housing
- 7 Ministry of Gender, Children and Social Development



19	Truth, Justice and Reconciliation Commission	Prior Year Adjustments	10,679,215.00
20	Judiciary	Suspense	93,068,013.97
21	National Intelligence Service	Old Balances	43,666,962.00
22	State Department Interior	Prior Year Adjustments	876,675,000.00
23	State Department for Coordination	Suspense	2,479,883,300.00
24	Interior (Prisons Industries Revolving)	Suspense	3,966,131.10
25	State Department for Education	Prior Year Adjustments	1,174,044,097.00
26	State Department for Infrastructure	Suspense	41,992,571,850.00
27	State Department for Water	Suspense	1,490,519,078.00
28	State Department for Agriculture	(Strategic) Grain Reserve Fund	12,564,726,688.00
29	State Department for Commerce and Tourism	Prior Year Adjustments	140,135,688.00

*Tom K. Khakame*

**TOM K. KHAKAME**

**Ag. DIRECTOR/NSCT**

**CHAIRMAN OF THE TASKFORCE**

