

REPUBLIC OF KENYA

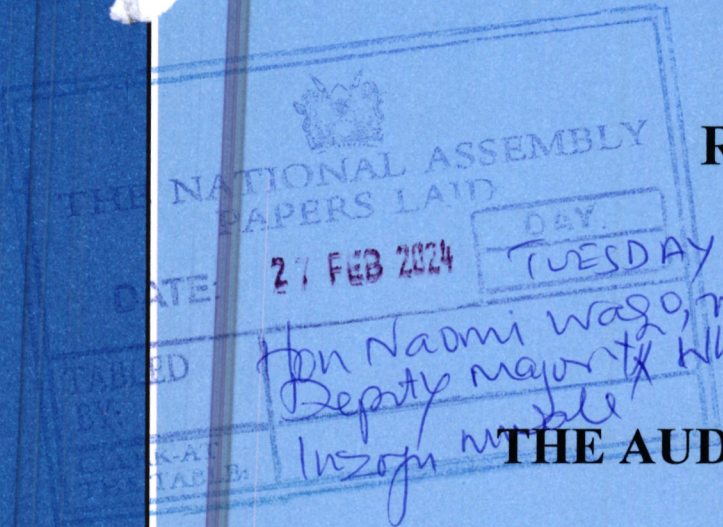


OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*



**REPORT**



Hon Naomi Wago, MP  
Deputy Majority Whip  
Insigh <sup>table</sup>

**OF**

**THE AUDITOR-GENERAL**

**ON**

**STATE DEPARTMENT FOR PETROLEUM**

**FOR THE YEAR ENDED  
30 JUNE, 2023**



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY  
31 JAN 2024  
**RECEIVED**

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 27 FEB 2024

DAY

TABLED  
BY:

THE-TABLE:

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**STATE DEPARTMENT FOR PETROLEUM**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2023**

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

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**1. Acronyms and Glossary of Terms**

AIE	Authority to Incur Expenditure
ASM	Artisanal and Small-Scale Mining
CFO	Chief Finance Officer
GRB	Geologists Registration Board
HAU	Head of Accounting Unit
ICT	Information Communication Technology
IPSAS	International Public Sector Accounting Standards
KPC	Kenya Pipeline Corporation
KPRL	Kenya Petroleum Refineries Limited
NMC	National Mining Corporation
NOCK	National Oil Corporation of Kenya
MDAs	Ministries Departments and Agencies
MRB	Mineral Rights Board
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
PFM	Public Finance Management
PFMC	Public Finance Management Committee

## **2. Key Entity Information and Management**

### **(a) Background information**

The Ministry of Petroleum and Mining was established vide Executive Order No. 1 of 2020 on the Organization of the Government, with the mandate of providing policy and strategic management of the extractive sector. It was established to provide leadership in the management of the extractives sector in the country. Through the Executive Order No. 1 of 2023 on Organization of the Government of the Republic of Kenya, the Ministry was split into State Department for Petroleum, which was established as one of the two State Departments under the Ministry of Energy and Petroleum, and State Department for Mining, was established as a one of the State Departments in the ministry of Mining, Blue Economy and Maritime Affairs.

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

### **Vision statement**

To promote sustainable development of the extractive sector.

### **Mission statement**

To enhance commercialization of discoveries, develop the requisite skills and infrastructure for production of oil, gas and mineral resources and improve access to competitive, reliable and secure supply of petroleum products.

### **Core Values**

The Ministry 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) Professional excellence;
- (ii) Integrity;
- (iii) Commitment to service delivery;
- (iv) Innovativeness;
- (v) Efficiency, transparency and accountability;
- (vi) Zero tolerance to corruption; and
- (vii) Non-partisan

### **Mandate of the Ministry**

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The Ministry's mandate is derived from the Executive Order No. 1 of May, 2020 (Revised) on the Organization of the Government of the Republic of Kenya. The mandate is executed through Petroleum and Mining functional areas:

***Petroleum Functional Area***

- i. Petroleum Policy;
- ii. Strategic Petroleum Stock Management;
- iii. Promotion and marketing of oil and gas investment opportunities
- iv. Management, commercialization and marketing of discovered oil and gas resources
- v. Development and review of petroleum master plan;
- vi. Oil and Gas Exploration Policy Development;
- vii. Oil / Gas Sector Capacity Development;
- viii. Petroleum Products, Import / Export / Marketing Policy Management;
- ix. Licensing of Petroleum Marketing and Handling; and
- x. Quality Control of Petroleum Products.

***Mining Functional area***

- i. Formulation of policies on extractive industry;
- ii. Undertaking mineral exploration and mining policy management;
- iii. Development of inventory and mapping of mineral resources;
- iv. Formulation of mining and minerals development policies;
- v. Acquisition, Storage and Maintenance of geological data;
- vi. Policies on the management of quarrying of rocks and industrial minerals;
- vii. Management of health conditions and health and safety in mines;
- viii. Mining capacity development; and
- ix. Promotion of mineral value addition.

The State Department has an oversight responsibility over National Oil Corporation of Kenya (NOCK), Kenya Pipeline Corporation (KPC), Kenya Petroleum Refineries Limited (KPRL), National Mining Corporation (NMC), Mineral Rights Board (MRB) and Geologists Registration Board (GRB)

**Strategic Objectives**

- To promote investments in Oil, Gas and Mineral resources development.
- To enhance commercialization of Kenya crude oil and petroleum products
- To formulate and review regulatory frameworks and undertake Institutional reforms

- To enhance commercialization of Kenya crude oil and petroleum products
- To generate process and interpret geo-scientific data
- To provide quality and accredited mineral testing services locally and regionally
- To enhance access of geoscientific data for investments, infrastructural development and research
- To enhance efficiency and transparency in the administration of mineral rights and mineral dealings
- To enhance revenues from the mining sector
- To promote mine environmental management, health and safety requirements
- To promote Artisanal and Small-Scale Mining (ASM)
- To enhance mineral value and competitiveness

**(b) Key Management**

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

To effectively implement and deliver on its mandate, the State Department has the following directorates/departments:

- (i) Upstream Directorate;
- (ii) Mid/Downstream Directorate;
- (iii) Geological Survey and Geo Information Management Directorate;
- (iv) Directorate of Mines; and
- (v) Administration and Support Services which include:
  - HRM&D
  - Public Communications
  - Central Project Planning and Monitoring
  - Supply Chain Management Services
  - Information Communication Technology (ICT)
  - Finance
  - Accounts
  - Legal
  - Internal Audit

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Cabinet Secretary	Davis K. Chirchir
2	Principal Secretary, Petroleum	Mohamed Liban
3	Ag. Commissioner, Petroleum	Mr. Victor Mudachi
4	Secretary, Administration	Mr. M. B. Mohamed OGW

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No.	Designation	Name
1	Cabinet Secretary	Davis K. Chirchir
5	Senior Chief Finance Officer	CPA Dismas Ogot
6	D/D HRM&D	Mr. Eliud Mwaruah
7	Deputy Accountant General	Mrs. Veronica Kamau
8	Chief Economist	Ms. Lucy Gaithi
9	Deputy Director Supply Chain Management	Mrs. Joyce Ala

**(d) Fiduciary Oversight Arrangements**

**a) *Public Finance Management Committee (PFMC)***

The State Department had in place the PFMC that was chaired by the Accounting Officer. The PFMC provided direction on the periodic (quarterly) management of each ministry. The PFMC 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 98.61 per cent.

**b) *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 highly results in financial stewardship.

**(e) 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@petroleumandmining.go.ke](mailto:info@petroleumandmining.go.ke)  
Website: [www.petroleumandmining.go.ke](http://www.petroleumandmining.go.ke)

**(f) State Department Bankers (all banks)**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
**NAIROBI, KENYA**
2. Kenya Commercial Bank,  
Kipande House Branch  
P.O BOX 30012-00100  
Nairobi, KENYA

**(g) Independent Auditors**

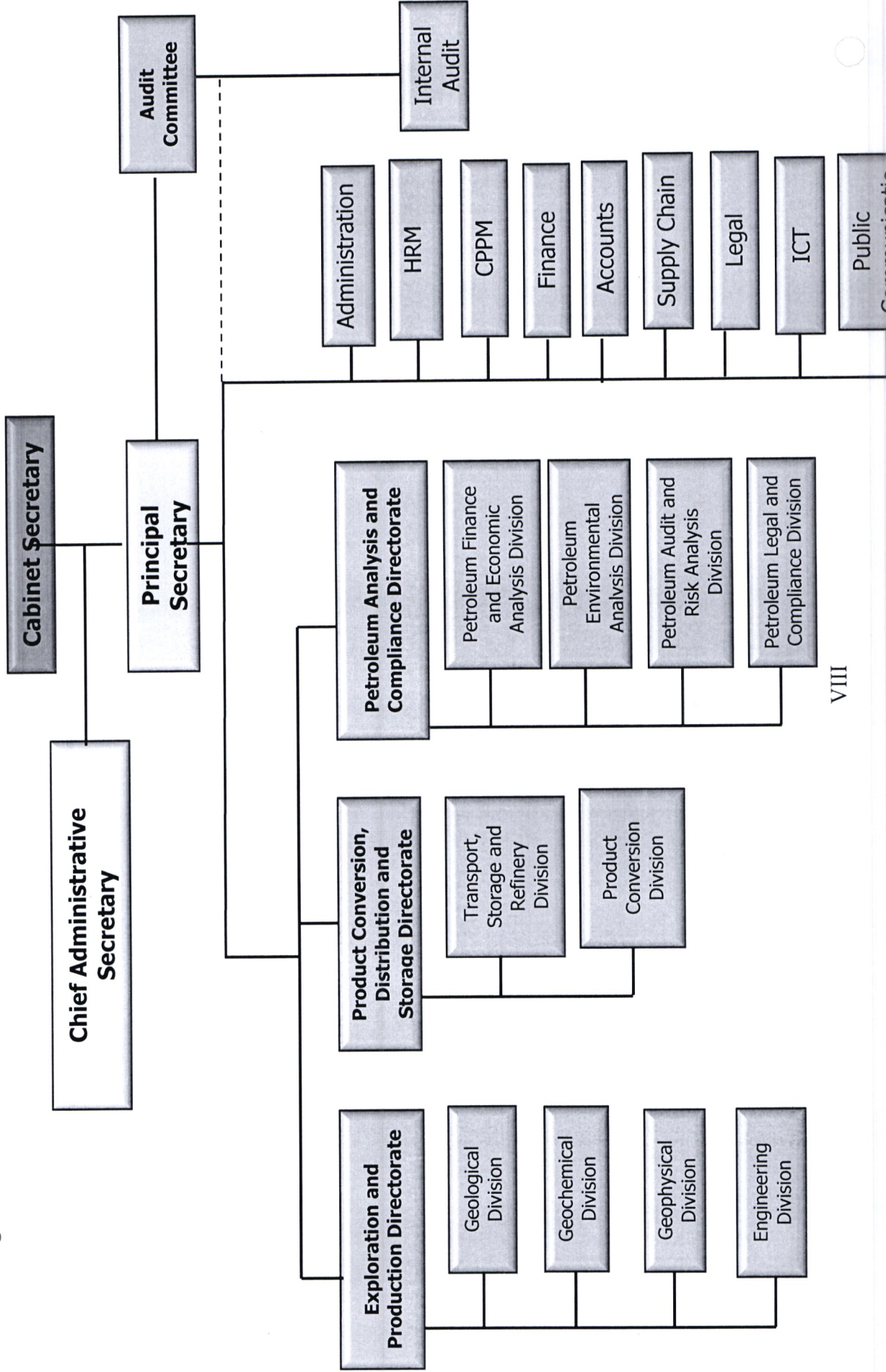
Auditor General  
Office of The Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
**NAIROBI, KENYA**

**(h) Principal Legal Adviser**




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




3. Statement of Governance



The organizational structure is as below:



**Leadership / Management Team**

	<p><b>Mr. Mohamed Liban</b> <b>Principal Secretary</b></p> <p>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.</p> <p>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.</p>
	<p><b>Mr. Mohamed Birik Mohamed</b> <b>Secretary, Administration</b></p> <p>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 &amp; Policy Development, Conflict Management &amp; Resolution, Financial Management, Performance Management and relationship skill.</p>
	<p><b>Mr. Victor Mudachi,</b> <b>Ag. Commissioner, Petroleum</b></p> <p>Mr. Mudachi Victor assumed the position of Ag, Commissioner Petroleum in June, 2022. His Function include overall coordination of Petroleum Function: Upstream, Midstream and Downstream. Mr Mudachi holds BSC in Physics and Computer Science, Post Graduate Diploma in Management of Petroleum Operations and Development. Member of Society of Geophysicists (SEG) – USA, members of European Association of Geo-Scientists &amp; Engineers (EAGE)</p>

	<p><b>CPA Dismas Ogot</b> <b>Senior Chief Finance Officer</b></p> <p>CPA Dismas Ogot assumed the position of Head of Finance Unit in 17<sup>th</sup> 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 Honours Bachelor of Arts (Economics), of the University of Nairobi. He is a CPA (K) holder, and also a member of the ICPAK.</p>
	<p><b>Mr. Eliud Mwaruah,</b> <b>Deputy Director/HRM&amp;D</b></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 &amp; 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><b>Ms. Veronica Kamau</b> <b>Deputy Accountant General</b></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><b>Ms. Lucy Gaithi</b> <b>Deputy Director, Planning and Project management</b></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&amp;DM) from the University of Witswatersrand, Johannesburg South Africa and a Bachelor of Arts (Economics &amp; Statistics) from University of Nairobi. She is member of the Economist Society of Kenya (ESK).</p>
	<p><b>Ms. Joyce Ala</b> <b>Deputy Director, Supply Chain Management Services (SCMS)</b></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>

**Management Committees established and their roles.**

**(a) Human Resource Advisory Management Committee (MHRMAC)**

The functions of the committee include but are not limited to:

- a) Recruitment, selection and appointment
- b) Promotions and deployment
- c) Training and development
- d) Disciplinary control
- e) Staff welfare, health and safety

**(b) Performance Management Committee**

The functions of the committee include but are not limited to:

- a) Employee performance evaluation
- b) Management of rewards and sanctions
- c) Performance contracts implementation reviews

**(c) Digitalization Committee**

- Champions of the MDA's digitalization Agenda.
- Provide guidance into the strategic direction of the organization's digitalization roadmap.
- Review the existing business processes, delivery channels, assess their effectiveness and efficiency and give appropriate recommendations.
- Oversee the implementation of the digitalization program including business process reengineering, adoption of paperless office, identification MDA's business core systems and establishment of architectural workflow management.
- Promote digitally-driven innovations to support service delivery.
- Manage risks relating to the digitalization agenda.
- Any other responsibilities as assigned by accounting officer.

**(d) Budget Implementation Committee**

- Review and consider the cashflow
- Review utilization of cash limits and consider changes as maybe required

- Review utilization of donor funds voted for the MDA
- Advise the Accounting Officer on any changes related to budget implementation
- Review and recommend reallocation of expenditures
- Review and approve the submission of expenditure returns for MDAs
- Participate in sector working groups
- Prepare the budgets for MDAs in Consultation with HODs

**(e) Asset and Liability Management Standing Committee.**

- Ensure compliance with Asset and Liability management policy and guidelines developed by the National Treasury.
- Monitor and evaluate Assets and Liabilities performance
- Assess and ensure optimal assets levels of the State Department as guided by the National Treasury guidelines
- Institutionalize a risk based and life cycle asset management approach.
- Submit to assets and liabilities updated inventory and registers to the accounting officer for signature and subsequent forwarding to the National Treasury.
- Ensure harmonized and accurate reporting on assets and liability performance.
- Ensure that, assets and liability audit queries are resolved effectively.
- Any other functions relating to assets and liabilities.

**(f) The audit committee (Its formation, composition, and Activities/meetings).**

The State Department is in the process of recruiting a Ministerial Audit Committee. The Executive order no. 1 of 2023 established the Ministry of Energy and Petroleum hence the Audit Committee for Petroleum and Mining ceased to operate. The Positions of Chairperson and members of the committee have been advertised and awaiting shortlisting.

**(g) Risk management, compliance, conflict of interest etc. (internal auditors)**

In its efforts to mitigate risks, the State Department has established the corruption prevention committee and the occupation health and safety committee among others in its effort to mitigate risks.

**(h) Report on recent training and development in governance for those in key leadership.**

The state department trained different managers in various courses within the financial year 2022/2023.

The table below shows the training and the number of officers trained.

S/NO.	COURSE NAME	NUMBER OF OFFICERS	DURATION
1	Formulation of Non-Financials on The Budget 'Linking Budget to Performance' Process and Project Management	5	4 weeks
2	Essential Counselling Skills Program	1	4 weeks
3	Advanced Fraud Course	1	4 weeks
4	Sensitization on Unified Human Resource (UHR) Information System	7	4weeks
5	Public Finance Management Workshop	4	4 weeks
6	Pre - Retirement, Pension Planning and Investment Analysis	2	4 weeks
7	Strategic Organizational Change Management in Public Sector, Emotional Intelligence and Corporate Etiquette	8	3 weeks
8	Public Budgeting, Work Planning, and Financial Management for Donor Funded Projects	8	4 weeks
9	Long term – Masters in Geoscience	2	2 years
10	Skills improvement programmer	65	2 weeks
11	Strategic Leadership Development Course	7	6 weeks
12	Mentorship and Coaching Programme	2	5 days

#### **(i) Public participation activities**

The State Department undertook several public participation activities during the financial year in question, of which three (3) public participation exercises were in the South Lokichar Basin, Turkana County, to sensitize the leadership and the local communities on the Project Oil Kenya and also on the land acquisition exercise that is ongoing.

The first exercise was to sensitize the newly elected Turkana County leadership, at both the county and sub county levels, on the Oil and Gas exploration activities being undertaken by the State Department in Turkana County. This activity involved holding various stakeholder meetings in Turkana South and East Constituencies.

The second exercise involved holding public participation meetings with the local communities while undertaking survey, inspection and valuation for the land where the upstream facilities is to be

constructed. This is part of the land acquisition process towards compulsory land acquisition for the upstream facilities.

The third exercise was having meetings with the leadership and the local communities on results of the land, earmarked for acquisition for the crude oil pipeline, that had been surveyed, inspected and valued by the National Land Commission. This exercise is the Inquiries stage of the acquisition process and is used to validate the results obtained during the valuation exercise.

**(j) Compliance with laws and regulations among others.**

The Ministry was guided and complied with the relevant laws and regulations.

**4. Statement by the Cabinet Secretary/Chairman Statement**

The Ministry of Energy and Petroleum is established by the Executive Order No. 1 of 2023 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 No.1 of 2023, gives 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 Departments strategic objectives are: to promote investments in Oil and Gas development; to enhance commercialization of Kenya crude oil and petroleum products; to formulate and review regulatory frameworks and undertake Institutional reforms; To enhance commercialization of Kenya crude oil and petroleum products; and to generate process and interpret geo scientific data.

For effective implementation of the Ministry’s strategic objectives, the Ministry 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 June 30, 2023, 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 Petroleum and Mining**

## **5. Statement by the Principal Secretary / Accounting Officer**

The Annual Report and Financial Statements for the year ended June 30, 2023 provides the State Department for Petroleum with an opportunity to display how the department used allocated resources prudently and efficiently.

Several activities were undertaken during the period under review. These activities are discussed in subsequent sections below.

Other activities planned for implementation during the financial year ending June 30, 2024 include finalization of Petroleum Policy; finalization of the Field Development Plan to develop the hydrocarbon resources in Turkana County; Clean cooking gas rollout for Public Boarding Secondary Schools; distribution of 6kgs Gas cylinders to households at discounted rates; finalization of Strategic Plan for the State Department; and continuous capacity building of staff through training to enable them have competent skills.

Other activities are; continuous marketing of Oil blocks to attract investors; development of a National Liquefied Petroleum Gas (LPG) Strategy that includes a clear roadmap and implementation plan to distribute LPG Gas; and the development of Natural Gas as a feedstock for allied industries and for power generation.

All these activities are to be undertaken in an atmosphere of collaboration with stakeholders, innovation and skills/ knowledge transfer for better service delivery.

During the formulation of this report, a consultative and participatory approach was employed with the various departments contributing to its formulation.

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

## i) State Department's FY 2022/23 Budget Performance

The table below presents the State Department's actual expenditure by Vote and program classified under recurrent and development and detailed as applicable to include economic classification: compensation to employees, use of goods and services, capital expenditure, current and capital transfers to other government agencies, interest payments, social contributions, and subsidies.

Economic Classification	Approved Budget	Actual Expenditure
	2022/23	2022/23
<b>Programme 1. Exploration and Distribution of Oil and Gas</b>		
<b>Current Expenditure</b>	<b>2,551,983,496</b>	<b>994,575,350</b>
Compensation of Employees	53,237,714	43,237,655
Use of goods and Services	626,326,853	617,960,024
Grants and other Transfers	332,500,000	332,500,000
Other Recurrent	1,543,660	877,671
<b>Capital Expenditure</b>	<b>1,538,375,269</b>	<b>1,172,802,006</b>
Acquisition of Non-Financial Assets	1,538,375,269	1,172,802,006
<b>Total Programme 1</b>	<b>2,551,983,496</b>	<b>2,154,996,955</b>
<b>Programme 2. Mineral Resources Management</b>		
<b>Current Expenditure</b>	<b>249,317,925</b>	<b>202,072,005</b>
Compensation of Employees	152,278,670	151,597,960
Use of goods and Services	86,605,528	47,804,890
Other Recurrent	10,433,727	2,669,155
<b>Capital Expenditure</b>	<b>22,098,764</b>	<b>16,212,613</b>
Acquisition of Non-Financial Assets	22,098,764	16,212,613
<b>Total Programme 2</b>	<b>271,416,689</b>	<b>218,284,618</b>
<b>Programme 3. General Planning and Support Services</b>		
<b>Current Expenditure</b>	<b>63,578,074,783</b>	<b>62,996,661,678</b>
Compensation of Employees	322,909,206	319,157,033
Use of goods and Services	72,468,044	74,796,673
Grants and other Transfers	29,230,000	29,230,000
Other Recurrent	27,379,044	48,898,441
Subsidies to Private Enterprises	63,096,088,489	62,495,828,161
Social Security Benefits	30,000,000	28,751,370
<b>Capital Expenditure</b>	<b>90,208,472</b>	<b>86,159,250</b>
Acquisition of Non-Financial Assets	90,208,472	86,159,250
<b>Total Programme 4</b>	<b>63,668,283,255</b>	<b>63,082,820,928</b>
<b>Total Vote</b>	<b>66,491,683,440</b>	<b>65,468,482,902</b>

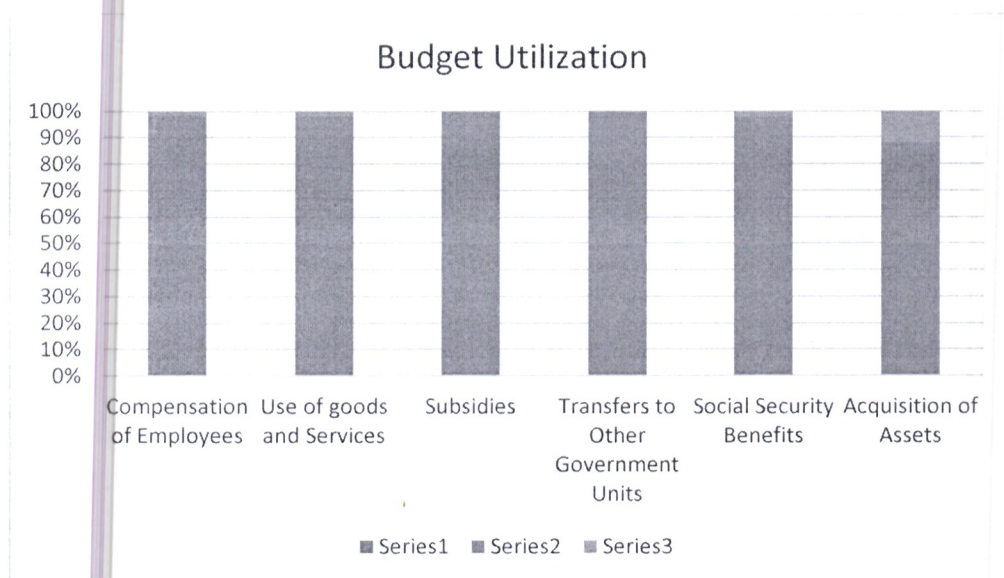
Note. Programme 2 (Mineral Resources management) consists of two subprogrammes (1009000000 and 1021000000).

### Budget Utilization

The State Department spent 65,468,482,902.00 against an approved budget of Kshs.

66,491,683,440.00 representing an absorption of 98.99%. Utilization of the budget was carried out through various activities (economic classifications) as shown in the chart below:

PAYMENTS	Approved Budget	Actual Payments	Variance
Compensation of Employees	528,425,590	513,992,649	14,432,941
Use of goods and Services	824,756,856	793,006,854	31,750,002
Subsidies	63,096,088,489	62,495,828,161	600,260,329
Transfers to Other Government Units	361,730,000	361,730,000	0.00
Social Security Benefits	30,000,000	28,751,370	1,248,630
Acquisition of Assets	1,650,682,505	1,275,173,869	375,508,636

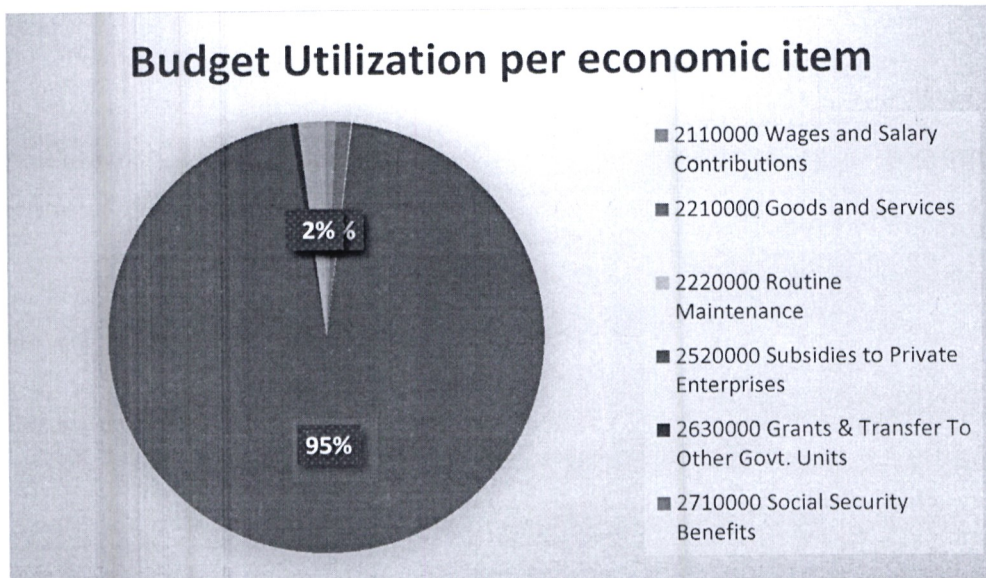


### Budget Utilization per economic item

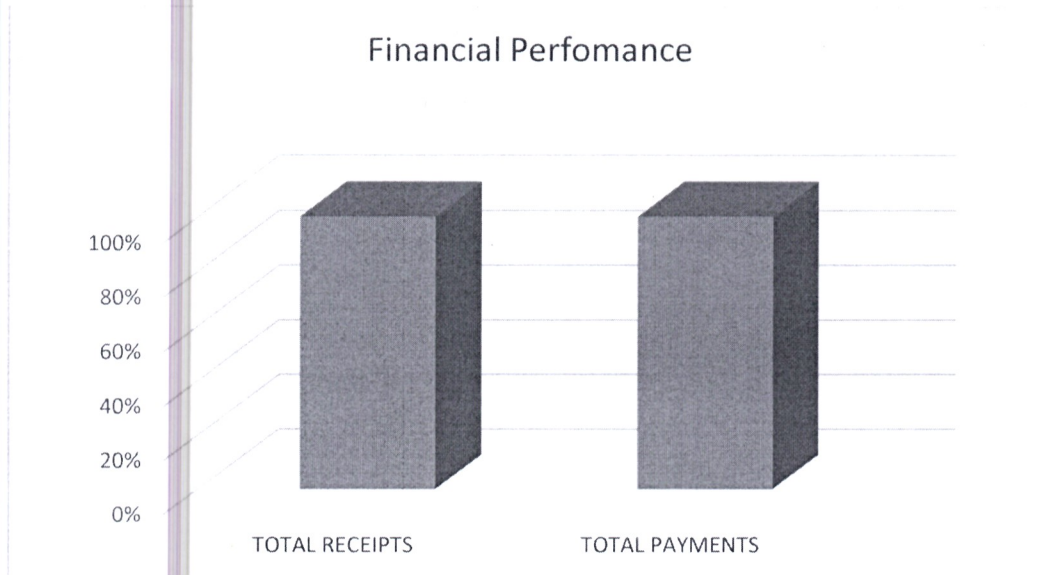
STATE DEPARTMENT FOR PETROLEUM

Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2023

Item	Description	Payments
2110000	Wages and Salary Contributions	513,992,649
2210000	Goods and Services	740,561,587
2220000	Routine Maintenance	52,445,267
2520000	Subsidies to Private Enterprises	62,495,828,161
2630000	Grants & Transfer To Other Govt. Units	361,730,000
2710000	Social Security Benefits	28,751,370
3110000	Acquisition of Fixed Capital Assets	1,275,173,869
	<b>TOTAL PAYMENTS</b>	<b>65,468,482,902</b>



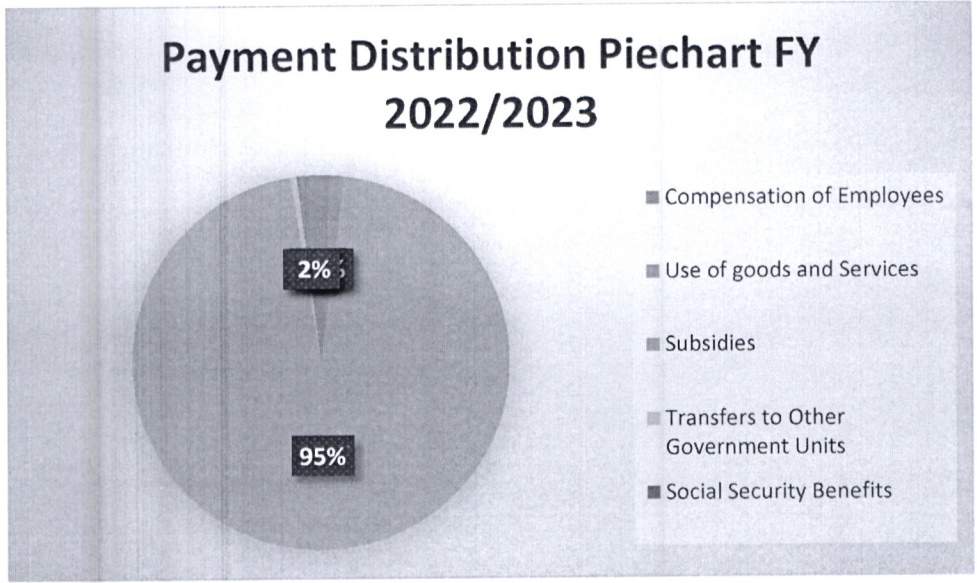
FINANCIAL PERFORMANCE	Year to 30th June 2023
	Kshs
TOTAL RECEIPTS	66,199,952,027
TOTAL PAYMENTS	65,468,482,902
<b>SURPLUS/DEFICIT</b>	<b>731,469,125</b>



**PAYMENTS**

The State Department’s payments mainly comprise of subsidies.

	<b>Year to 30th June 2023</b>
	<b>Kshs</b>
<b>PAYMENTS</b>	
Compensation of Employees	513,992,649
Use of goods and Services	793,006,854
Subsidies	62,495,828,161
Transfers to Other Government Units	361,730,000
Social Security Benefits	28,751,370
Acquisition of Assets	1,275,173,869
<b>TOTAL PAYMENTS</b>	<b>65,468,482,902</b>



**ii) Key achievements for the State Department**

**1. Early Monetization of the first oil Project**

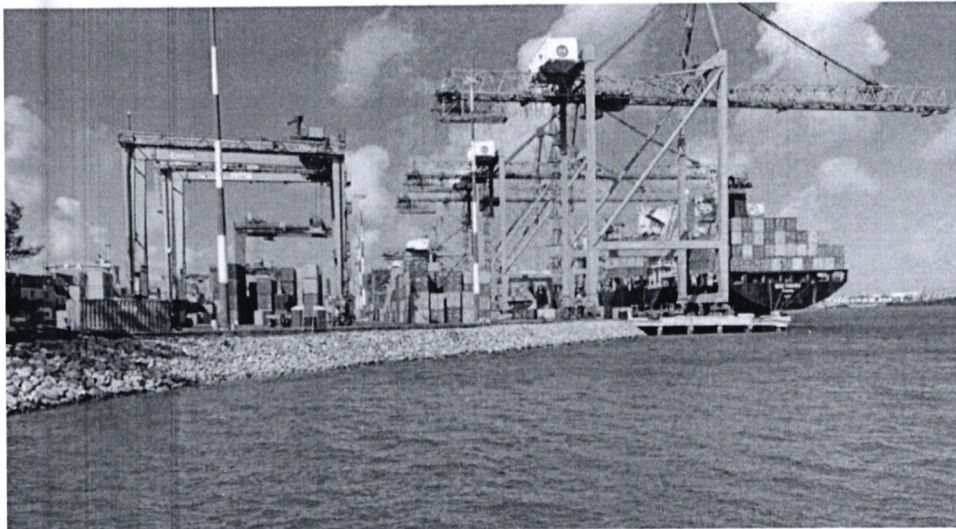
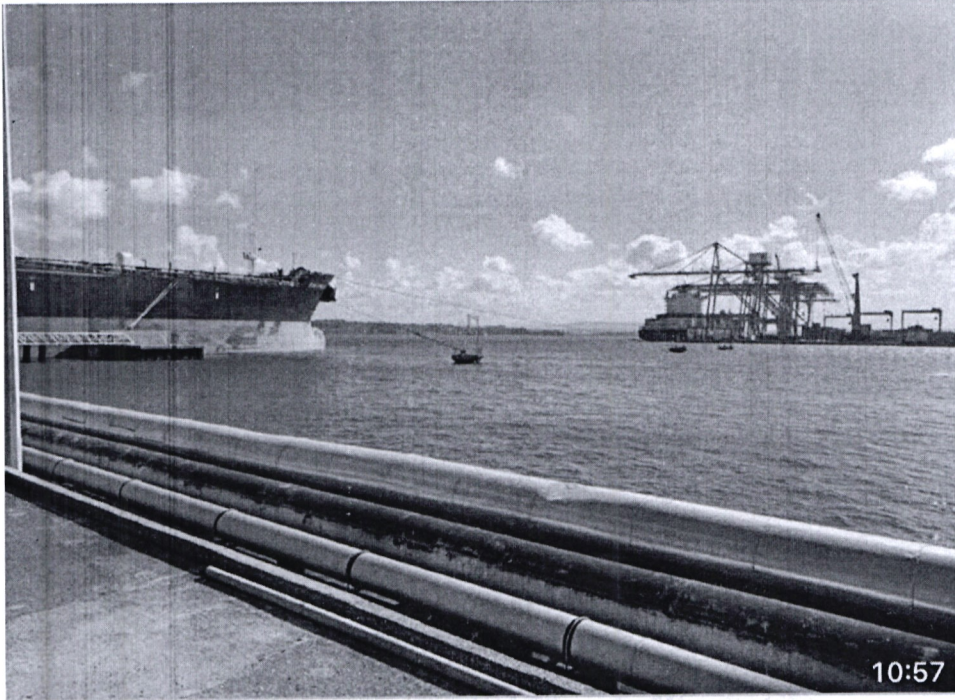
The project was initially referred to as **Early Oil Pilot Scheme (EOPS)** with an objective of gathering technical data for designing and preparation of the Field Development Plan (FDP) and to test the international market for Kenyan Crude Oil.

The project attained a major milestone having exported 240,000 barrels to the international market in FY 2019/20. However, Production and trucking of crude oil from the field in South Lokichar to the storage terminal halted following a lapse of the Early Oil Pilot Scheme Agreement (EOPSA) in June 2020.

The project scope was revised and expanded to include South Lokichar Field Development.

During FY 2022/23 the Department;

- Conducted market survey for the Crude Oil stored at KPRL facilities in Mombasa.
- Exported 174,289 barrels of crude as the second cargo to the international market.
- Reviewed the submitted Field Development Plan (FDP) and prepared an advisory to be considered by Energy and Petroleum Regulatory Authority (EPRA) as they finalize the review and advise to the Cabinet Secretary.
- Developed a draft Upstream Water Framework Agreement (UWFA)
- Conducted Land inquiries, survey, demarcation and gazettelement for the Upstream project.



*EOPS second cargo ship docking in preparation for loading*



*EOPS second Cargo loading*

## **2. Preparatory Activities for Lokichar – Lamu Crude Oil Pipeline (LLCOP)**

The Lokichar – Lamu Crude Oil Pipeline (LLCOP) will evacuate/transport crude oil from the production fields in the South Lokichar Basin to the port of Lamu for storage and onward export to the international markets. The LLCOP project is tied to the development of the upstream project.

During the FY 2022/23 the Department;

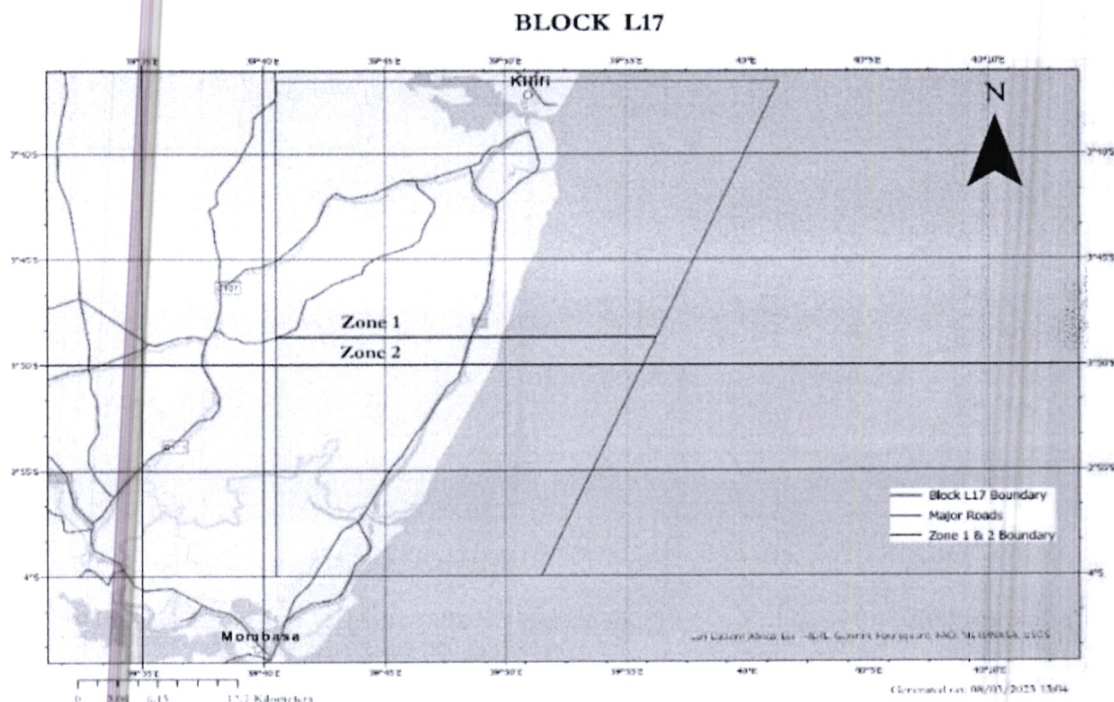
- Conducted land inquiries, surveying, demarcation and gazettement along the Crude Oil Pipeline route.
- Developed a draft Land Acquisition and Resettlement Framework and Land access Policy.
- Conducted public participation and stakeholder engagements/sensitization forums.
- Commenced drafting of key commercial and financing agreements to support the construction of the pipeline.



*Public forum on land inquiries for the integrated S. Lokichar project*

### 3. Geoscientific Data Acquisition and Interpretation Block L16 and L17 (Zone 1) Lamu Basin

The projects aim is to determine petroleum prospectively and develop data repository which will be used to market exploration acreage as well as attract oil companies to invest in the open petroleum blocks.



*Block L17 map showing zone 1 and zone 2*

During the FY 2022/23 the Department;

- Undertook Desktop studies and literature review for block L17 (Zone 1)
- Concluded Geological field mapping of block L17 (Zone 1)
- Geophysical data acquisition (Gravity and Magnetics) covering approximately 600km<sup>2</sup>
- Carried out rock sampling for geochemical analysis to establish the presence of potential source rocks, reservoir rocks and cap rocks in Block L16
- Carried out rock sampling for geochemical analysis to establish the presence of potential source rocks, reservoir rocks and cap rocks in Block L17



*Geological Mapping Shale Outcrop*



*Geological Mapping Kambe limestone at Chasimba caves.*



*Geological Mapping Sandstone exposure at River Chalani*



*Geophysical Data acquisition (Magnetics)*

#### **4. Petroleum Development Services**

During the period under review the Department;

- Developed and published two (2) Regulations; the Petroleum (Pricing) Regulations, 2022 and the Petroleum (Importation) Regulations, 2023
- Commenced the development of eleven (11) more Regulations is on-going, to be finalized in the FY 2023/24

#### **5. Quality Assurance of Petroleum Products**

During the period under review, a total of 20,608 tests were conducted for samples drawn from 5,295 petroleum dispensing sites. From these tests, 5,241 (98.98%) sites were found to be compliant. However, tests from 54 sites (1.0198%) turned out to be non-compliant.

#### **6. Clean Cooking Gas for Schools**

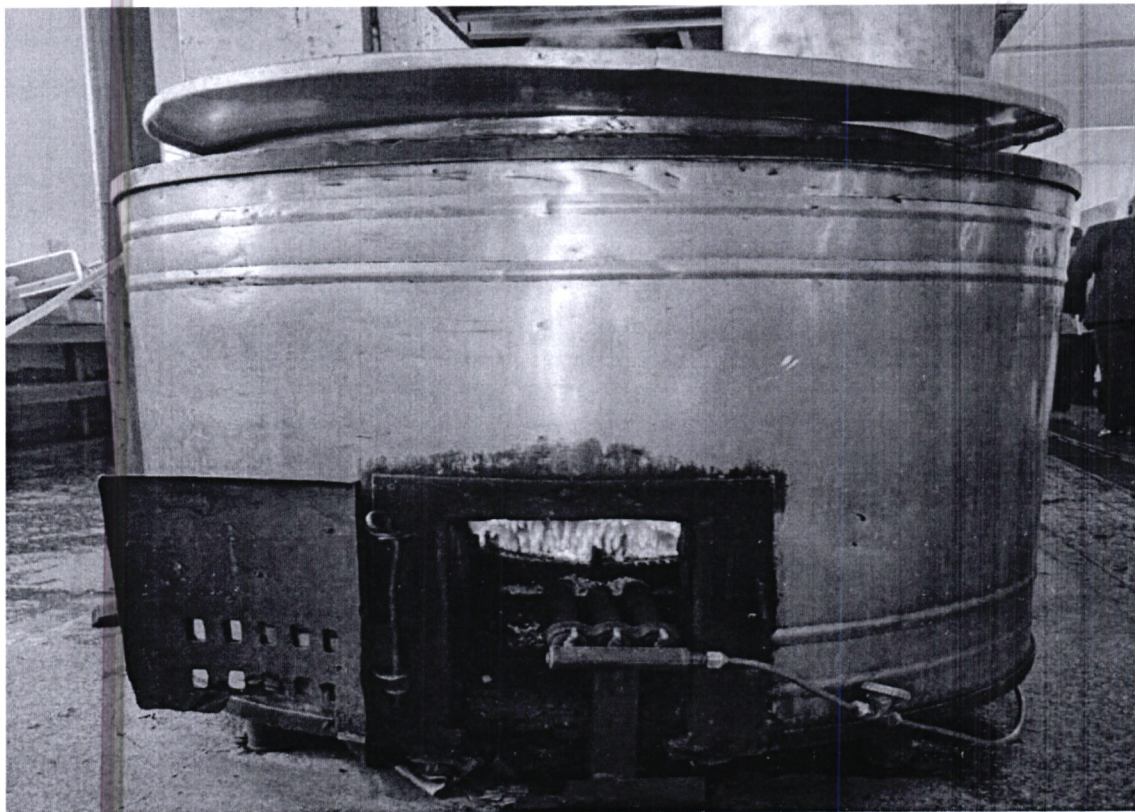
The project seeks to provide LPG for all Public Boarding Learning Institutions between FY 2023-2026 through installation of LPG Gas Bullets, piping and burners.

During the review period the ministry;

- Developed a Concept paper on Clean Cooking Gas (CCG) in Public Boarding Secondary Schools;
- Commenced Identification of regional suppliers of LPG
- Identified the following Strategies for CCG roll-out – applicable CCG infrastructure, CCG gas supply options, resource mobilization options, and safety measures during project implementation;
- Prepared a budget line and allocation for exchequer funding for the project;
- Prepared a Roadmap for implementation of the project; and
- Pilot Schools identified to kick off the roll-out exercise.



*CCG benchmarking exercise (bullet)*



*CCG benchmarking exercise (modified cookstove)*

### 7. National Liquefied Petroleum Gas Enhancement Project (Mwananchi LPG Project)

The programme sought to promote use of clean energy by increasing LPG per capita consumption from two (2) kg to fifteen (15) kg. Seeks to Distribute of 6 KGs LPG gas cylinders and their accessories to 100,000 low-income households.

During the review period the ministry;

- Procured 69,341 6Kgs LPG gas cylinders, burners and their accessories for distribution to low income households;
- Development of a monitoring mechanism for identification of the beneficiaries is on-going;
- Developed a stakeholder engagement and sensitization framework; and
- Distribution of the gas cylinders will be done in the 2023/24 FY

#### 1. Capacity Development in Oil and Gas

258 officers were trained on Oil and Gas courses as part of building capacity of institutions for effective management and administration of oil and gas resources.

#### iii) Emerging issues

- **High capital investment requirement in oil and gas projects** - Exploration, appraisal and development of Oil and Gas fields are capital intensive undertakings.
- **Use of emerging technologies in exploration and extraction** - Modern oil and gas industry utilizes emerging technology to improve production, optimize equipment utilization, ensure worker safety and monitor remote areas.
- **Geopolitical tensions and conflicts** - Geo-political tensions and associated sanctions e.g the conflict between Russia and Ukraine, affect the supply and demand for petroleum products.
- **Climate Change and energy transition** - The ecological fallouts, such as global warming has **resulted** to unprecedented extreme weather disasters, are some of the effects of the climate change that are making it costlier and more difficult for oil and gas companies to efficiently operate in their environments.
- **Environmental impact** – Exploration in search for new deposits of crude oil, can have significant environmental impacts.

#### iv) Key Risk Management Strategies.

- Review of the terms of the Production Sharing Contracts to create an efficient permitting process
- Provision of tax incentives on investments in oil and gas

- Ensure compliance with Oil Spill Mutual Aid Group (OSMAG) requirements;
- Develop regulations and ensure compliance through spot checks
- Undertake regular inspection to ensure proper maintenance of plant and equipment
- Monitor and ensure compliance of disaster recovery plan & Business Continuity Plans
- Periodic monitoring and evaluation of projects to track implementation of projects and programmes
- Promotion of public private partnership
- Involvement of development partners in project implementation
- Periodic Monitoring, Evaluation of ongoing projects
- Results-based auditing
- Undertake corruption risk assessments
- Mobilisation of diverse financial resources

**v) Implementation challenges, mitigation measures and recommendations**

a) Challenges

- i) Human Resource constraints
- ii) Unstable Geo Political Environment
- iii) Complexity in land and right of way acquisition
- iv) Inadequate specialized technical capacity in the sector
- v) Diversion of fuel meant for transit
- vi) Long lead time between project conceptualization and realization
- vii) Community/stakeholders resistance to programmes and project
- viii) Litigations leading to project delays and increased project costs

b) Mitigation measures

- i) Engaged the National Treasury and Parliament and embraced PPP as a way of project financing.
- ii) Human resource capacity enhanced through recruitment of additional staff and training.
- iii) Stabilization framework through subsidies.
- iv) Enhanced collaboration and consultations with the relevant Ministries, Counties, Departments and Agencies (MCDAs) to fast-track land and right of way acquisition.

- v) Enhanced investment in specialized technical capacity and leveraged on technology and digitization of services.
- vi) Through EPRA, enhanced monitoring, surveillance to prevent and deter diversion of fuel meant for transit.
- vii) Enhanced its project management capacity for the effective and efficient delivery of its programmes and projects.
- viii) The department has enhanced stakeholder consultations (particularly with the communities around projects) prior to initiation and during implementation of its projects.

c) **Recommendations**

- i) Continuous stakeholder's engagement and the application of the Provisions of the Petroleum Act, 2019, in addressing the revenue sharing concerns is key in unlocking the production stalemate.
- ii) Implementation of capacity building programmes for enhanced exploration, exploitation and extraction oil and gas.
- iii) Fast-tracking the implementation of the National Oil and Gas Master Plan.
- iv) Enhanced sensitization of the public on the multiple benefits of explorations to counter the high expectation.
- v) Enhanced allocation of funds for geological mapping to provide baseline data for investment.



.....  
**Principal Secretary / Accounting Officer**  
**State Department for Petroleum**

## 6. Statement of performance Against predetermined Objectives for the FY2022/23 Strategic Objectives

- To promote investments in Oil, Gas and Mineral resources development.
- To enhance commercialization of Kenya crude oil and petroleum products
- To formulate and review regulatory frameworks and undertake Institutional reforms
- To enhance commercialization of Kenya crude oil and petroleum products
- To generate process and interpret geo scientific data

### 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:

S/ N o.	Outcome/ Output	Key performance Indicator	Baseline		Annual Target	Achie veme nt	Remarks
			Value	Year			
1.	Petroleum Blocks	No. of Petroleum blocks marketed	51	2021/22	51	51	Marketing of Petroleum Blocks is done through local and international conferences where Kenya's position paper on available acreage and their prospectivity is presented to potential investors.
2.	South Lokichar Oil Field	Field Development plan for South Lokichar	0	2021/22	1	0	Kenya Joint Venture (KJV) submitted a final Field Development Plan (FDP) incorporating comments raised by Energy and Petroleum Regulatory Authority (EPRA) and The Ministry of Energy and Petroleum (MoEP). EPRA is reviewing the FDP in preparation to advise the Cabinet Secretary on the approval/rejection or further modification of the FDP.
3.		Acreage of land acquired for upstream development (Acres)	0	2021/22	22,000	0	continued with Community engagement/sensitization; land inspection and survey were undertaken to establish the number of persons affected by the project.

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4.		% completion of the makeup water pipeline	0	2021/22	20	20	Project disclosure meetings along the water pipeline route held; a draft Upstream Water Framework Agreement (UWFA) as well as stakeholder alignment developed
5.		Acreage of land acquired for make-up water pipeline (Acres)	0	2021/22	682	0	
6.	Oil and Gas Wells	No. of exploration wells drilled	0	2021/22	1	0	The contractor was unable to mobilize the drilling equipment to the drilling site as envisaged. This was due to reprocessing and reinterpretation of new key data to properly understand the drillable prospect.
7.	Geo-scientific data	No. of Geological/Geochemical Reports	2 <sup>1</sup>	2021/22	2	3	This is an ongoing process in which geoscientific data will provide a detailed picture of the oil or gas rich rocks deep beneath the Earth's surface.
8.		No. of Geophysical Reports	2 <sup>2</sup>	2021/22	2	3	
9.	Lokichar-Lamu Crude Oil Pipeline	% Completion of the pipeline	10	2021/22	20	20	Progress made entailed preliminary works.
10		<i>Review land lease agreement</i>	0	2021/22	1	-	
11		<i>% Operationalization of a pipeline company (PIPECO) (to manage and coordinate implementation of the project)</i>	0	2021/22	100	0	Operationalization based on FDP approval and Final Investment Decision (FID) for both upstream and downstream projects which are yet to be finalized.
12	Petroleum Development Services	No. of Petroleum Regulations	Kamun ya	2021/22	2	2	Petroleum (importation Regulations, 2023) and Petroleum (Pricing Regulations, 2022) were developed.

<sup>1</sup> Kipeto gas prospects and Block L16 reports

<sup>2</sup> Kipeto gas prospects and Block L16 reports

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13	Petroleum products	Metric tonnes of petroleum products distributed ('000)	Eric	2021/22	7,200	6324.5	The slow attainment due to reduction in cargo imported since transition from the Open Tender System (OTS) to the Government-to-Government mode of importation of petroleum products.
14	Petroleum Products Quality Assurance	No. of samples tested from different petroleum distribution points.		2021/22	20,500	20,608	Monitoring conducted monthly to prevent motor fuel adulteration or dumping of export-bound motor fuels.
15	LPG cylinders	No. of 6 kg LPG cylinders distributed	0	2021/22	100,000	0	procured 69,341 6 kg LPG cylinders, and their accessories (burners and grills) and filled them with gas in readiness for distribution. Distribution of the cylinders not undertaken. Project transferred to National Oil Corporation of Kenya for implementation in FY 2023/24
16	Capacity Building in Oil and Gas	No. of trainees		2021/22	166	258	Group Training programs and timely review of the existing Training Projections (FY 2021/2022) contributed to the overachievement of this target.
17	Strategic Planning	% completion of strategic plan	-	2021/22	100	70	The Ministerial 2023-2027 Strategic Plan (SP) was developed. However, the SDEP issued revised guidelines after the end of FY 2022/23, requiring MDAs to review SPs based on new guidelines.

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7. Management Discussion and Analysis

The approved budget for the State Department increased from Kshs. 5,646 million to Kshs.84,415 million and decreased to Kshs.66,491 Million in the FY 2020/21, 2021/22 and 2022/23, respectively. The actual expenditures in FY 2020/21, 2021/22 and 2022/23 respectively were Kshs. 5,053 Million, Kshs.82,550 Million and Kshs.65,468 Million respectively. The overall budgets absorption rate over the period under review was 89.5%, 97.8% and 98.8%, respectively. The table below presents an analysis of the Ministry's expenditures by programmes:

State Department for Petroleum: Table 2.4: Analysis of Programme Expenditure (Ksh. Million)					
Programme/Sub – Programmes	Approved Budget (Ksh. Millions)			Actual Expenditure (Ksh. Millions)	
	2020/21	2021/22	2022.23	2020/21	2021/22
<b>Vote 1194:</b>					
<b>Programme 1: Exploration and Distribution of Oil and Gas</b>					
SP.1.1: Oil and Gas Exploration	4,667	2,328	2,208	4,183	1,968
SP.1.2: Distribution of oil and gas	350	172	343.5	241	153
<b>Total Programme 1</b>	<b>5,017</b>	<b>2,500</b>	<b>2,552</b>	<b>4,424</b>	<b>2,121</b>
<b>PROGRAMME 2: Mineral Resources Management</b>					
Sub-Programme 3.1: Mineral exploration	173	193	205	173	163
Sub-Programme 3.2: Mineral Resources Development	100	24	66	100	23
<b>Total Programme 2</b>	<b>273</b>	<b>217</b>	<b>211</b>	<b>273</b>	<b>186</b>
<b>Programme 3 : General Administration, Planning &amp; Support Services</b>					
Sub-Programme 4.1: General Administration, Planning & Support Services	247	81,438	63,668	247	80,043
<b>Total Programme 3</b>	<b>247</b>	<b>81,438</b>	<b>63,668</b>	<b>247</b>	<b>80,043</b>
<b>Total Vote 1194</b>	<b>5,646</b>	<b>84,415</b>	<b>66,491</b>	<b>5,053</b>	<b>82,550</b>
					<b>63,088</b>
					<b>63,088</b>
					<b>65,468</b>

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**State Department's key projects implemented during the period FY 2020/21 – FY 2022/23**

**Analysis of Performance of Capital Projects FY 2020/21-2022/23**

**State Department for Petroleum**

Project Name	Estimated Cost of the Project (Financing)		Timeline		FY 2020/21				FY 2021/22				FY 2022/23				Remarks	
	Total Estimated cost of project (Ksh. Millions) (a)	GOK	Foreign	Start date	Expected completion date	Approved Gok Budget	Approved foreign budget	Cumulative Exp. as at 30th June 2021	Completion Stage as at 30th June 2021	Approved Gok Budget	Approved foreign budget	Cumulative Exp. as at 30th June 2022	Completion Stage as at 30th June 2022	Approved Gok Budget	Approved foreign budget	Cumulative Expenditure as at 30th June 2023		Completion Stage as at 30th June 2023
Petroleum Exploration In Block 14T (Block licensed to NOC Kenya.)	6,600	6,600	-	01-01-14	01-07-28	280		2,320	35%	400		2,718	41%	250		2,968	45%	Goescientific data acquired; Magadi region of the block tested using 3D MT modelling; drillable prospects identified.
Preparatory Activities For The Lokichar-Lamu Crude Oil Pipeline (Objective is to develop crude oil pipeline to transport crude oil from Lokichar to Lamu for export)	10,000	10,000	-	07-01-15	30-06-26	270		1,460	15%	417		1,866	19%	735		2,599	26%	Survey, inspection and valuation along the pipeline corridor completed; stakeholder engagements undertaken; land acquisition plan and resettlement framework drafted; and land inquiries undertaken in Turkana, Isiolo and Garissa

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Early Monetization of First Oil Project (Objective is to enhance development and commercialization of the petroleum resources)	3,231	3,231	-	01-01-11	30-06-25	90	456	14%	120	562	17%	200	762	24%	South Lokichar FDP reviewed; land identified; field & make-up water pipeline coordinates gazetted; survey, inspection and valuation &; Stakeholder engagements undertaken;
Oil Exploration and Monitoring (Aims at enhancing petroleum exploration in the country, marketing and licensing of petroleum open blocks as capacity building in the sector.	10,283	10,283	-	07-01-16	30-06-26	860	4,048	49%	854	4,715	46%	954	5,530	54%	Geoscientific data acquired for blocks L19A, L16, L17 zone 1 in Lamu Basin. evaluation of gas prospects in Kipeto and Solai; community engagement; and capacity building in oil and gas.
Fuel Marking (To eradicate diversion of export fuel to the local market and adulteration of motor fuels with kerosene).	410	410	-	06-01-15	30-06-26	-	146	36%	17	160	39%	38	197	48%	During the review period, 20,575, 21,272 and 20,608 samples from various fuelling stations were tested.

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LPG Distribution and Infrastructure. (The objective of the project was to enhance LPG penetration in the country)	8,200	8,200	07-01-14	30-06-26	350	1,194	15%	155	1,333	16%	306	1,623	20%	A total of 216,074 6Kg LPG cylinders, 84,500 2-burner cook stoves, 60,000 meters flex hoses, 330,115 grills and 329,325 burners and 220 40ft storage containers procured; distributed 28,035 6Kg LPG cylinders with burner and grill within Machakos and Kajiado counties;
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**Future Developments:**

The table below presents strategic objectives and strategies identified towards development of the petroleum sector in the period FY 2024/25-2027/28.

Strategic Objective	Strategy
1.1 To enhance exploitation of petroleum resources	1.1.1. Map and assess petroleum resources 1.1.2. Promote investment petroleum resources 1.1.3. Develop and commercialize Petroleum resources
2.1 To enhance access to clean, renewable, reliable and competitive petroleum products and services	2.1.1. Expand and upgrade petroleum infrastructure 2.1.2. Enhance management of supply of petroleum products and services 2.1.3. Promote uptake and adoption of LPG
2.2. To ensure uninterrupted availability of petroleum products	2.2.1. Collaborate to develop regional petroleum programmes and projects 2.2.2. Enhance security of petroleum infrastructure 2.2.3. Maintain strategic stocks for critical infrastructure and petroleum products
3.1 To enhance environmental conservation	3.1.1. Implement environmental conservation programmes
4.1 To improve legal, policy and Institutional regulatory framework	4.1.1. Strengthen legal and policy framework 4.1.2. Strengthen human resource capacity 4.1.3. Enhance ICT capacity 4.1.4. Enhance research, development and innovation 4.1.5. Enhance resource mobilization and management (Finance, Strategy, Procurement and Accounts, Audit) 4.1.6. Mainstreaming of gender, Persons with Disabilities and other vulnerable groups in policy programmes and projects in the sector

**8. 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 2023 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;

<b>Environmental</b>	Natural disasters	<ul style="list-style-type: none"> <li>• Leads to infrastructural damage</li> <li>• Potential invocation of Force majeure on contractual obligations</li> </ul>
	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 Entity 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 is developing a National Liquefied Petroleum Gas strategy so 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 that 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.
- c) 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.

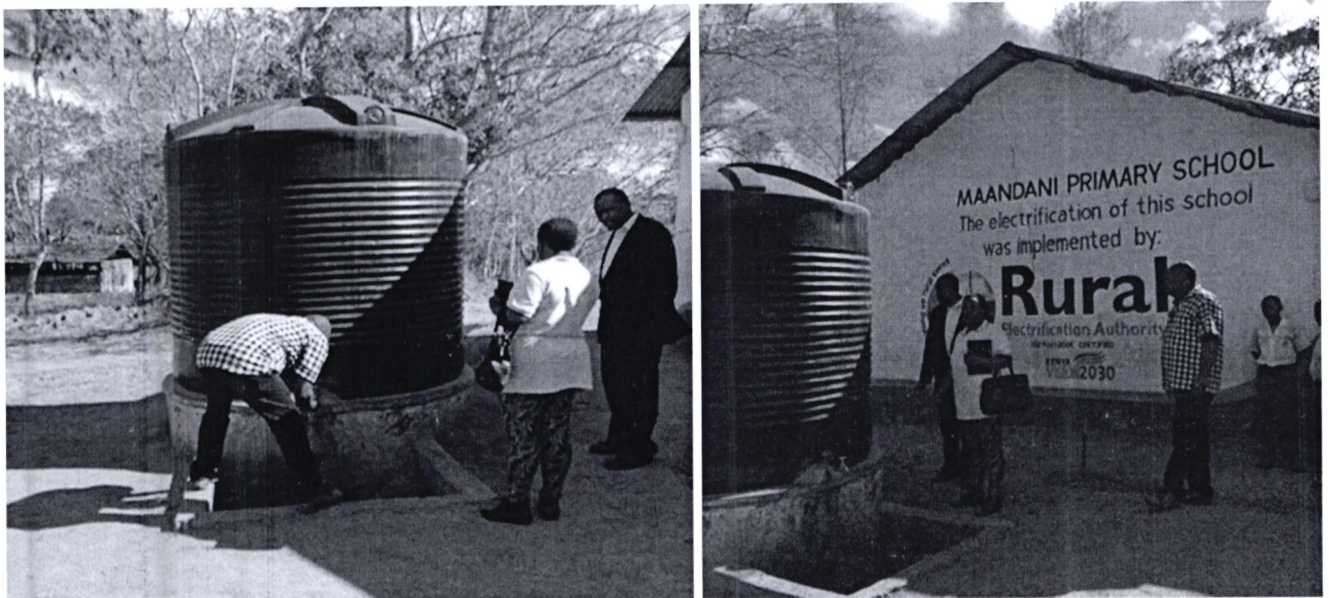
- a) Use of open tender method, which is the most competitive method of procurement
- b) The State Department continually register suppliers in various categories of goods, works and services
  - Suppliers visits our offices and are given audience
  - Suppliers are informed of problems about their contracts 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 from technical State Department 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 Ministry encourages all investors in the petroleum business to engage the County leadership and local communities in identifying CSR projects to be undertaken as part of their obligation to the communities. This is not to replace the responsibility of the relevant stakeholders in providing services, but to give back to the communities.

g) 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 CRS 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.

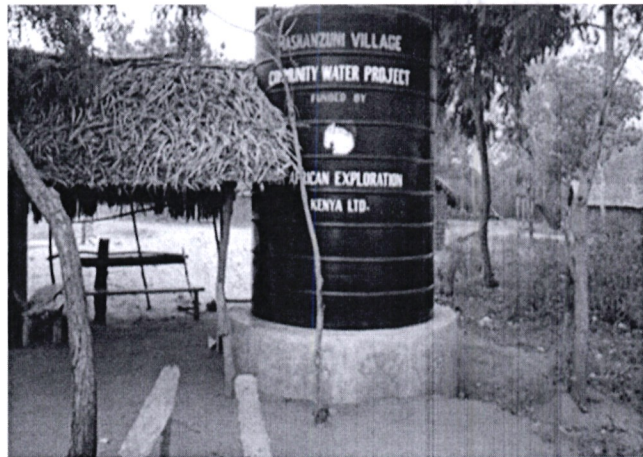
Some examples of CSR projects in Kwale County include:



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 enrollment. 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.

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.

### 9. 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 entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the **State Department for Petroleum** accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2023, and of the entity's 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 for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the **State Department for Petroleum** confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible


*STATE DEPARTMENT FOR PETROLEUM*  
*Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2023*

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purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The *Entity* financial statements were approved and signed by the Accounting Officer on .....  
January, 2024

  
.....

**Name: MOHAMED LIBAN**

**Accounting Officer**

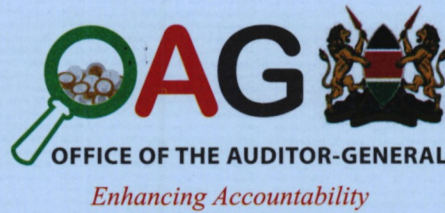
  
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**Name: VERONICA KAMAU**

**Head of Accounting Unit**

**ICPAK M/No. 10669**

# REPUBLIC OF KENYA



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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR PETROLEUM FOR THE YEAR ENDED 30 JUNE, 2023**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of State Department for Petroleum set out on pages 1 to 31, which comprise of the statement of financial assets and financial

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*Report of the Auditor-General on State Department for Petroleum for the year ended 30 June, 2023*

liabilities as at 30 June, 2023, the statement of receipts and payments, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the State Department for Petroleum as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1. Misclassification of Expenditure**

The statement of receipts and payments reflects an expenditure of Kshs.793,006,854 on use of goods and services which, as disclosed in Note 6 to the financial statements, includes an amount of Kshs.128,079,409 in respect of hospitality services and supplies. The amount however includes Kshs.32,196,748 which was wrongly charged to hospitality services and supplies instead of domestic travel and subsistence, and foreign travel and subsistence. Further, the amount of Kshs.793,006,854 further includes an expenditure of Kshs.5,470,663 which was wrongly charged to specialized materials and supplies instead of domestic travel and subsistence, office expenses and cleaning services.

Similarly, the statement reflects acquisition of assets amounting to Kshs.1,275,173,869, as disclosed in Note 10 to the financial statements. The amount includes Kshs.14,167,153 incurred on purchase of specialized plant, equipment and machinery which was recurrent in nature and ought to have been charged to office and general supplies, domestic travel and subsistence, routine maintenance - vehicle and other transport, and purchase of office furniture and general equipment.

In the circumstances, the accuracy of the amounts reported against the expenditure items in the statement of receipts and payments could not be confirmed.

### **2. Unsupported Authorities to Incur Expenditure (AIEs)**

The statement of receipts and payments reflects an expenditure of Kshs.1,275,173,869 on acquisition of assets as disclosed in Note 10 to the financial statements. Included in the amount is Kshs.301,127,608 incurred on purchase of specialized plant, equipment, and machinery, out of which an amount of Kshs.76,500,000 was transferred to the National Oil Corporation of Kenya (NOCK) as Authority to Incur Expenditure (AIE) for purpose of refilling cylinders for roll out of Mwananchi Liquefied Petroleum Gas (LPG) project in Nairobi County. However, the Authority to Incur Expenditure was not supported by an agreement or contract between the State Department and NOCK detailing the scope of work, payment terms, deliverables, and timelines. Further, review of expenditure returns from NOCK to the State Department revealed that only 5,441 gas cylinders had been filled with gas at a cost of Kshs.7,800,000. The filled cylinders had not been released to the customers.

Similarly, the statement reflects use of goods and services amount of Kshs.793,006,854 as disclosed in Note 6 to the financial statements. Included in the amount is Kshs.266,951,261 incurred on other operating expenses from which a total of Kshs.100,000,000 was transferred to NOCK as Authority to Incur Expenditure (AIE) to conduct a comprehensive integration of data with the assistance of a consultant expert. The scope entailed premium data integration, analysis, and visualization of industry platform. Management had indicated that the activity would be carried out jointly by the State Department for Petroleum and NOCK but funded by the State Department of Petroleum. However, the activity was not budgeted for and was not included in the State Department's work plan. In addition, there was no agreement or contract between the State Department and NOCK detailing the scope of work, payment terms, deliverables and timelines.

In the circumstances, the completeness and the validity of AIEs totalling to Kshs.176,500,000 to NOCK could not be confirmed.

### **3. Unsupported Stabilization of Petroleum Pump Prices Payments**

The statement receipts and payments reflects subsidies payments amounting to Kshs.62,495,828,161 and as disclosed in Note 7 to the financial statements. The amount was paid to Oil Marketing Companies (OMCs) as compensation for lower prices charged at the pump against actual set prices, as per stabilization of petroleum pump prices mechanism. Review of documentations in respect of administration of the subsidies revealed the following weaknesses and anomalies:

- i. The National Treasury through a letter dated 21 July, 2022 advised the State Department to form a Multi-Agency Team to review the total resource requirement and assess the sustainability of the fuel price stabilization programme. However, no evidence was provided on formation of the Multi-Agency Team despite continued funding requests for petroleum price stabilization by the State Department.
- ii. The National Treasury in a letter dated 25 August, 2022 required the State Department to ensure that the governance framework for stabilization of fuel prices and compensation mechanisms are in place. However, no framework was in place during the year for stabilization and compensation.
- iii. During the year under review, the State Department for Petroleum requested and received a total of Kshs.63,096,088,490 for purpose of fuel price stabilization. The requests were in respect of June-July 2022, July-August 2022 and August-September 2022 pricing cycles. However, review of expenditure records revealed that payments amounting to Kshs.1,297,048,608 related to April-May 2022 and May-June 2022 pricing cycles which were not part of the funding requests and computation schedules.
- iv. During the year under review, the State Department settled outstanding subsidy of Kshs.17,998,773,645 owed to forty-seven (47) oil companies through Bond Instrument referenced FXD/2023/003. However, the amount was not supported by volumes compensated and the pricing cycles the amount related to was not indicated.

In the circumstances, the accuracy, completeness, and validity of subsidies payments totalling Kshs.62,495,828,161 could not be confirmed.

#### **4. Unsupported Third-Party Deposits and Retention**

As disclosed in Note 13 to the financial statements, the statement of financial assets and financial liabilities reflects third party deposits and retention balance of Kshs.21,390,780. Included in the balance is an amount of Kshs.11,358,816 payable to an international law firm which has been outstanding since 2016 due to lack of proper documentation. Additionally, the amount could not be transferred to the Unclaimed Financial Assets Authority (UFAA) due to lack of documentation to support the balance.

In the circumstances, the accuracy and validity of the reported third-party deposit of Kshs.11,358,816 could not be confirmed.

#### **5. Unaccounted for Expenditure and Transfers**

During the year under review, the Petroleum Development Fund transferred a total of Kshs.1,675,147,344 to the State Department (Development Account). However, no supporting evidence was provided for audit verification to demonstrate that the transferred funds were used in accordance with Section 4(4) of the Petroleum Development Act, 1991 which states that; "there shall be paid out of the Fund such monies as necessary for development of common facilities for distribution or leasing of oil products and for matters relating to development of oil industry as the Minister may direct." Further, the Petroleum Development Levy Order No.124 issued on 10 July, 2020 provided that the levy should be used for matters relating to development of the oil industry including stabilization of local petroleum pump prices.

In the circumstances, it was not possible to confirm how the amount of Kshs.1,675,147,344 was utilized by the Management.

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

#### **Key Audit Matters**

Key audit matters are those matters that, in my professional 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.

#### **Emphasis of Matter**

#### **Pending Bills**

The State Department had a pending bills balance of Kshs.17,517,819 as disclosed in Note 19.2 to the financial statements on other important disclosures. However, and

contrary to the Government policy that pending bills form a first charge, the bills which relate to prior years were not settled during the year under review. Failure to settle bills during the year to which they relate distorts the budget implementation of the subsequent year as the outstanding bills form a first charge on resources available.

My opinion in respect of this matter is not modified.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

#### 1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a total budget of Kshs.824,756,856 in respect of use of goods and services. Review of the budgetary allocations for line items revealed that rentals for produced assets and routine maintenance - other assets had unapproved over expenditure of Kshs.23,049,674. Similarly, purchase for specialized plant, equipment and machinery, and specialized materials and supplies was underspent by Kshs.361,558,098.

In the circumstances, the validity of the expenditure over the budgeted amount could not be confirmed.

#### 2. Importation of Refined Petroleum Products Under Government-to-Government Petroleum Importation Scheme

During the year under review, the Government of Kenya made a policy shift on importation of petroleum products for the local and transit markets from an Open Tender System (OTS) to a system described as Government to Government (G-to-G) framework. The change was meant to mitigate against declining value of the Kenyan currency that was attributed to Oil Marketing Companies (OMCs) operations, and reduce pressure on foreign currency liquidity for the economy.

The statement of receipts and payments reflects expenditure on subsidies of Kshs.62,495,828,161. The amount includes Kshs.1,197,097 paid for stabilization of petroleum pump prices for products imported under Government to Government (G to G) Oil Importation arrangement. Review of documents relating to importation of refined petroleum products revealed that the Government of Kenya through the State Department for Petroleum initiated fuel importation through the arrangement in March 2023. As at 30 June, 2023, an amount of Kshs.267,722,538 being compensation for stabilized refined petroleum products was agreed and recommended for payment.

Review of documents provided in respect of the G to G arrangement for importation of refined petroleum products revealed anomalies, as detailed below:

- i. The Government of Kenya through the Ministry of Energy and Petroleum entered into agreements to purchase petroleum products from three OMCs in March 2023 under the G to G arrangement. However, bilateral agreements governing purchase of refined petroleum products between the Government of Kenya and that of the United Arab Emirates (UAE) were not provided for audit review. In addition, the Supply Purchase Agreement (SPAs) with three oil companies supplying the products were not provided for review.
- ii. One of the oil companies was indicated in the MOU as a company wholly owned by the Government of Dubai. In addition, the master framework agreements with the other two Companies indicated that the second Company was a free zone entity incorporated in the Fujairah Free Zone, while the third Company was a joint venture owned by three oil companies. In addition, Article 11 of the MOU provides that the MOU was non-binding. In addition, Articles 15 and 16 of the Memorandum provides that disputes will be referred to Dubai Court, which has exclusive jurisdiction over any dispute, and that the MOU will be governed by and constructed according to the laws of United Arab Emirates. This may disadvantage the Republic of Kenya in cases of disputes arising from the MOU.
- iii. Article 3 of the MOU gave the responsibility of identifying and nominating the importers of bulk petroleum products to the Government of the Republic of Kenya. However, review of documents indicated that this was not adhered to.
- iv. The Master Framework Agreement provided for a price charge of the aggregate of Free-on-Board (FOB) Price Component, Freight and Premium. The premium was given as USD 97.50 per metric ton (MT). However, the premium was chargeable by the importer under the Open Tender System (OTS) terms, from which the framework is premised. Further, the premium charged comprising USD 97.50, USD 114.25 and USD 118.00 for Motor Super Petroleum (commonly known as Super Petrol), Jet A-1 and Automotive Gas Oil (Commonly known as Diesel) respectively, were higher than those charged under the previous OTS. This implies that with a projected and contracted monthly supply of 930,000 metric tonnes for super petrol, for example, the premium payable would be USD 92,625,000 per month. It was not clear why the premium was included in the framework agreement with the supplier, the basis for the premium set, and whether the input of the buyer was sought before the premium amount was set.
- v. Articles 6 and 7 of the Memorandum of Understanding provided that the parties were to establish a Joint Steering Committee and a Joint Working Group respectively whose functions among others were advising the governments on appropriate strategies for smooth implementation of the MOU, resolving any differences arising from implementation of the MOU, developing a framework for implementation of the MOU and undertaking studies and sharing information to facilitate the implementation of the MOU. However, no documentary evidence was provided to indicate establishment of

the two committees, the framework developed by the Joint Working Group for the implementation of the MOU and studies undertaken.

- vi. The Letters of Support for the three importers were signed by the Cabinet Secretaries for The National Treasury and the Ministry of Energy and Petroleum, and the Director General of the Energy and Petroleum Regulatory Authority (EPRA). However, the role EPRA as an independent regulator in the agreements was not clear.
- vii. Clause 5.3 of the Master Framework Agreement provides for maintenance of an escrow account for receipt of funds from importers under the Open Tender System (OTS) terms and conditions. However, documents supporting existence of the account and amounts deposited and withdrawn from the account were not provided for audit review. In addition, the Letter of Support to importers provided for operation of a collection account and investment account. However, no documents were provided to indicate existence, ownership, signatories and particulars of the accounts.
- viii. The aggregate supply qualified for all importers amounted to 730,000 metric tonnes per month while the assessed national requirement was 950,000 metric tonnes. No details of how the supply shortfall of 220,000 metric tonnes would be met.
- ix. The Letter of Support indicated that the Government through The National Treasury would take responsibility for any funding shortfalls. However, Management did not indicate the source of such funds or existence of budget provisions to credit the financing parties for any shortfalls arising in the collection account. In addition, it was noted that a communication from The National Treasury to the Director General, Energy and Petroleum Regulatory Authority on 1 August, 2023 indicated that a shortfall of USD,810,531,81 had been realised in respect of a consigned vessel under the Government to Government arrangement. The communication advised that the shortfall, and any other shortfall arising in the future, should be factored in petroleum pump price as a prudent cost in accordance with the tripartite agreement signed between Ministry of Energy and Petroleum, KCB Bank and the nominated Oil Marketing Companies.
- x. Based on the evaluation of documents provided during the audit, an in-depth audit will be carried out on importation of Petroleum Products for the local and transit markets under the Government to Government (G to G) arrangement.

In the circumstances, the lawfulness, and effectiveness of the Government-to-Government Oil Importation Scheme could not be confirmed.

### **3. Delay in Implementation of Mwananchi Gas Project**

During the year under review, an amount of Kshs.76,500,000 was transferred to the National Oil Corporation of Kenya (NOCK) to refill cylinders for roll out of Mwananchi Liquefied Petroleum Gas (LPG) project in Nairobi County. Mwananchi Liquefied Petroleum Gas (LPG) Project was initiated by the Ministry of Energy and Petroleum in 2016 and was intended to promote use of modern cooking fuels among the low-income households. The project entails supply and distribution of Liquefied Petroleum Gas (LPG) cylinders, grills, and burners to households at subsidized prices, and erection of facilities to store the cylinders at local distribution points. The National Oil Corporation of Kenya was engaged to implement the project with the role of ensuring that the LPG components

were distributed to the targeted households. The project was to be implemented in two modules whereby Module I entailed distribution of subsidized filled 6 Kg cylinders fitted with a grill and a burner in eleven (11) piloted Sub-counties in Nairobi. Module II involved distribution of filled 6 Kg cylinders with a smart metering device, a horse pipe and 2 low burner tabletop cookers. As at 30 June, 2023, an amount of Kshs.1,125,648,762 had been incurred for the purchase of LPG cylinders and accessories, inspection of the cylinders and accessories, purchase of two-burner low pressure tabletop cookers, lease of storage space, provision of security services and refilling of the cylinders. Review of the documents and records held at the State Department revealed the following anomalies and implementation weaknesses:

- i. As reported in previous years, 79,057 6kg gas cylinders supplied under the project were found to be defective by an independent inspector who was contracted by the State Department, following safety concerns raised by consumers leading to suspension of the project in 2019. The State Department engaged the suppliers who agreed to collect and remedy defective LPG cylinders. However, as at the time of audit in November, 2023, a total of 26,188 cylinders valued at Kshs.55,344,068 were yet to be remedied even though the suppliers had been paid a total of Kshs.36,408,218. In addition, one of the suppliers who supplied 11,132 defective cylinders and paid a total of Kshs.24,479,268 had been placed under receivership.
- ii. Review of the records relating to the project and physical verification revealed that some 237,616 6kg cylinders purchased under Module I and 84,500 two-burner low pressure tabletop cookers purchased under Module II of the project, together with accessories, were yet to be distributed and were lying at the warehouses rented by the State Department and NOCK.
- iii. There was uncertainty in the implementation of the project due to lack of policies and implementation frameworks. There were no project implementation plans, strategy detailing how the project was started, and overall sustainability plan, beneficially identification mechanism for the LPG cylinders and low burner tabletop cookers. Further, there was no smart metering service and technical support for dispensing LPG from the source point to consumers who constituted the point of use.

In the circumstances, it could not be confirmed that the public obtained value for money on the amount of Kshs.1,125,648,762 incurred in the implementation of the project.

#### **4. Penalty on Late Payment of Invoices**

The statement of receipts and payments reflects an expenditure of Kshs.793,006,854 under use of goods and services which, as disclosed in Note 6 to the financial statements, includes an amount of Kshs.266,951,261 in respect of other operating expenses. Review of the expenditure records revealed that an amount of Kshs.24,579,646 was paid to a private training institution for symposiums and workshops attended by the State Department's staff on diverse dates. Included in the amount is Kshs.3,599,609 relating to penalties charged for late settlement of the invoices. However, reasons for non-settlement of the invoices on time was not provided.

In the circumstances, the State Department was in breach of the payment terms and incurred avoidable costs.

## **5. Non-Compliance with the Data Protection Act, 2019**

During the year under review, the Department did not appoint a Data Protection Officer to carry out the data protection functions. This was contrary to Section 24 of the Data Protection Act, 2019. Further, Management did not register the Department as a Data Controller or Data Processor with the Data Protection Commissioner's Office as required by Section 18 of the Data Protection Act, 2019.

In the circumstances, Management was in breach of the law.

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

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

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

#### **Basis for Conclusion**

##### **1. Failure to Establish a Public Finance Management Committee**

During the year under review, the Department had two operational committees in place comprising of the Training Committee and the Ministerial Human Resource Management Advisory Committee (MHRMAC). However, the Public Finance Management Standing Committee required under Regulation 18(1) of the Public Finance Management (National Government) Regulations, 2015 was yet to be constituted and operationalized at the Department.

In the circumstances, the effectiveness of the Finance Department could not be confirmed.

##### **2. Lack of a National Petroleum Policy and Strategic Plan**

During the year under review, the Department did not have a National Policy on Petroleum Operations contrary to Section 5(1) and Section 6(1) of the Petroleum Act, 2019. In addition, a National Petroleum Strategic Plan had not been developed and published. The Act stipulates that the Strategic Plan and the National Petroleum Policy serve as a guide for the implementation of the national policy on petroleum operations.

In the absence of the policy and strategic plan on petroleum operations, it was not possible to confirm how the petroleum operations were guided.

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

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal 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 assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control system would not necessarily disclose all matters in internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the State Department's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date

of my audit report. However, future events or conditions may cause the State Department to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the State Department to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

30 January, 2024

STATE DEPARTMENT FOR PETROLEUM

Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2023

11. Statement of Receipts and Payments for the Year ended 30<sup>th</sup> June 2023

Description	Note	Current FY2022/23	Comparative FY2021/ 22
		Kshs	Kshs
<b>Receipts</b>			
Tax Receipts	1	22,680,554,403	23,759,484,497
Exchequer Releases	2	43,495,032,590	56,893,129,604
Proceeds From Foreign Borrowings	3	-	168,258,161
Other Receipts- Miscellaneous	4	24,365,034	156,417,777
<b>Total Receipts</b>		<b>66,199,952,027</b>	<b>80,977,290,040</b>
<b>Payments</b>			
Compensation of Employees	5	513,992,649	521,816,962
Use of Goods and Services	6	793,006,854	636,677,019
Subsidies	7	62,495,828,161	78,146,386,660
Grants and Transfers to Other Government Entities	8	361,730,000.00	479,000,000
Social Security Benefits	9	28,751,370	1,335,703
Acquisition of Assets	10	1,275,173,869	1,118,730,114
<b>Total Payments</b>		<b>65,468,482,902</b>	<b>80,903,946,458</b>
<b>Surplus/(Deficit)</b>		<b>731,469,125</b>	<b>73,343,582</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Entity's financial statements were approved on 19<sup>th</sup> January, 2024 and signed by:

.....  


Principal Secretary

Name: MOHAMED LIBAN

.....  


Head of Accounting Unit

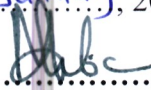
Name: VERONICA KAMAU

ICPAK M/No...10669

12. Statement Of Financial Assets And Financial Liabilities As At 30<sup>th</sup> June 2023

Description	Note	Current FY 2022/23	Comparative FY2021/22
		Kshs	Kshs
<b>Financial assets</b>			
Bank balances	11	752,859,605	90,044,880
<b>Total cash and cash equivalents</b>		<b>752,859,605</b>	<b>90,044,880</b>
Imprests and advances	12	822,203	981,803
<b>Total financial assets</b>		<b>753,681,808</b>	<b>91,026,683</b>
<b>Financial liabilities</b>			
Third party deposits and retention	13	21,390,780	16,092,542
<b>Net financial assets</b>		<b>732,291,028</b>	<b>74,934,142</b>
<b>Represented by</b>			
Fund balance b/fwd.	14	74,934,141	4,711,330
Prior year adjustment	15	(74,112,239)	-3,120,770
Surplus/(Deficit )for the year		731,469,125	73,343,582
<b>Net financial position</b>		<b>732,291,028</b>	<b>74,934,142</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Entity's financial statements were approved on  
 .....19<sup>th</sup> January, 2024 and signed by:

.....  


**Principal Secretary**

**Name: MOHAMED LIBAN**

.....  


**Head of Accounting Unit**

**Name: VERONICA KAMAU**

**ICPAK M/No. 10669**

13. Statement of Cash Flows For The Year Ended 30<sup>th</sup> June 2023

Description	Notes	Current	Comparative
		FY 2022/23	FY 2021/22
		Kshs	Kshs
<b>Operating Activities</b>			
<b>Receipts</b>			
Tax Receipts	1	22,680,554,403	23,759,484,497
Exchequer releases	2	43,495,032,590	56,893,129,604
Other Receipts	4	24,365,034	156,417,777
<b>Total Receipts</b>		<b>66,199,952,027</b>	<b>80,809,031,878</b>
<b>Payments</b>			
Compensation of employees	5	513,992,649	521,816,962
Use of goods and services	6	793,006,854	636,677,019
Subsidies	7	62,495,828,161	78,146,386,660
Transfers to other government units	8	361,730,000	479,000,000
Social security benefits	9	28,751,370	1,335,703
<b>Total Payment</b>		<b>64,193,309,034</b>	<b>79,785,216,344</b>
<b>Net receipts/(payments)</b>		2,006,642,993	
<b>Adjusted For:</b>			
Prior year adjustments	15	(74,112,239)	
Decrease/(Increase) in accounts receivable	17	159,600	(730,738)
Increase/(Decrease) in deposits and retention	16	5,298,239	
<b>Net Cash Flow from Operating Activities</b>	A	<b>1,937,988,593</b>	<b>1,024,546,273</b>
<b>Cash flow From Investing Activities</b>			

Description	Notes	Current FY 2022/23	Comparative FY 2021/22
		Kshs	Kshs
Acquisition of assets	10	1,275,173,869	1,118,730,114
<b>Net Cash Flows from Investing Activities</b>	B	<b>(1,275,173,869)</b>	<b>(1,118,730,114)</b>
<b>Cash flow From Financing Activities</b>			
Proceeds from foreign borrowings	3	0.00	168,258,161
<b>Net cash flow from financing activities</b>	C	<b>0.00</b>	<b>168,258,161</b>
<b>Net increase in cash and cash equivalents</b>	A+B+C	<b>662,814,725</b>	<b>74,074,320</b>
<b>Cash &amp; Cash Equivalent at Start of The Year</b>		<b>90,044,880</b>	<b>15,970,560</b>
<b>Cash &amp; Cash Equivalent at End of The Year</b>	11A	<b>752,859,605</b>	<b>90,044,880</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 19<sup>th</sup> January, 2024 and signed by:

.....  
Principal Secretary

Name: MOHAMED LIBAN

.....  
Head of Accounting Unit

Name: VERONICA KAMAU

ICPAK M/No...10669

STATE DEPARTMENT FOR PETROLEUM  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2023

14. Statement of Comparison of Budget and Actual Amounts for FY 2022/2023

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Tax Receipts	23,060,000,000	(135,000,000)	22,925,000,000	22,680,554,403	244,445,597	98.93%
Exchequer releases	1,334,000,000	42,157,652,190	43,491,652,190	43,495,032,590	(3,380,400)	99.9%
Other Receipts	257,000,000	(181,968,750)	75,031,250	24,365,034	50,666,216	32.47%
<b>Total Receipts</b>	<b>24,651,000,000</b>	<b>41,840,683,440</b>	<b>66,491,683,440</b>	<b>66,199,952,027</b>	<b>291,731,413</b>	<b>99.9%</b>
<b>Payments</b>						
Compensation of employees	552,425,590	(24,000,000)	528,425,590	513,992,649	14,432,941	97.27%
Use of goods and services	1,331,182,699	(506,425,843)	824,756,856	793,006,854	31,750,002	96.15%
Subsidies	20,360,000,000	42,736,088,489	63,096,088,489	62,495,828,161	600,260,329	99.05%
Transfers to other government entities	619,000,000	(257,270,000)	361,730,000	361,730,000	-	100.00%
Social security benefits	30,000,000	0.00	30,000,000	28,751,370	1,248,630	95.84%
Acquisition of assets	1,758,391,711	(107,709,206)	1,650,682,505	1,275,173,869	375,508,636	76.50%
<b>Total Payments</b>	<b>24,651,000,000</b>	<b>41,840,683,440</b>	<b>66,491,683,440</b>	<b>65,468,482,902</b>	<b>1,023,200,538</b>	<b>98.44%</b>

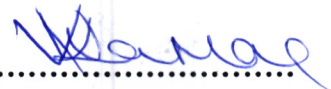
The reduction in budget of Ksh. 24 Million for compensation of employees relate to budget review of employees cost during the year that declined based on posts earlier budgeted for but remained vacant. Whereas Ksh. 145,434,648 reduction on use of goods and services were the result of budget rationalization that was directed as Government policy. The increase in fuel price stabilization budget for the year by Ksh. 42,736,088,489 was occasioned by Government Policy decision to clear backlog of pending petroleum price stabilization bills owed to oil marketing companies hence the increase in the subsidies from Ksh. 20.36 billion to 63,096 billion.

The Entity's financial statements were approved on ..... 19<sup>th</sup> January ..... 2024 and signed by:



.....  
**Principal Secretary**

**Name: MOHAMED LIBAN**



.....  
**Head of Accounting Unit**

**Name: VERONICA KAMAU**

**ICPAK M/No. 10669**



Ksh. 90 million variance is supplementary estimates appropriated during the year the year to purchase of furniture and equipment and Motor vehicles for the Entity. The reduction in budget of Ksh. 24 Million for compensation of employees relate to budget review of employees cost during the year that declined based on posts earlier budgeted for but remained vacant. Whereas Ksh. 145,434,648 reduction on use of goods and services were the result of budget rationalization that was directed as Government policy. The increase in fuel price stabilization budget for the year by Ksh. 42,736,088,489 was occasioned by Government Policy decision to clear backlog of pending petroleum price stabilization bills owed to oil marketing companies hence the increase in the subsidies from Ksh. 20.36 billion to 63,096 billion.


The increase by Ksh. 9,770,000 in the budget under transfers to other Government entities was the result of classification of budget funding from appropriation in aid to exchequer thereby resulting in rationalization thereof during the year.

The Entity's financial statements were approved on .....19<sup>th</sup> January....., 2024 and signed by:

  
.....

**Principal Secretary**

**Name: MOHAMED LIBAN**

  
.....

**Head of Accounting Unit**

**Name: VERONICA KAMAU**

**ICPAK M/No.10669**

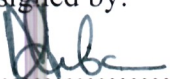
*STATE DEPARTMENT FOR PETROLEUM  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2023*

**13 (b) Statement of Comparison of Budget and Actual Amounts: Development for FY 2022/23**

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>Receipts</b>						
Tax Receipts	2,700,000,000	(225,000,000)	2,475,000,000	2,234,603,623	240,396,377	90%
Exchequer releases	602,000,000	(576,415,500.00)	25,584,500	25,584,500	-	100%
<b>Total Receipts</b>	<b>3,302,000,000</b>	<b>(801,415,500)</b>	<b>2,500,584,500</b>	<b>2,260,188,123</b>	<b>240,396,377</b>	<b>90%</b>
<b>Payments</b>						
Use of goods and services	972,944,814	(360,991,195)	611,953,619	605,975,246	5,978,373	99.02%
Transfers to other Government entity	580,000,000	(247,500,000)	332,500,000	332,500,000	-	100%
Acquisition of assets	1,749,055,186	(192,924,305)	1,556,130,881	1,185,182,406	370,948,475	75.37%
<b>Total Payments</b>	<b>3,302,000,000</b>	<b>(801,415,500)</b>	<b>2,500,584,500</b>	<b>2,123,657,652</b>	<b>376,926,848</b>	<b>84.43%</b>
<b>Surplus/Deficit</b>	<b>(602,000,000.00)</b>	<b>576,415,500</b>	<b>(25,584,500)</b>	<b>136,530,471</b>	<b>(110,945,971)</b>	


The Ksh. 250 million reduction in the Tax Receipts original Budget was due to budget rationalization of capital Grants to a Government Agency. The Ksh. 360,991,195 reductions in the original budget for use of Goods and Services; Ksh. 247,500,000 in the transfers to other Government Entity and Ksh. 192,924,305 on Acquisition of Assets were the result of budget and rationalization during the fiscal year.

The Entity's financial statements were approved on ..... 19<sup>th</sup> January .....  
2024 and signed by:

.....  


**Principal Secretary**

**Name: MOHAMED LIBAN**

.....  


**Head of Accounting Unit**

**Name: VERONICA KAMAU**

**ICPAK M/No.10669**

STATE DEPARTMENT FOR PETROLEUM

Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2023

13 (c) Budget Execution by Programmes and Sub-Programmes for FY 2022/23

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	2023			2023	
	Kshs			Kshs	Kshs
0215000000	2,551,983,496	0.00	2,551,983,496	2,167,377,355	396,986,541
0215010000	2,208,483,496	0.00	2,208,483,496	1,981,744,753	226,738,743
0215020000	343,500,000	0.00	343,500,000	185,632,603	157,867,397
1007000000	63,668,283,255	0.00	63,668,283,255	63,082,820,928	585,462,327
1007020000	63,668,283,255.00	0.00	63,668,283,255	63,082,820,928	585,462,327
1009000000	211,556,201	0.00	211,556,201	172,208,011	39,348,190
1009010000	6,294,355	0.00	6,294,355	6,251,543	42,812
1009020000	205,261,846	0.00	205,261,846	165,956,468	39,305,378
1021000000	59,860,488	0.00	59,860,488	46,076,607	13,783,881
1021010000	59,860,488	0.00	59,860,488	46,076,607	13,783,881
<b>Grand Total</b>	<b>66,491,683,440</b>	<b>0.00</b>	<b>66,491,683,440</b>	<b>65,468,482,902</b>	<b>1,023,200,538</b>

## 15. Notes to the Financial Statements

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

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

### 2. Reporting Entity

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

*i. KEPTAP Project*

### 3. Reporting Currency

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

#### **Significant Accounting Policies**

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

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

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

**(i) Transfers from the Exchequer**

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving *entity*.

**(ii) External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners. Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment. During the year ended 30<sup>th</sup> June 2023, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

**(iii) miscellaneous receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

**Significant Accounting Policies (Continued)**

**b) Recognition of payments**

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

**i) Compensation of Employees**

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

**ii) Use of Goods and Services**

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

**iii) Interest on Borrowing**

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

**iv) Principal on borrowing**

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

**v) Acquisition of Fixed Assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained and a summary provided for purposes of consolidation. *This summary is disclosed as an annex 4 to the financial statements.*

**Significant Accounting Policies (Continued)**

**vi) In-kind contributions**

In-kind contributions are donations that are made to the Entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *Entity* includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

**vii) Third Party Payments**

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

**c) 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. A bank account register is maintained, and a summary provided for purposes of consolidation.

**d) Restriction on Cash**

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits and retentions. As of 30<sup>th</sup> June 2023, this amounted to Kshs 21,390,780 compared to Kshs 16,092,542 in prior period as indicated on note 16. There were no other restrictions on cash during the year.

**Significant Accounting Policies (Continued)**

**e) Imprests and advances**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or Authority to Incur Expenditure (AIE) holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**f) Third party deposits and retention**

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted for National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

**g) Pending Bills**

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

**h) Budget**

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits and retentions, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget

was approved by Parliament in June 2022 for the period 1<sup>st</sup> July 2022 to 30<sup>th</sup> June 2023 as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements. Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

**i) Comparative Figures**

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

**j) Subsequent Events**

There have been no events after the financial year end with a significant impact on the financial statements for the year ended 30<sup>th</sup> June 2023.

**k) Prior Period Adjustment**

During the year, errors that have been corrected are disclosed *under note 15* explaining the nature and amounts.

**l) Related Party Transactions**

Related party means parties are related if one party has the ability to:

- a) Control the other party or
- b) Exercise significant influence over the other party in making financial and operational decisions, or if the related party entity and another entity are subject to common control.

Related party transaction is a transfer of resources or obligations between related parties regardless of whether a price is charged.

## NOTES TO THE FINANCIAL STATEMENTS

## 1. TAX RECEIPTS

Description	Current FY 2022/23	Comparative FY 2021/22
	Kshs	Kshs
Taxes	22,680,554,403	23,759,404,497
<b>Total</b>	<b>22,680,554,403</b>	<b>23,759,404,497</b>

The taxes receipts relate to Petroleum Development Levy received as Appropriation In Aid.

## 2. EXCHEQUER RELEASES

Description	Current FY 2022/23	Comparative FY 2021/22
	Kshs	Kshs
Transfers From Exchequer	43,482,652,190	56,893,129,604
<b>Total</b>	<b>43,482,652,190</b>	<b>56,893,129,604</b>

## 3. Proceeds from Foreign Borrowings

Description	Current FY 2022/23	Comparative FY 2021/22
	Kshs	Kshs
Foreign Currency and Foreign Deposits	0.00	168,258,161
<b>Total</b>	<b>0.00</b>	<b>168,258,161</b>

## 4. Miscellaneous Receipts

Description	Current FY 2022/23	Comparative FY 2021/22
	Kshs	Kshs
Receipts from Administrative Fees and Charges - AIA	24,365,034	29,417,777
Receipts from Incidental Sales by Non-Market Establishments	0.00	127,000,0000
<b>Total</b>	<b>24,365,034</b>	<b>156,417,777</b>

The Kshs 24,365,034 is AIA from mining activities classified under economic item 0-1194-0000-3540401 which include annual ground rent, laboratory testing fees, permit on commercial explosives, access to library materials and licence fees

*STATE DEPARTMENT FOR PETROLEUM*  
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**5. COMPENSATION TO EMPLOYEES**

<b>Description</b>	<b>Current FY 2022/23</b>	<b>Comparative FY 2021/22</b>
	<b>Kshs</b>	<b>Kshs</b>
Basic salaries of permanent employees	355,425,312	336,148,758
Basic wages of temporary employees	0.00	9,574,360
Personal allowances paid as part of salary	158,567,336	176,093,844
<b>Total</b>	<b>513,992,649</b>	<b>521,816,962</b>

**6. USE OF GOODS AND SERVICES**

<b>Description</b>	<b>Current FY 2022-2023</b>	<b>Comparative FY 2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Utilities, supplies and services	7,392,050	7,669,220
Communication, supplies and services	3,064,209	8,605,302
Domestic travel and subsistence	17,214,830	31,515,164
Foreign travel and subsistence	199,797	2,024,677
Printing, advertising and information supplies & services	1,051,741	3,134,145
Rentals of produced assets	58,313,696	31,747,746
Training expenses	238,802,104	162,572,593
Hospitality supplies and services	128,079,409	98,903,268
Insurance costs	375,000.00	0.00
Specialized materials and services	7,969,712	24,834,500
Office and general supplies and services	2,623,054	7,537,722
Fuel Oil and Lubricants	8,524,725	12,982,602
Other operating expenses	266,951,261	187,083,018
Routine maintenance – vehicles and other transport equipment	2,948,489	10,314,845
Routine maintenance – other assets	49,496,778	47,652,216
<b>Total</b>	<b>793,006,854</b>	<b>636,677,019</b>

The increase in rentals of produced assets was a result of leasing of office space at KASNEB towers for the State Department for Petroleum. The increase in hospitality supplies and services

and training expenses was as a result of increased activities following the end of the COVID 19 period. For domestic and foreign travel there was budget rationalization.

#### 7. Subsidies

Description	Current FY 2022/23	Comparative FY 2021/22
	Kshs	Kshs
<b>Subsidies to Public Corporations/Institutions*</b>		
Pump price stabilization	62,495,828,161	78,146,386,660
<b>Total</b>	<b>62,495,828,161</b>	<b>78,146,386,660</b>

#### 8. GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	Current FY 2022/23	Comparative FY 2021/22
	Kshs	Kshs
<b>Transfers to National Government entities</b>		
Current grants to National Mining Corporation and other level of govt	29,230,000	29,000,000
Capital grants to government agencies and other level of govt	332,500,000	450,000,000
<b>Total</b>	<b>361,730,000</b>	<b>479,000,000</b>

#### Transfers to self – reporting entities in the year

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

Description	Recurrent	Development	Total for the 2023	comparative 2022
	Kshs	Kshs	Kshs	Kshs
<b>Transfers to SAGAs and SCs</b>				
NOCK (National Oil Corporation of Kenya)	0.00	250,000,000	250,000,000	250,000,000
National Mining Corporation	29,230,000	0.00	29,230,000	29,000,000
EPRA ( Energy & Petroleum Regulatory Authority)		82,500,000	82,500,000	200,000,000

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Description	Recurrent	Development	Total for the 2023	comparative 2022
	Kshs	Kshs	Kshs	Kshs
<b>Total</b>	<b>29,230,000</b>	<b>332,500,000</b>	<b>361,730,000</b>	<b>479,000,000</b>

**9. Social Security Benefits**

	<i>Current FY 2022/23</i>	<i>Comparative FY 2021/22</i>
	Kshs	Kshs
Government pension and retirement benefits	28,751,370	1,335,703
<b>Total</b>	<b>28,751,370</b>	<b>1,335,703</b>

**10. ACQUISITION OF ASSETS**

Non -Financial Assets	<i>Current FY 2022/23</i>	<i>Comparative FY 2021/22</i>
	Kshs	Kshs
Purchase of Vehicles and Other Transport	37,420,000	0.00
Purchase of Office Furniture and General Equipment	48,530,780	248,600
Purchase of Specialized Plant, Equipment and Machinery	301,127,608	113,193,078
Research, Studies, Project Preparation, Design & Supervision	888,095,481	1,005,288,436
<b>Total</b>	<b>1,275,173,869</b>	<b>1,118,730,114</b>

**11. Cash and Bank Accounts**

Description	<i>Current FY 2022/23</i>	<i>Comparative FY 2021/22</i>
	Kshs	Kshs
Bank Accounts (Note 11 A)	752,859,605	90,044,880
<b>Total</b>	<b>752,859,605</b>	<b>90,044,880</b>

**Bank Accounts**

Name of Bank, Account No. & currency	Amount in bank account Ksh	Recurrent/ Development/ deposit etc.	Exc rate (if in foreign currency)	Current FY 2023	Comparative FY 2021/22
				Kshs	Kshs
Central Bank, 1000513462 & Ksh	582,557,954	REC.	0.00	582,557,954	1,565,160
Central Bank, 1000513478 & Ksh	148,910,871	DEV.	0.00	148,910,870	3,894,230
Central Bank, 1000513489 & Ksh	21,390,780	DEP.	0.00	21,390,780	16,092,542
Central Bank, 1000513497 & Ksh		KEPTAP	0.00	0.00	68,492,947
<b>Total</b>				<b>752,859,605</b>	<b>90,044,880</b>

**12. Imprests and Advances**

Description	Current FY 2022/23	Comparative FY 2021/22
	Kshs	Kshs
Government Imprests	822,203	981,803
<b>Total</b>	<b>822,203</b>	<b>981,803</b>

The outstanding imprests are being recovered from the Officers' salaries. A letter to affect the process has been done.

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**Imprests and advances Aging analysis.**

	<i>Current FY 2022/23</i>	<i>% of the total</i>	<i>Comparative FY2021/22</i>	<i>% of the total</i>
Under one year	0	100%	<b>981,803</b>	%
1-2 years	822,203	%	-	100%
<b>Total</b>	<b>822,203</b>		<b>981,803</b>	

**Outstanding Imprests**

<i>Name of Officer or Institution</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
John Mutuku Waita	9/6/2022	698,703	0.00	698,703
Martin Odhiambo Nyakinye	19/10/2021	73,500	0.00	73,500
Linda Kiage Onyancha	29/12/2021	50,000	0.00	50,000
<b>Total</b>				<b>822,203</b>

**13. Third party deposits and retention**

<i>Description</i>	<i>Current FY 2022/23</i>		<i>Comparative FY 2021/22</i>	
	<i>Kshs</i>		<i>Kshs</i>	
Retention	9,429,780			
Deposits	11,961,000			
<b>Total</b>	<b>21,390,780</b>		<b>16,092,542</b>	
<b>Ageing analysis:</b>	<b>Current 2023</b>	<b>% of the Total</b>	<b>Prior 2022</b>	<b>% of the Total</b>
1-2 years	21,390,780	100%	16,092,542	100%
<b>Total</b>	<b>21,390,780</b>		<b>16,092,542</b>	

**14. FUND BALANCE BROUGHT FORWARD**

Description	Current 2022/23	Comparative FY 2021/22
	Kshs	Kshs
Bank Accounts	90,044,880	15,970,560
Imprests and advances	981,803	92,490
Third party deposits and retention	(16,092,542)	(11,351,720)
<b>Total</b>	<b>74,934,141</b>	<b>4,711,330</b>

**15. PRIOR YEAR ADJUSTMENTS**

	Balance b/f from previous year as per audited financial statements	Adjustments during the year relating to prior periods	Adjusted ** Balance b/f Current Year
Description of the error	Kshs	Kshs	Kshs
Bank Account Balances	90,044,880	73,952,337	16,092,542
Imprests and advances	981,803	159,600	822,203
Third party deposits and retention	(16,092,542)	-	(16,092,542)
<b>Total</b>	<b>74,934,141</b>	<b>74,112,239</b>	<b>822,203</b>

The bank balance adjustments of Kshs. 73,952,237 made during the year comprises of KShs 1,565,459, 68,492,947 and Kshs 3,894,232 being balances of Recurrent, KEPTAP and Development bank accounts returned to the National Treasury.

**16. Increase/ (Decrease) in Retention and Third-Party Deposits**

Description	Current 2022-2023	Comparative 2021-2022
	Kshs	Kshs
Payables As At 1 <sup>st</sup> July	16,092,542	11,351,720
Payables As At 30 <sup>th</sup> June	21,390,780	16,092,542
<b>Increase/ (Decrease) In Payables</b>	<b>5,298,238</b>	<b>4,740,822</b>

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**16. Change in Receivables**

<b>Description</b>	<b>Current 2022-2023</b>	<b>Comparative 2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Outstanding imprest As At 1 <sup>st</sup> July	981,803	92,490
Imprest surrendered during the year	(159,600)	889,313
<b>Net change in Accounts Receivable</b>	<b>822,203</b>	<b>981,803</b>

**17. RELATED PARTY DISCLOSURES**

The following comprise of related parties to the Ministry of Petroleum and Mining ;

Energy and petroleum Regulatory Authority (EPRA)

National Oil Corporation of Kenya (NOCK)

National Mining Corporation

**18. OTHER IMPORTANT DISCLOSURES**

**19.1 Related party transactions:**

<b>Description</b>	<b>Current FY 2022/23</b>	<b>Comparative FY 2021/22</b>
	<b>Kshs</b>	<b>Kshs</b>
Transfers to EPRA	82,500,000	200,000,000
Transfers to NOCK	250,000,000	250,000,000
Transfers to NMC	29,230,000	29,000,000

Additionally, during the year the Ministry transferred AIEs to National Oil Corporation of Kenya (NOCK) to undertake the following activities on behalf of the Ministry as follows:

Ksh 100,000,000 to conduct data integration

Ksh 76,500,000 refilling cylinders mwananchi

**19.2 PENDING ACCOUNTS PAYABLE (See Annex 1)**

	Balance b/f Previous FY 2022	Additions for the period 2023	Paid during the year 2023	Balance c/f Current FY 2023
Description	Kshs	Kshs	Kshs	Kshs
Supply of Goods	7,734,600,	616,700	(0.00)	8,351,300
Supply of Services	1,129,865	8,036,654	(0.00)	9,166,519
<b>Total</b>	<b>8,864,465</b>	<b>8,653,354</b>	<b>(0.00)</b>	<b>17,517,819</b>

**19.3 Other Pending Payables (See Annex 3)**

	Balance b/f Previous FY 2022	Additions for the period 2023	Paid during the year 2023	Balance c/f Current FY 2023
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to Third Parties	16,092,542	5,298,238	(0.00)	21,390,780
<b>Total</b>	<b>16,092,542</b>	<b>5,298,238</b>	<b>(0.00)</b>	<b>21,390,780</b>

**19.4 External Assistance**

	Current FY 2022/23	Comparative FY 2021/22
Description	Kshs	Kshs
External Assistance received as Loans and Grants	0.00	242,892,702
External Assistance received In Kind- as payment by Third Parties	0.00	168,258,161
<b>Total</b>	<b>0.00</b>	<b>411,150,863</b>

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a) External assistance relating loans and grants

	Current 2022/23	Comparative FY 2021/22
Description	Kshs	Kshs
External Assistance received as Loans	0.00	242,892,702
<b>Total</b>	<b>0.00</b>	<b>242,892,702</b>

**20. PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITOR-GENERAL'S RECOMMENDATIONS.**

The following is the summary of issues raised by the Auditor-General during the prior year and management comments that were provided.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1655	Misclassification of expenditure	Research studies, project preparation, design and supervision is used to support all operations which are related to feasibility studies			
1656	Unsupported transfer of funds to other Entities	The three entities (NOCK, EPRA and National Mining Corporation) provided work plans for the disbursement of the funds and expenditure returns.	Resolved	N/A	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1657	Pending Bills	Pending bills were all cleared	Resolved		
1658	Non-compliance with the Public sector Board in the Presentation of the Financial Statements	The previous financial year the State Department had two state Department whereas in the financial year under review there was only one Ministry which was Ministry of Petroleum and Mining. In the circumstance it was not possible to establish of the two State Department comparative figures to be used.			
1559	Delayed implementation of the Mwananchi Liquified Petroleum Gas Enhancement Project	The Mwananchi Gas Project was conceptualized and conceived in FY 2016/17. The concept paper developed by the Ministry details the strategy and implementation plan from inception, distribution, and risk matrix of the project.	Resolved	N/A	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1660	Irregular payment of special special duty allowance	At the time of he issuance of the Public Service Commission Circular directing MDAs to stop payments of Special Duty Allowance, the Ministry had officers drawing special duty allowance which were prior approved prior Commission’s directive. On implementation of the Succession Management programme, payment of special duty ceased as most officers were promoted to vacant posts they were acting.			
1661	Delayed completion of office partitioning works	The State Department has since moved to the KASNEB Towers after a hand over to the the Ministry for occupation in the in the month of September 2023.	Resolved	N/A	

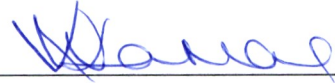
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1662	Non-Compliance with the Data Protection Act, 2019	The State Department has initiated the necessary steps to ensure compliance with the Data Protection Act, 2019	Resolved	N/A	
1663	Failure to establish a Public Finance Management	The Ministry has in place a Budget Implementation Committee (BIC) appointed by the Accounting Officer as guided by the circular No. 7/2021 from the National Treasury.	Resolved	N/A	
1664	Lack of a National Upstream Petroleum Advisory Committee	The National Upstream Petroleum Advisory Committee established under the Petroleum Act, was operationalised in 2019.	Resolved	N/A	
1665	Lack of a National Petroleum Policy and Plan	The Ministry developed the draft National Petroleum Policy, a draft National Petroleum Master Plan as well as the 2018-2022 strategic Plan which was aligned to MTPIII.			

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**Principal Secretary**



**Head of Accounting Unit**

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21. ANNEXES

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Date invoiced / contract entered	Particulars	Original Amount	Balance at the beginning of the year	Addition During the year	Amount paid During the year	Outstanding Balance	Comments
				a	b	c	d=a+b-c	
<b>Supply of goods</b>								
1. Steadfast International Ltd	28/6/18	Supply and delivery of grills for 6kg LPG Cylinders	1,875,600	1,875,600	0	0	1,875,600	Insufficient budgetary allocation
2. All Day Technologies Ltd	7/8/18	Supply and delivery of grills for 6kg LPG Cylinders	5,859,000	5,859,000	0	0	5,859,000	Insufficient budgetary allocation
3. Visconet Ventures	23/5/23	Supply and delivery of Toners	179,700	0	179,700	0	179,700	Insufficient budgetary allocation
4. Dajik Enterprises Ltd	11/5/23	Supply and delivery of Stationery	437,000	0	437,000	0	437,000	Insufficient budgetary allocation
<b>Sub-Total</b>			<b>8,351,300</b>	<b>7,734,600</b>	<b>616,700</b>	<b>0</b>	<b>8,351,300</b>	
<b>Supply of services</b>								
1. MOW sports Club	21/6/22	Provision of catering services	33,048	33,048	0	0	33,048	Insufficient budgetary allocation
2. Rovel group Kenya Ltd	28/6/23	Provision of conference facilities	380,500	0	380,500	0	380,500	Insufficient budgetary allocation
3. Hotel waterbuck Ltd	7/3/23	Provision of conference facilities	608,000	0	608,000	0	608,000	Insufficient budgetary allocation

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Supplier of Goods or Services	Date invoiced / contracted	Particulars	Original Amount	Balance at the beginning of the year	Addition During the year	Amount paid During the year	Outstanding Balance	Comments
4. MOW sports Club	11/8/22	Provision of catering services	55,080	0	55,080	0	55,080	Insufficient budgetary allocation
5. MOW sports Club	26/7/22	Provision of catering services	58,752	0	58,752	0	58,752	Insufficient budgetary allocation
6. MOW sports Club	20/7/22	Provision of catering services	82,620	0	82,620	0	82,620	Insufficient budgetary allocation
7. Vimac Restaurant	21/9/21	Provision of catering services	43,000	43,000	0	0	43,000	Insufficient budgetary allocation
8. Vimac Restaurant	25/8/21	Provision of catering services	90,000	90,000	0	0	90,000	Insufficient budgetary allocation
9. Vimac Restaurant	8/9/21	Provision of catering services	38,700	38,700	0	0	38,700	Insufficient budgetary allocation
10. Hatari security	28/2/23	Provision of security services	72,045	0	72,045	0	72,045	Insufficient budgetary allocation
11. Hatari security	31/3/23	Provision of security services	72,045	0	72,045	0	72,045	Insufficient budgetary allocation
12. Hatari security	03/5/23	Provision of security services	72,045	0	72,045	0	72,045	Insufficient budgetary allocation
13. Hatari security	30/5/23	Provision of security services	72,045	0	72,045	0	72,045	Insufficient budgetary allocation

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Supplier of Goods or Services	Date invoiced / contract ed	Particulars	Original Amount	Balance at the beginning of the year	Addition During the year	Amount paid During the year	Outstanding Balance	Comments
14. Hatari security	31/1/23	Provision of security services	72,045	0	72,045	0	72,045	Insufficient budgetary allocation
15. Hatari security	31/5/22	Provision of security services	72,045	72,045	0	0	72,045	Insufficient budgetary allocation
16. KNTC Ltd	31/1/23	Provision of storage services	2,004,480	0	2,004,480	0	2,004,480	Insufficient budgetary allocation
17. KNTC Ltd	30/6/23	Provision of storage services	2,004,480	0	2,004,480	0	2,004,480	Insufficient budgetary allocation
18. St. Daniel Comboni	13/6/22	Provision of conference facilities	450,000	450,000	0	0	450,000	Insufficient budgetary allocation
19. Caemo lodge	23/12/22	Provision of conference facilities	90,000	0	90,000	0	90,000	Insufficient budgetary allocation
20. Caemo lodge	20/6/22	Provision of conference facilities	331,030	331,030	0	0	331,030	Insufficient budgetary allocation
21. Caemo lodge	26/7/22	Provision of conference facilities	487,200	0	487,200	0	487,200	Insufficient budgetary allocation
22. Hatari security	30/12/22	Provision of security services	144,090	0	144,090	0	144,090	Insufficient budgetary allocation
23. Hatari security	30/6/22	Provision of security services	72,042	72,042	0	0	72,042	Insufficient budgetary allocation

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Supplier of Goods or Services	Date invoiced / contract ended	Particulars	Original Amount	Balance at the beginning of the year	Addition During the year	Amount paid During the year	Outstanding Balance	Comments
24. Hatari security	30/7/22	Provision of security services	72,042.00	0	72,042	0	72,042	Insufficient budgetary allocation
25. Hatari security	30/8/22	Provision of security services	72,042	0	72,042	0	72,042	Insufficient budgetary allocation
26. Hatari security	30/9/22	Provision of security services	72,042	0	72,042	0	72,042	Insufficient budgetary allocation
27. Hatari security	30/10/22	Provision of security services	72,042	0	72,042	0	72,042	Insufficient budgetary allocation
28. KNTC Ltd	1/7/22	Provision of storage services	1,473,059	0	1,473,059	0	1,473,059	Insufficient budgetary allocation
<b>Sub-Total</b>			<b>9,166,519</b>	<b>1,129,865</b>	<b>8,036,654</b>		<b>9,166,519</b>	
<b>Grand Total</b>			<b>17,517,819</b>	<b>8,864,465</b>	<b>8,653,354</b>	<b>0</b>	<b>17,517,819</b>	

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ANNEX 2 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Date Payable Contracted	Original amount	Amount Paid To-Date	Outstanding Balance Current Year	Outstanding Balance Previous Year	Comments
			a	b	c=a-b		
<b>Amounts due to Third Parties</b>							
1.	Simmons and Simmons		11,358,816	0.00	11,358,816	11,358,816	
2.	PS Tender- Disposal for Unserviceable Stores		83,443	0.00	83,443	83,443	
3.	PS Mining- Merger		518,741	0.00	518,741	518,741	
4.	KASNEB Towers- Retention		9,031,072	0.00	9,031,072	9,031,072	
5.	PS Mining- Retention		398,708	0.00	398,708	398,708	
<b>Grand Total</b>			<b>21,390,780</b>	<b>0.00</b>	<b>21,390,780</b>	<b>21,390,780</b>	

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ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) Previous Year 2022/2023	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Transport equipment	19,453,000	37,419,999	-	-	56,872,999
Office equipment, furniture and fittings	3,969,736	41,812,980	-	-	45,782,716
ICT Equipment	0.00	5,974,500	-	-	5,974,500
Machinery and Equipment	1,037,865,768	161,410,343	-	-	1,199,276,111
Intangible Assets	5,918,044,749	-	-	-	5,918,044,749
<b>Total</b>					<b>7,225,951,075</b>

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ANNEX 4 – LIST OF SCS, SAGAS AND PUBLIC FUNDS UNDER MINISTRY OF PETROLEUM AND MINING

Ref	SC, SAGA or Public Fund's name	Amount transferred during the year	Inter- entity reconciliations done?(yes/no)
1	ENERGY AND PETROLEUM REGULATORY AUTHORITY	82,500,000	Yes
2	NATIONAL OIL CORPORATION OF KENYA (NOCK)	250,000,000	Yes
3	MINING CORPORATION OF KENYA	29,230,000	Yes

ANNEX 5- REPORTS GENERATED FROM IFMIS

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

- i. GOK IFMIS Comparison Trial Balance
- ii. FO 30 (Bank reconciliation) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits

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- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes
- xi. GOK IFMIS Budget Execution by Programmes and Sub-programmes