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THE AUDITOR-GENERAL

ON

STATE DEPARTMENT FOR PETROLEUM

**FOR THE YEAR ENDED
30 JUNE, 2021**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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STATE DEPARTMENT FOR PETROLEUM

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

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

State Department for Petroleum
Reports and Financial Statements
For the year ended June 30, 2021

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1. KEY ENTITY INFORMATION AND MANAGEMENT
(a) Background Information

The State Department for Petroleum was created in 2018 through Executive Order No. 1 of June, 2018. Prior to this, the State Department for Petroleum fell under the Ministry of Energy and Petroleum. Before then, petroleum pricing was under the then Ministry of Finance which represented the Government interests in the Kenya Petroleum Refineries Limited.

Under the Executive Order No. 1 of June, 2018 on the Organization of the Government of the Republic of Kenya, the Ministry was split into two State Departments with each drawing its mandate from the Executive Order. At the Cabinet level, the Ministry is headed by the Cabinet Secretary, Mr. John Munyes, EGH, who is responsible for general policy and strategic direction of the Ministry.

The State Departments under the Ministry are:

- i. The State Department for Petroleum administered by Andrew Kamau, CBS, and
- ii. The State Department for Mining administered by Amb. Kirimi P. Kaberia, CBS but since the merger of the 2 State Departments to form the Ministry of Petroleum and Mining, Mr. Andrew Kamau, CBS is the Principal Secretary

The State Department for Petroleum is a Public Institution whose responsibility is to ensure adequate, quality, cost effective and affordable development of the extractives Sector to meet national development needs while protecting and conserving the environment

The Vision, Mission, Core Values, Strategic Objectives and core functions of the State Department for Petroleum under Ministry of Petroleum and Mining are:

Vision

Promote sustainable development of the extractives sector.

Mission

Enhance commercialization of discoveries, develop the requisite skills and infrastructure for production in the oil, gas and improve access to competitive, reliable and secure supply of petroleum products

Core Functions

- Formulation of policy, review of fiscal, legal and regulatory framework for oil and gas exploration, development and production.
- Acquisition, interpretation and modeling of primary data, primary geotechnical data for geophysical (gravity, magnetic), geological and geochemical surveys in unlicensed or open petroleum exploration blocks. The purpose is to upgrade exploration data base and to accelerate or bring forward, seismic acquisition programmes by oil and gas companies that will be licensed to operate in those blocks.

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- Monitoring operations and compliance of oil and gas exploration, in the implementation of their minimum geological, geophysical, geochemical and drilling obligations in licensed blocks.
- Evaluation of results and reports submitted by licensed oil and gas companies, operationalise Production Sharing Contracts in the country's exploration blocks.
- Carrying out continuous review, subdivision and reduction of petroleum exploration block sizes on basis of additional data and to increase commitment to implementation of minimum work in smaller blocks by licensed oil and gas companies.
- Carrying out evaluation and negotiation of Production Sharing Contracts terms submitted by oil and gas companies which express interest in the country's exploration blocks.
- Exploratory drilling operations in prospective areas;
- Promotion and licensing of acreage:
- Facilitating exemption of Duty, VAT and Income Declaration Forms (IDF) by the National Treasury and Planning, in respect of goods and equipment imported into the country by licensed oil companies specific to oil and gas operations.
- Promotion of regional and international programmes on data exchange and technology transfer between the State Department for Petroleum and relevant oil and gas – based organizations.
- Formulation of policies on oil and gas operations with upstream segment of the oil industry.
- Continuous monitoring and coordination of Distribution, Supply and Market situations of finished petroleum products in the country.
- Ensure Security and supply of Petroleum products.
- Promote investment in petroleum infrastructure.

Strategic Objectives

- Enabling regulatory framework for the Petroleum Sector;
- Affordable, reliable and safe supply of petroleum to Kenyans;
- Sustainable petroleum self-sufficiency;
- Efficient utilization and conservation of petroleum;
- Development of new petroleum resources and;
- Optimal utilization of both human and financial resources.

Core Values

- (i) Professional integrity and excellence
- (ii) Commitment to work
- (iii) Commitment to customer service
- (iv) Efficiency, transparency and accountability
- (v) Zero tolerance to corruption
- (vi) Non-partisan

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Our Stakeholders

The stakeholders that the State Department for Petroleum targets in order to encourage cleaner petroleum consumption and conservation includes:-

- Kenya Petroleum Refineries Limited (KPRL)
- National Oil Corporation of Kenya (NOCK)
- Kenya Pipeline Company (KPC)
- Ministries, Departments and Agencies
- Oil Marketing Companies

(b) Key Management

The State Department for Petroleum derives its mandate from Executive order No.1 of 2021 and other Acts of Parliament relevant to Petroleum. To effectively provide services per our mandate, the State Department for Petroleum has two divisions namely Petroleum and the Administration and Support Services. It has ten units namely:



- HRM&D
- Public Communications
- Central Project Planning
- Supply Chain Management Services
- Information Communication Technology (ICT)
- Finance
- Accounts
- Legal
- Audit
- Gender

(c) Fiduciary Management


The key management personnel who held office in the State Department for Petroleum during the financial year ended 30th June, 2018 and who had direct fiduciary responsibility were:

Designation	Name
Cabinet Secretary	Hon. John Munyes, EGH
Principal Secretary	Mr. Andrew N. Kamau CBS
Commissioner, Petroleum	Mr. James Nganga
Secretary, Administration	Mr. Chege Mwangi
Chief Finance Officer	CPA Mathew Musyoka
D/HRM&D	Ms Agnes Muthuo
Director Macro Planning	Ms Electine M Nanzala
Deputy Accountant General	CPA Charles Liyayi
Deputy Director Supply Chain Management	Ms. Chepkemoi Kerich




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 <p>Hon. John K. Munyes, EGH</p> <p>Cabinet Secretary</p> <p>Ministry of Petroleum and Mining</p>	<p>Hon. John K Munyes, EGH was appointed Cabinet Secretary for Ministry of Petroleum and Mining by President Uhuru Kenyatta in January 2018. Prior to his appointment as Cabinet Secretary, Hon. John K Munyes served as the Senator for the oil-rich Turkana County for 5 years beginning 2013 and ending 2017.</p> <p>Hon. John K Munyes has also previously served in various capacities as Minister of State for Special programmes (2005), Minister for Water and Irrigation (2003) as well as Minister for Labour & Social Services. He also served as the Member of Parliament (MP) for Turkana North Constituency for 15 years, beginning 1997.</p> <p>Prior to joining politics, Hon. John K Munyes worked as UNESCO Project Assistant and later became a Programme Coordinator of the Intermediate Technology Development Group (ITDG) where he coordinated food security programmes in Turkana District including livestock projects, women empowerment and capacity building. He is awarded the Elder of the Order of the Golden Heart of Kenya (EGH) for his valuable service rendered to the nation.</p>
 <p>Mr. Andrew N. Kamau, CBS Principal Secretary</p>	<p>Mr. Andrew Ng'ang'a Kamau has wide experience in Petroleum energy gained from several years in leadership positions in the private sector. Prior to his appointment as Principal Secretary for Petroleum, he was the Chief Executive Officer of Bracewell Energy which has interests in mining, energy and natural resources. As PS, he steers the Petroleum docket at the Ministry where he will oversee implementation of Petroleum projects. He holds a Bachelor of Science degree in Chemistry from the University of Nairobi.</p>

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 <p style="text-align: center;">Mr. James Nganga Commissioner Petroleum</p>	<p>Mr. James Ng'ang'a was appointed Ag. Secretary, Petroleum in February 2019. He has been instrumental in oil and gas exploration in the country leading to the first oil discovery in Kenya in March, 2012, implementation of the early oil project as well as the review of the Petroleum policy, legal, regulatory and contractual framework for oil and gas. He holds an MSc.a Bsc and PGDip.</p>
 <p style="text-align: center;">Mr. Chege Mwangi Secretary Administration</p>	<p>Mr. Mwangi has been the Secretary, Administration in the State Department for Petroleum from May 2018. He joined the Public Service in 1985 as an Assistant Secretary/District Officer, rising Through the ranks to Senior Deputy Secretary/Senior District Commissioner in 2008. In 2011, he was appointed County Commissioner and was redeployed in 2016 as Secretary, Administration. He holds a Bachelor of Arts and a Master of Arts in Project Planning and Management from the University of Nairobi</p>
 <p style="text-align: center;">CPA Mathew K. Musyoka Chief Finance Officer</p>	<p>CPA Mathew K. Musyoka assumed the position of Head of Finance Unit in November 2018. He is in charge of budget preparation and implementation. He holds an MA (Economics) from Kenyatta University and Bachelor of Arts (economics) from University of Nairobi. He is a CPA (K), and also a member of the ICPAK</p>
 <p style="text-align: center;">Ms. Electine M. Nanzala Director Macro Planning</p>	<p>Ms. Electine M. Nanzala assumed the position of the Head of CPPMU in May, 2016. She is in charge of Economic planning function which involves planning and analysis of economic policy; undertaking economic analysis, evaluation and monitoring of development projects and programmes; co-ordination of strategic planning and performance contracting; and performance review of economic activities to inform policy and budgetary processes. She holds a Masters in Economics and a Bachelor of Arts Degree from Kenyatta University.</p>

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 <p style="text-align: center;">Ms. Agnes Muthuo, <i>Director/HRM&D</i></p>	<p>Ms. Agnes Muthuo assumed the position of Head, Human Resource Management and Development in January, 2017. She is in charge of managing the HR function in the Department including Training and Development for effective service delivery. She holds a Master of Science degree in Human Resource Development from the Jomo Kenyatta University of Science and Technology and a Bachelor of Arts degree in Anthropology from the University of Nairobi. She is a Member of IHRM.</p>
 <p style="text-align: center;">CPA Charles Liyayi Shidzugane Deputy Accountant General</p>	<p>CPA Charles Liyayi Shidzugane assumed the position of Head of Accounting Unit in December 2018. He is in charge of Accounting and Financial Reporting as well as designing, implementing and monitoring internal controls relevant to the preparation and for presentation of financial reports in line with the relevant International Public Sector Accounting Standards (IPSAS). He holds an MSc (Finance and Accounting) from The KCA University and Bachelor of Commerce (Finance) from Catholic University Of Eastern Africa. He is a CPA (K), and also a member of the ICPAK.</p>
 <p style="text-align: center;">Ms. Chepkemoi Kerich Deputy Director Supply Chain Management</p>	<p>Ms Chepkemoi Kerich assumed the position of Head of Supply Chain Management Unit in January 2019. She is in-charge of Procurement of goods and services and Overseeing implementation of the Department's Procurement Plan. She holds a Master's Degree and Bachelor's Degree in Economics from Nairobi University. She is also a member of KISM and CIPS</p>

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This committee comprises the following members drawn from various departments:

No	Name	Designation
1	Mr. Andrew Kamau, CBS	Principal Secretary- Petroleum (Chairman)
2	Mr. Chege Mwangi	Secretary Administration
3	Mr. James Nganga	Commissioner Petroleum
4	Ms. Agnes Muthuo	Director/HRM&D – Secretary
5	CPA. Charles Liyayi	Deputy Accountant General
6	Ms. Electine Nanzala	Director Macro Planning
7	Ms. Chepkemoi Kerich	Director Supply Chain Management

This is the committee charged with the responsibilities of human resource needs. Its duties include but are not limited to:

- Promotion of officers in Job Groups A-P
- Confirmation in appointment
- Disciplinary matters
- Review of re-designation of officers from one cadre to another and
- Confirmation of surcharge of officers found to have misused government resources.

i. Training Committee

This committee comprises the following members drawn from various departments:

No	Names	Designation
1.	Mr. Andrew Kamau, CBS	PS Petroleum – Chairman
2.	Mr. Chege Mwangi	Secretary Administration
3.	Mr. James Ng'ang'a	Commissioner Petroleum
4.	Ms. Agnes Muthuo	Deputy Director/HRM&D – Secretary
5.	Mr. Charles Liyayi	Deputy Accountant General
6.	Ms. Electine Nanzala	Director Macro Planning
7.	Ms. Chepkemoi Kerich	Director Supply Chain Management

This is the committee charged with the responsibility of training and human resource development (capacity building). Its duties include but are not limited to:

- Overall co-ordination of the training function in the Ministry;
- Review and implementation of the State Department's training plan based on Training Needs Assessment (TNA) and approved Training Projections;
- Induction of newly appointed/promoted and transferred officers; and
- Long/short term courses.

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N.B: During the year under review, Training Committee Activities were performed by the Ministerial Human Resource Management Advisory Committee as described in (i) above.

(a) Ministry of Petroleum and Mining, Headquarters

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

(b) State Department for Petroleum

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

(c) Independent Auditors

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

(d) Principal Legal Adviser

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

(e) State Department for Petroleum Bankers

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

KEY ACHIEVEMENTS MINISTRY OF PETROLEUM AND MINING IN THE FINANCIAL YEAR 2020/21

1. Early Oil Pilot Scheme Project (EOPS)

The project's objective is to gather technical data for designing and preparation of the Field Development Plan (FDP) and to test the international market for Kenyan Crude Oil. Trucking of crude oil from the South Lokichar oil field to KPRL storage facilities in Mombasa under EOPS was launched by H.E. the President on 3rd June 2018.

During FY 2019/20 the project attained a major milestone where 240,000 barrels of crude oil was Exported to the international market. 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.

During FY 2020/21 the Ministry;

- Continued with Monitoring of decommissioning of EOPS facilities to ensure it is in line with Early Oil Pilot Scheme Agreement (EOPSA) and Environmental laws and regulations.
- Held four (4) EOPS steering committee meetings to oversee the decommissioning progress and marketing of the 177,000 barrels of crude oil currently stored at KPRL facilities in Mombasa.
- Commenced Auditing of the EOPS costs to ascertain the costs as claimed by the contractor (KJV).

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EOPS Facilities (Separator) being Decommissioned

2. Preparatory Activities for Lokichar – Lamu Crude Oil Pipeline

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.

During the FY 2020/21 the Department;

- Convened four (4) Pipeline Steering Board (PSB) quarterly meetings which developed action plans for implementation.
- Conducted Survey in six counties along the Crude Pipeline Route, (85% Complete).
- Commenced land surveying and inquiries along the Crude Oil Pipeline route; Development of Land Acquisition and Resettlement Framework, Land access Policy Development.
- Updated Front End Engineering and Design (FEED) and Environmental and Social Impact Assessment (ESIA) in line with the development concept to inform on Final Investment Decision (FID) on the pipeline project.

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3. Public Affairs and Stakeholder Management

The Ministry in spite of the travel restrictions due to COVID 19 Pandemic held a number of sensitization workshops (Virtual and Physical) with stakeholder groups defined below, so as to provide sufficient opportunity for information sharing and a platform to voice their opinions and concerns on the pertinent issues that may influence the project implementation and most importantly, to create an atmosphere of understanding that actively involves the Turkana Community in a timely manner.

- Turkana County Grievances Committee
- Members of County Assembly
- Elders and opinion leaders in Turkana East and South
- National Administration Officers
- Women Groups
- Youth Groups
- Faith Based Organizations
- Turkana Business Organizations
- Turkana Professional Associations
- Civil Society Organizations
- Community Based Organizations

4. Petroleum Exploration in Block 14T

During the FY 2020/21, the State Department for Petroleum facilitated National Oil Corporation of Kenya (NOCK) exploration program in Block 14T, Tertiary Rift Basin. It ensured the processing and interpretation of seismic data and integration with earlier acquired datasets. To date, one (1) potential hydrocarbon lead with a potential of 118 Million barrels of oil was mapped out. The completed reserve estimate will pave way for further partnership through a farm-in agreement between National Oil and an interested equity partner. This is expected to raise the required equity for the next exploration period which include drilling of an exploratory well.

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The State Department for Petroleum also ensured laboratory analysis of core samples obtained from drilling of stratigraphic wells. The wells were drilled for the purpose of gaining structural and stratigraphic information to be used concurrently with 2D seismic data in exploring for oil and gas in Magadi sub – basin.



Drilling of stratigraphic wells in Block 14T, Tertiary Rift Basin

5. Review of the South Lokichar Draft Field Development Plan (FDP)

The objective of FDP is to give optimal development scenario in terms of technical, economic, commercial, operational, social, environmental and political aspects of South Lokichar oil field in the interest of Kenya. The Plan aims to quantify the reserves and facilitate planning of optimal infrastructure to produce and market Kenyan Crude Oil to the International Market.

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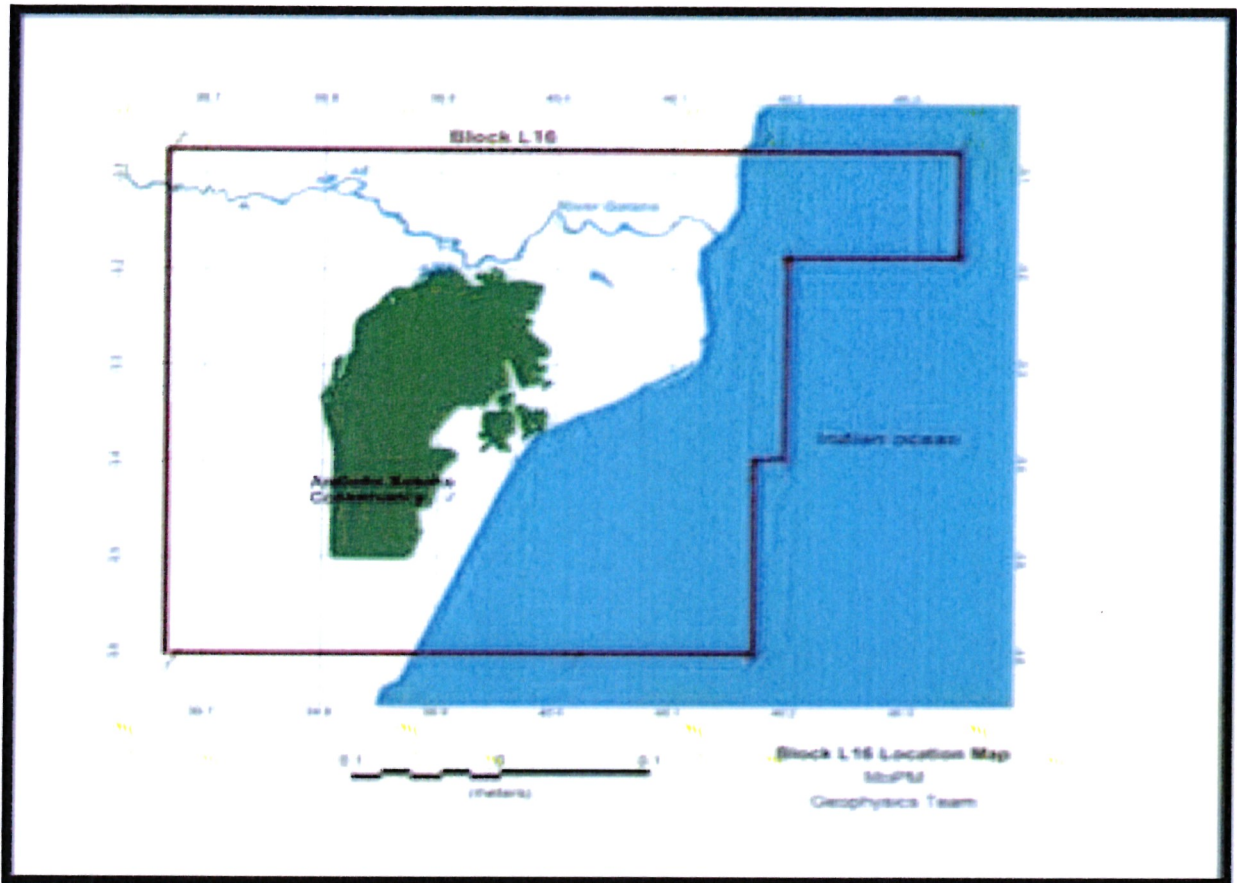
During the FY 20120/21 the Ministry;

- Reviewed Draft FDP and Phase two plan as submitted by the Contractor for the Foundation Phase i.e., Twiga, Amosing and Ngamia (TAN) fields. A draft South Lokichar FDP Review Report was prepared. The submission of the Final FDP by the contractor and its subsequent review is scheduled for the Q2 FY 2021/22.
- Commenced review of the long form Agreements which are key bottlenecks for the project Oil Kenya.

6. Primary Data Acquisition and Interpretation in Open Blocks

The projects aim is to determine petroleum prospectively as well as attract oil companies to invest in the open petroleum blocks. During the FY 2020/21, the Department undertook Phase I of Geological and Geophysical surveys in Block L16.

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Block L16 Location in Lamu Basin Coastal Kenya

During the FY 2020/21 the Ministry;

- Acquired, processed and interpreted gravity data from 798 gravity stations
- Acquired, processed and interpreted magnetic data from 416 magnetic stations.
- Conducted Geological reconnaissance survey with a view of conducting detailed geological surveys

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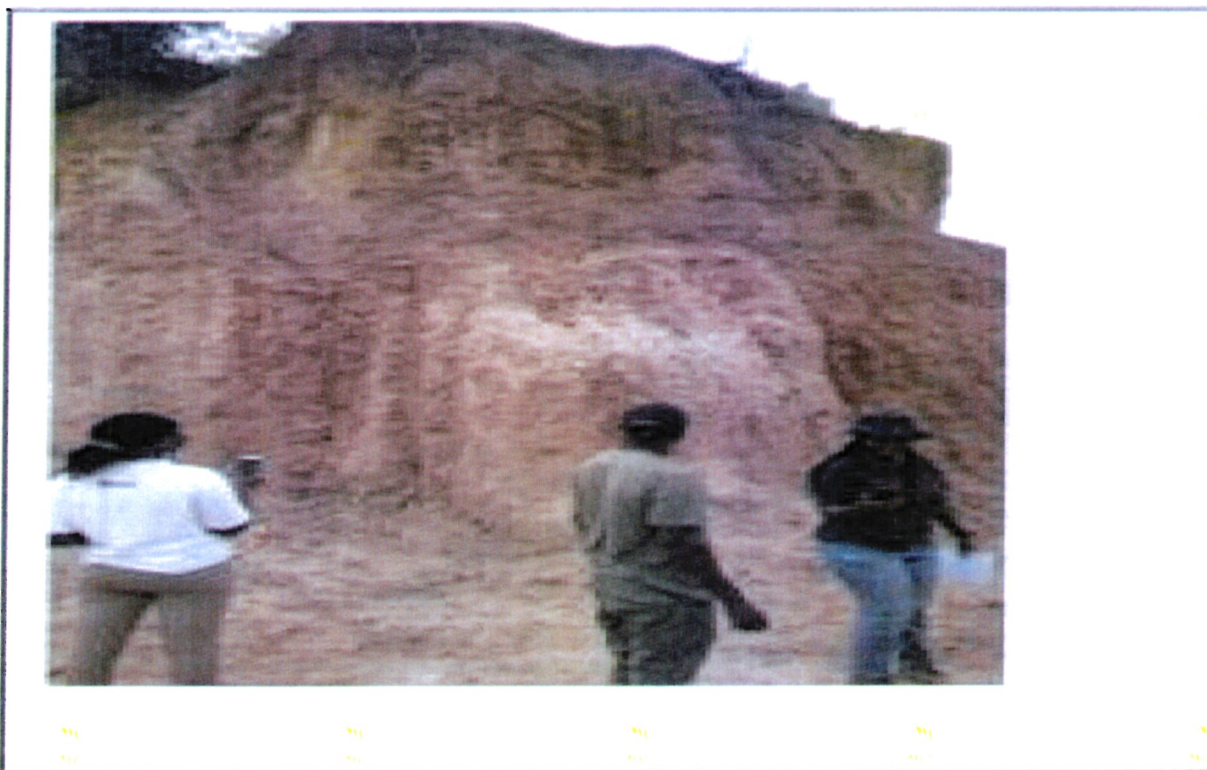


Geophysics team acquiring gravity data from gravity stations in Block L16



Magnetic data acquisition Block L16

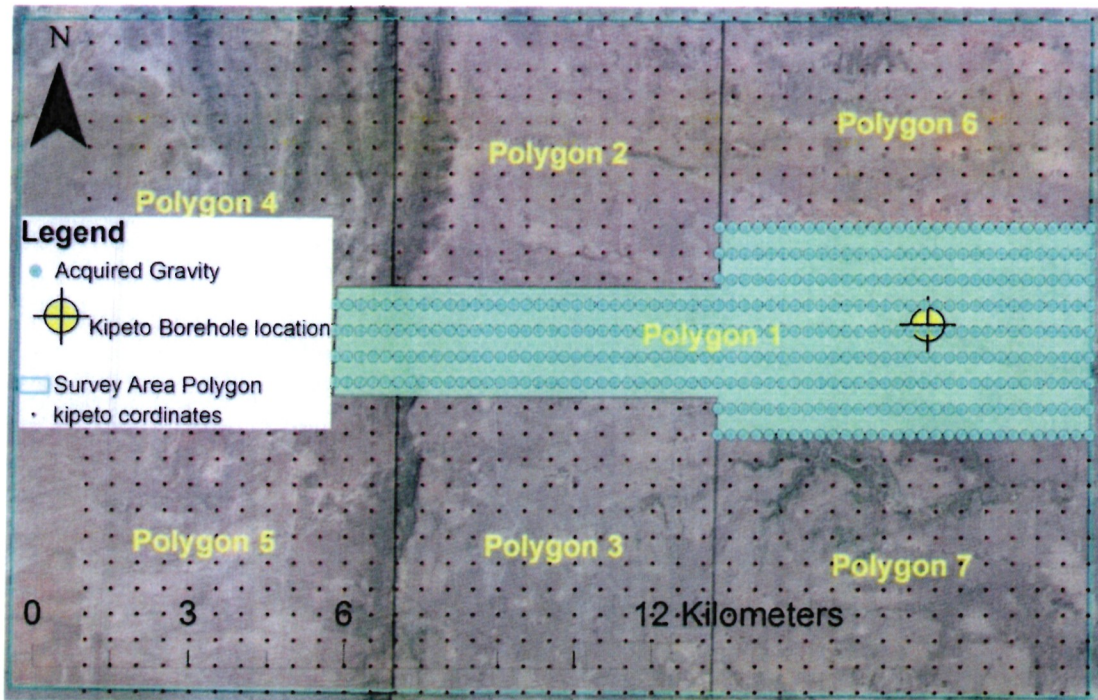
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Geological reconnaissance survey in Block L16

In addition, the State Department for Petroleum jointly with National Oil Corporation of Kenya undertook Geological and Geophysical surveys of the Kipetu Gas Prospect in Kajiado County and Geological reconnaissance survey of Solai Gas prospect in Nakuru County.

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Kipeto Gas Prospect Survey area divided into polygons for ease of mapping

During the FY 2020/21 the Ministry;

- Acquired processed and interpreted Gravity data from 500 gravity stations
- Acquired processed and interpreted Magnetic data from 10,000 magnetic stations in Polygon 1.
- Conducted Petrological and structural lineaments studies visited sites with insitu rock exposures including quarries and petrological samples obtained, observed, and described for further analysis and comparison to the existing literature.
- Conducted Geological reconnaissance survey on Solai Gas prospect with a view of conducting detailed Geological surveys in the FY 2021/22.

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Gravity data acquisition of the Kipetu Gas Prospect, Kajiado County

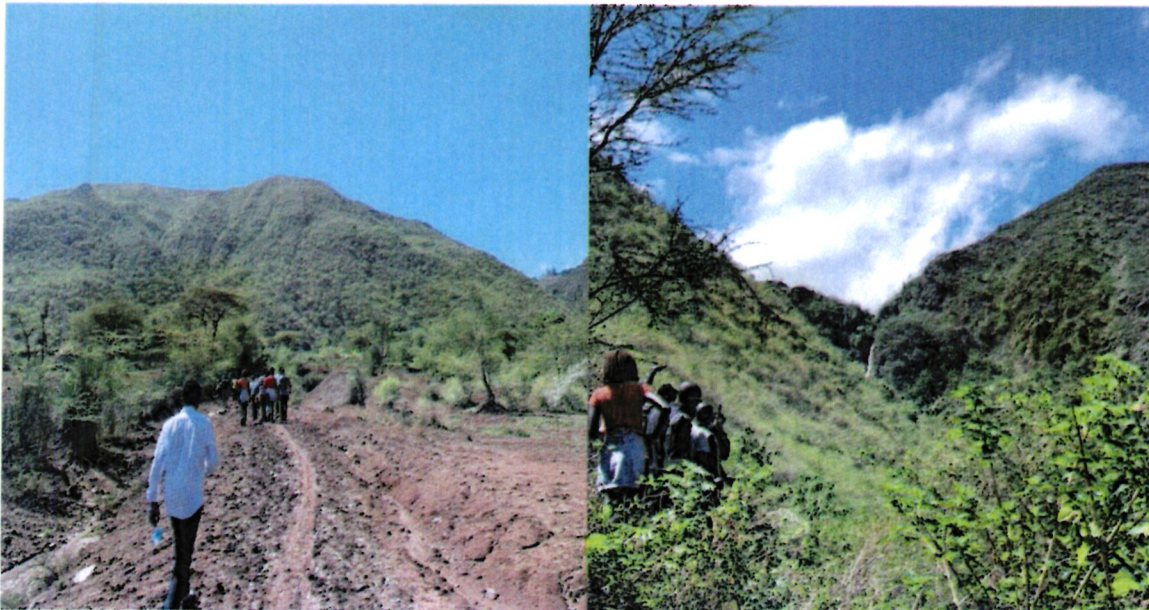


Geological reconnaissance survey in Solai Gas Prospect Nakuru County

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Geological reconnaissance survey in Solai Gas Prospect Nakuru County



Geological reconnaissance survey in Solai Gas Prospect Nakuru County

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7. Optimization of the Mombasa – Nairobi (Line 5) and PS10(Nairobi Terminal) Tanks

The Mombasa – Nairobi product pipeline (Line 5) and PS 10 tanks were commissioned on 30th June 2018. The first product was received on 30th July 2018. Optimization of Line 5 is ongoing through efficiency initiatives such as pumping schedules to optimize on electricity consumption and larger batch scheduling.

8. Security of Supply of petroleum products

Throughput

This is quantity in cubic meters (M³) of petroleum products delivered and issued to oil marketers at delivery points which include Moi International Airport - PS12, Jomo Kenyatta International Airport – PS9, Konza –PS8, Nairobi Terminal – PS 10, Nakuru Depot – PS 25, Kisumu Depot – PS 28, Eldoret Depot – PS 27 and KOSF to Shimanzi Oil Terminal and any other designated point.

During the period under review, a cumulative throughput performance of 7,404,967M³ was achieved against a target of 8,025,133.32 M³. The main contributor to the inability to achieve the planned throughput performance was a decline in the export market, a shift by Oil Marketing Company's (OMC's) from lifting product from KPC depots to alternative depots e.g. Petro City.

In addition, the following activities were also undertaken to ensure continued security of supply of petroleum products:

i. Adjudication of Petroleum Tenders and Enforcement of Open Tender System (OTS) Terms and Conditions.

Projection of the petroleum product demand was done and tenders were invited, opened and awarded to winners within timelines. Further, the Ministry ensured compliance to the open tender system terms and conditions by referring defaulters in the OTS to EPRA.

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ii. Vessel Scheduling Committee Meetings (VSM)

Forty-eight (48) vessel scheduling meetings were held in which vessels were scheduled in line with the demand for petroleum products. The State Department also ensured that all vessels for both Shimanzi Oil Terminal (SOT) and Kipevu Oil Terminal (KOT) berthed on time to ensure security of supply of petroleum products as well as minimizing demurrage costs.

iii. Monitoring Petroleum Stocks

The Ministry monitored stocks position at the various KPC depots on a daily basis to ensure there are no stock outs in the country for efficiency of supply of petroleum products.

Iv. Eradication of Fuel Adulteration, Dumping and illegal LPG Refilling

The project aims to effectively monitor and enforce quality assurance standards to alleviate dumping and adulteration of petroleum products to ensure that quality and secure petroleum products are marketed nationally and regionally. During the period under review, a total of 14,280 sample tests were carried out in petroleum outlets across the country.

EMERGING ISSUES

- Global price volatility of crude oil has resulted in reduced investment in oil and gas exploration by international oil companies.
- Regional re-alignment which has led to oil and gas importation and transportation through the Central Corridor.
- Closure of the refinery and integration of KPC and KPRL to enhance utilization of the latter's facilities.
- Need to develop a national oil and chemical spill contingency plan for the exploration/exploitation activities.

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- Develop and review regulations to manage chemicals and hazardous waste from oil processes. Recommend and develop appropriate technology for the management of these wastes.
- Adherence to the requirements of climate change Act 2016 on compliance on levels of Green House Gases (GHGs) emission reduction.

CHALLENGE FACED DURING PROGRAMMES AND PROJECTS IMPLEMENTATION

- Restriction of movement due to COVI 19 Pandemic has greatly impacted on execution of key activities in Oil and Gas projects in the Country
- Loss of transit market share of petroleum products exported to neighboring countries
- High community expectations in the oil, gas and mining exploration and development which slow down the pace of project implementation.
- Inadequate skilled local professionals in the sector.
- Gender mainstreaming in oil and gas projects.

RECOMMENDED WAY FORWARD

- Need for strategic partnership for project financing, execution and skills transfer.
- Need to develop strategies and respective legislation for management of community expectations.
- Need to strengthen national and county governments' collaboration and other stakeholders engagement at all stages of programme/project development.
- Linkages with other sectors with a coordinated approach in the implementation of the various flagship projects. The collaboration will entail capacity building with various technical institutions, environmental matters, occupational safety and health services concerns amongst others.

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- There is need to strengthen the involvement of relevant local professionals in all phases of project implementation, including conceptualization, design, construction and commissioning to ensure capacity building and knowledge transfer.
- Need to come up with strategies to mitigate negative impacts on fluctuating global commodity prices and marketing trends which affect returns on investment.
- Enhancing capacity building in the counties in the oil and gas sector through partnerships with the national government, TVET training institutions, Universities and investors.

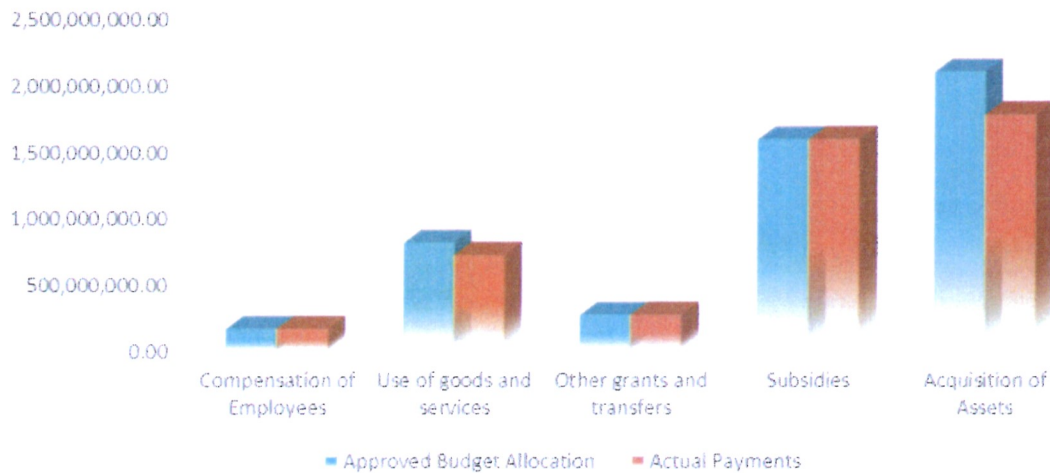
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SUMMARY OF FINANCIAL PERFORMANCE
Budget Utilization

The State Department for Petroleum spent **Kshs. 4,564,817,904.00** against an approved budget of **Kshs. 4,894,964,660.00** representing an absorption of **93%**. Utilisation of the budget was carried out through various activities (economic classifications) as shown in the chart below:

PAYMENTS	Approved Budget Allocation	Actual Payments	Variance
Compensation of Employees	174,200,000.00	173,697,543.55	502,456.45
Use of goods and services	821,137,805.00	727,541,479.45	130,529,859.55
Other grants and transfers	280,000,000.00	280,000,000.00	-
Subsidies	1,600,000,000.00	1,600,000,000.00	-
Acquisition of Assets	2,104,126,855.00	1,783,578,881.00	320,869,829.00
TOTAL PAYMENTS	4,894,964,660.00	4,564,817,904.00	451,902,145.00

BUDGET UTILIZATION

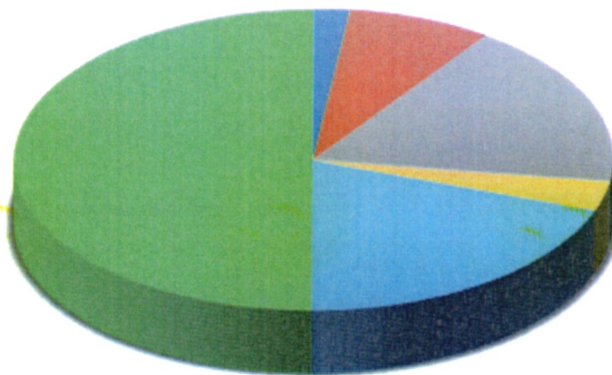


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Budget Utilization per economic item

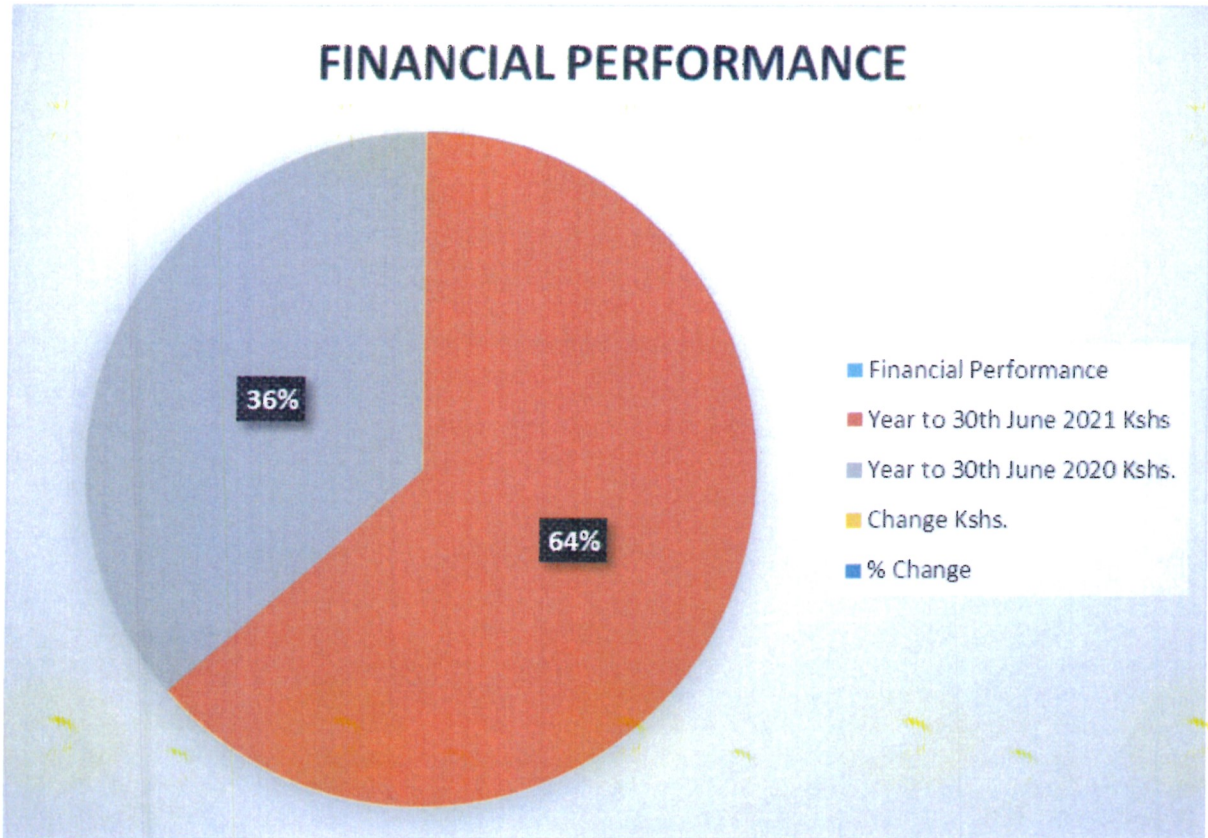
PAYMENTS	2020-2021	2019-2020
Compensation of Employees	173,697,543.55	156,024,130.65
Use of goods and services	727,541,479.45	973,418,815.65
Subsidies	1,600,000,000.00	-
Transfers to Other Government Units	280,000,000.00	140,000,000.00
Acquisition of Assets	1,783,578,881.00	1,303,771,462.90
TOTAL PAYMENTS	4,564,817,904.00	2,573,214,409.20

RECEIPTS AND PAYMENTS



Financial Performance	Year to 30th June 2021	Year to 30th June 2020	Change	%
	Kshs	Kshs.	Kshs.	Change
Total Receipts	4,569,529,233.95	2,608,843,791.30	(1,960,685,442.65)	(75.16)
Total Payments	4,564,817,904.00	2,573,214,429.20	(1,991,603,474.80)	(77.40)
Surplus for the Year	4,711,329.95	35,629,362.10	30,918,032.15	86.78

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Current Year Performance against Prior Year

Receipts

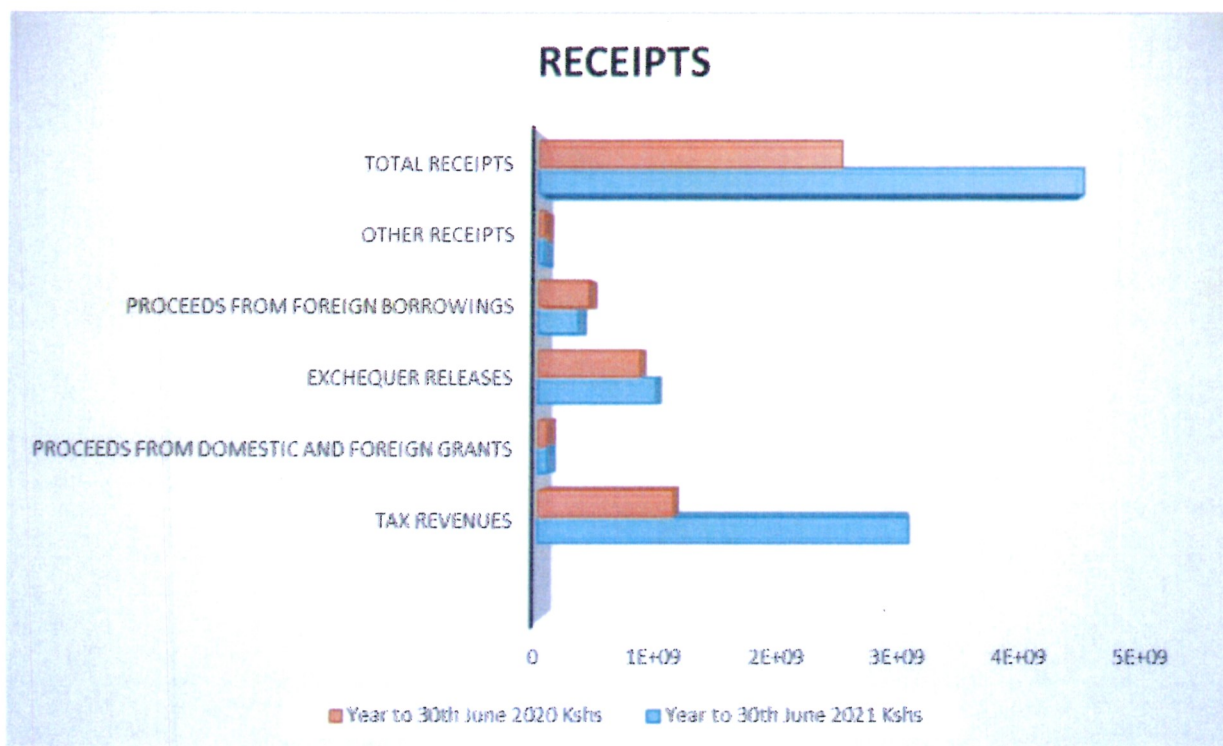
The State Department for Petroleum's total receipts summed up to 3,172,841,904 comprising mainly of Tax revenues, Exchequer releases, grants & borrowings, and AIA the total receipts increased by 93% due to the increased budgetary provision in the year

State Department for Petroleum
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	Year to 30th June 2021	Year to 30th June 2020	Change	%
	Kshs	Kshs	Kshs	Change
Tax Revenues	3,113,857,106.45	1,138,323,033.60	1,975,534,073	173.55
Proceeds from Domestic and Foreign Grants	77,224,621.40	74,301,848.75	2,922,773	3.93
Exchequer releases	990,591,713.75	854,625,228.75	135,966,444	15.91
Proceeds from Foreign Borrowings	340,855,792.35	494,593,639.20	(86,986,844.85)	(20.33)
Other receipts	47,000,000.00	47,000,000.00	0	-
Total Receipts	4,569,529,233.95	2,542,092,789.30	2,027,436,445	79.75

Total Receipts Breakdown

The diagram above depicts the share of major categories of receipts for the fiscal year ended 30th June 2021. The major source of funding for the Ministry of Petroleum and Mining is Tax Receipts that account for 45.45% of the total receipts

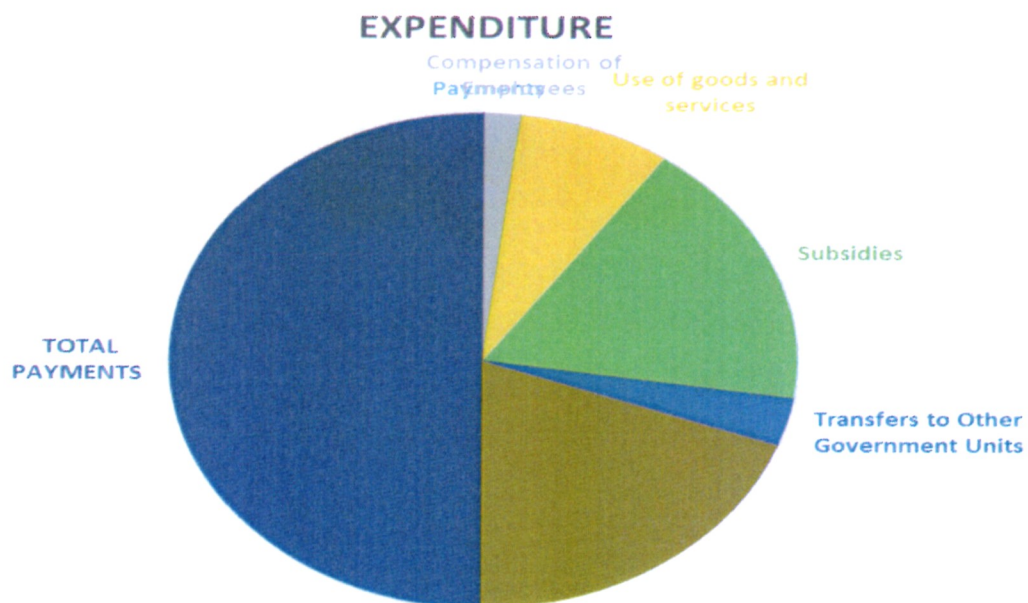


State Department for Petroleum
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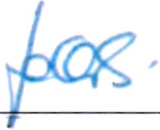
Payments

The State Department for Petroleum's payments mainly comprise of Transfers to Other Government entities i.e. National Oil Corporation Kenya, Energy Regulatory Commission and KEPTAP project

	Kshs	Kshs	Kshs	Change
Payments	Year to 30th June 2021	Year to 30th June 2020	Change	%
	Kshs	Kshs	Kshs	Change
Compensation of Employees	173,697,543.55	156,024,130.65	(17,024,130.65)	(11.33)
Use of goods and services	727,541,479.45	973,418,815.65	245,877,336	25
Subsidies	1,600,000,000.00	-	-	-
Transfers to Other Government Units	280,000,000.00	140,000,000.00	(140,000,000)	(100)
Acquisition of Assets	1,783,578,881.00	1,303,771,462.90	(479,807,418)	(37)
TOTAL PAYMENTS	4,564,817,904.00	2,573,214,409.20	(1,991,603,495)	(77)



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For the year ended June 30, 2021



Hon. John K. Munyes, EGH
Cabinet Secretary
Ministry of Petroleum and Mining

2. STATEMENT OF PERFORMANCE AGAINST MDA'S PREDETERMINED OBJECTIVES

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the MDA's 2018-2022 plan are to:

- To strengthen the Policy, Legal and Institutional framework for the Petroleum development and accelerating the speed of completion of projects;
- To ensure there is capacity development in the Oil/Gas and minerals sector;
- To improve access to competitive, reliable and safe supply of petroleum products to all Kenyans;
- To promote Sustainable petroleum reserves;
- To promote Efficient utilization and conservation of oil and gas;
- To promote Exploration and development of fossil fuel resources;
- To optimize utilization of both human and financial resources.
- To explore alternative financing models for Petroleum sub-sector projects.
- To enhance Public-Private Partnerships in the provision of oil and gas facilities and services;

Progress on attainment of Strategic development objectives

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:

Progress on attainment of Strategic development Objectives

Programme	Sub-Programme	Delivery Unit	Key Output	Key Performance Indicator	FY 2020/2021			Remarks
					Target(s)	Actual	Variance	
Exploration and Distribution of oil and Gas	SP.1 Exploration of Oil and Gas	Upstream Petroleum	Petroleum Blocks Reviewed	Number of petroleum blocks reviewed for creation and gazettement of new blocks	63	63	0	Review of petroleum block is dependent on the acreage of blocks surrendered by IOCs as required by the PSC1. Review of block coordinates and boundaries is ongoing to inform drafting of the revised Petroleum Exploration Block Map.
			Petroleum Exploration blocks licensed to IOCs.	Number of new production sharing contracts (PSC) signed.	5	0	(5)	<ul style="list-style-type: none"> Target not achieved. Signing of PSCs has delayed awaiting the conducting of Bid Rounds in line with Petroleum Act 2019. However, Data packages for onshore blocks prepared to facilitate the bid rounds. Contract for offshore 3D seismic multivalent data acquisition was signed and in force
			South Lokichar Field Development Plan (FDP).	Finalized Field Development Plan.	-	-	-	<ul style="list-style-type: none"> South Lokichar Field Development concept reviewed, draft FDP and Phase II Plan revised. The contractor (Tullow) was granted a conditional extension to execute a revised work program and budget and submit a finalized FDP by December 2021.
			Appraisal and Exploration Wells	Number of Exploration and Appraisal Wells Drilled	-	-	-	<ul style="list-style-type: none"> Data from Pate-2 exploration well under review to inform the drilling campaign of Pate -3 exploratory/appraisal well. Mlima Prospect in Block L11B (offshore Lamu Basin) ready for drilling. The operator ENI is almost through with the process of getting approvals for mobilization. Drilling of Development wells is dependent on the completion of the South Lokichar FDP and the attainment of the Final Investment Decision (FID).

¹ The PSC requires that the IOCs to surrender 25% of the block after the exploration period

**State Department for Petroleum
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Programme	Sub-Programme	Delivery Unit	Key Output	Key Performance Indicator	FY 2020/2021			Remarks
					Target(s)	Actual	Variance	
			Petroleum Exploration Blocks marketed Nationally and Internationally	Number of Petroleum Exploration Blocks marketed	31	31	0	<ul style="list-style-type: none"> Marketing of open Petroleum Blocks was undertaken through international oil and gas conferences held virtually due to the Covid – 19 pandemic.
			Geological Data Acquisition	Number of Geological Reports	1	1	0	<ul style="list-style-type: none"> Geological mapping undertaken in upper left quadrant of block L16. Geological surveys in Solai gas prospects.
			Geophysical Data Acquisition	Number of Geophysical Reports	1	1	0	<ul style="list-style-type: none"> Acquisition, processing and interpretation of gravity and magnetic data in zone 1 of block L16 completed. Geophysical surveys in Kipetu gas prospects
			Geological and Geophysical Specialized Equipment	Assorted Specialized Equipment	1	2	1	<ul style="list-style-type: none"> Transient Electromagnetics (TEM) and Magnetotelluric (MT) equipment acquired, tested and commissioned for use in the data acquisition. MT was purchased at the supplementary.
			Barrels of Early Oil delivered to KPRL storage terminal	Number of barrels delivered	400,000	0	(400,000)	<ul style="list-style-type: none"> 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. Monitoring of decommissioning of EOPS facilities and marketing of the stored crude oil planned.
			FEED [1] and ESIA [2] for the proposed Lokichar-Lamu crude oil export pipeline.	ESIA and FEED reports	-	-	-	<ul style="list-style-type: none"> ESIA and FEED for the Lokichar-Lamu Pipeline was completed in FY 2019/2020. ESIA Report submitted to NEMA and is undergoing public engagement. The ongoing project activities include land surveying and inquiries along the crude oil pipeline route; development of land acquisition and resettlement framework, and stakeholder engagements.

**State Department for Petroleum
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Programme	Sub-Programme	Delivery Unit	Key Output	Key Performance Indicator	FY 2020/2021			Remarks
					Target(s)	Actual	Variance	
			Export market survey for the crude oil	Market survey report	-	-	-	Market survey was not completed due to Covid19 but will be fast tracked to ascertain marketability of the Kenyan crude oil in the international market.
			Decommissioning of EOPS Facilities	Decommissioning Report	-	-	-	The Ministry is working in collaboration with the KJV on the decommissioning of EOPS facilities to ensure it is in line with Early Oil Pilot Scheme Agreement (EOPSA).
			Auditing of EOPS Costs	Audit Report	-	-	-	Auditing of the EOPS costs is near completion to ascertain the costs as claimed by the contractor (KJV)
		Kenya Petroleum Technical Assistance Project (KEPTAP)	Kenya Petroleum Technical Assistance Project (KEPTAP)	Officers trained in oil and gas	320	245	-75	<ul style="list-style-type: none"> • The variance is attributed to Covid -19 containment measures. • Other key programs/ workshops undertaken include; <ul style="list-style-type: none"> - Stakeholder engagement and dialogue with special considerations to vulnerable groups, indigenous, pastoral populations, - Water management in oil and gas projects & operations, - Environmental Auditing - upstream Oil & Gas, - Advanced Health Management in oil and gas developments, - Health Impact Assessment and development of a frame work for onshore & offshore hydrocarbon escape prevention - Preparedness & response capacity development

**State Department for Petroleum
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Programme	Sub-Programme	Delivery Unit	Key Output	Key Performance Indicator	FY 2020/2021			Remarks
					Target(s)	Actual	Variance	
			Task Order Reports	Number of Task Orders Report	4	4	0	<ul style="list-style-type: none"> The first 2 task orders provided analysis of Kenyan Production Sharing Contract mechanism for blocks 10BB & 13T which supported GoK in the successful development of Heads of Terms agreements (HOTs) duly concluded and signed. The other 2 task focused on the review of KJV Model, development of GoK Project Model and financial modeling capacity building.
			Legal advisory on recoverable costs audit	Number of Task Orders Reports	4	4	0	<ul style="list-style-type: none"> This assignment set out to provide legal support on all matters emanating from Cost Recovery Audit. All the 4 task orders on the negotiations/ settlement phase with the oil operators have been executed as planned.
			Health, Safety, Social and Environmental Safeguards Regulations and Manuals	Number of Regulations	6	6	0	The review of Biodiversity, Waste Management, Air Quality, water quality, oil spill and Chemical Regulations for NEMA completed and approved.
				Number of Manuals	1	1	0	<ul style="list-style-type: none"> The Development / review of Environmental Inspection and Monitoring Manual Completed and Approved.

State Department for Petroleum
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Programme	Sub-Programme	Delivery Unit	Key Output	Key Performance Indicator	FY 2020/2021			Remarks
					Target(s)	Actual	Variance	
			Project Oversight and Coordination	Monitoring, Evaluation and Impact assessment reports	4	4	0	<ul style="list-style-type: none"> 3 Quarterly project implementation progress reports submitted capturing key achievements, challenges and mitigation strategies; 4th Quarter report consolidated into the Draft Project Completion Report (PCR) submitted in June 2021. KEPTAP Project Completion Report capturing from commencement, achievements of project development objective and the envisaged outputs as spelt out in the PAD (relevance, efficacy, sustainability, impact) completed and advanced draft submitted –awaiting World Bank’s final review and approval.
			Petroleum Data Management	National Data Centre enhancement report	1	0	(1)	The procurement process was terminated in December 2020 and with KEPTAP’s six months extension period, restarting the procurement process was not feasible given that it would require at least 12 months to fully execute the assignment.
				Geoscience Data acquisition report	1	1	0	The Geoscience data acquisition and interpretation plan completed and approved to support licensing of blocks.
				Hydrocarbon Reserves Audit Report	1	0	(1)	The Interim Reserves Audit Report submitted and approved. The final reserves audit report and Competent Persons Report (CPR) expected

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Programme	Sub-Programme	Delivery Unit	Key Output	Key Performance Indicator	FY 2020/2021			Remarks
					Target(s)	Actual	Variance	
			Strengthening and reforms of petroleum institutions	Nock Transformation Plan	1	1	0	to be approved before project closure date of August 31st 2021 The NOCK Final Transformation Plan has been duly completed and approved by NOCK team – the plan includes project strategy, implementation plan, implementation progress and proposals on way forward for NOCK.
				National Petroleum Master Plan	1	0	(1)	The draft final Plan and the financial and economic models submitted and approved
				Petroleum Policy	1	1	0	The National petroleum policy has been developed.
			Fuel Marking	Number of samples tested from different distribution points.	9,500	20,575	11,075	The activity aims at ensuring compliance, prevent diversion of products meant for export into the local market and eradicate illegal LPG refilling. Over performance is attributed to the increase of retail stations in the country that necessitated frequent sampling and testing to check for adulteration & dumping.
			Petroleum Sector Stakeholders Engagements	No. of engagement reports	24	24	0	This output is achieved through bi weekly stakeholder engagement meetings to track the supply of petroleum products for purposes of ensuring reliable supply and mitigate against stock outs. 24 reports have been prepared.
			LPG Storage facilities constructed	No of bulk storage facilities constructed	1	0	(1)	The underperformance was attributed to the revision of budget.
			LPG cylinder outlets constructed	No. of storage facilities	70	0	(70)	A challenge occurred during the procurement of Cylinder Smart Metering services and technical support which affected the planned civil works for the storage facilities.
			LPG cylinders	No. of	150,000	20,00	(130,000)	The target was not met due to challenges in the

**State Department for Petroleum
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Programme	Sub-Programme	Delivery Unit	Key Output	Key Performance Indicator	FY 2020/2021			Remarks
					Target(s)	Actual	Variance	
			distributed	cylinders distributed		00		procurement of LPG cylinder smart meters for which there were unresponsive bids. However, the Ministry has in place a framework contract for a period of three years to meet the target number of LPG cylinders for distribution. An initial 20,000 6Kg new LPG cylinders have been procured under this framework
			LPG Skids installed	No. of LPG skids	24	0	(24)	There was revision of budget for construction of Skids
			Real time monitoring devices installed in LPG filling stations	No. of real time monitoring devices	10	0	(10)	There was no budget allocation for procurement of Real time monitoring devices in LPG filling stations
		Administration and Planning	Petroleum Policies and Plans	National Petroleum Master Plan	1	1	0	The National Master Plan coordinated under sub- programme 1
				National Petroleum Policy	1	1	0	The National Petroleum Policy coordinated under sub- programme 1
	SP.3: Administration and support services			Strategic Plan	1	1	0	The Ministry's Strategic Plan finalized
			Monitoring and Evaluation(M&E)	M&E Reports	4	0	(4)	The underperformance was due to Covid – 19 Pandemic that restricted movement.
		HRM&D	Capacity Building and Trainings	No. of officers trained	158	225	67	The over-performance is attributable to group trainings.

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Progress on attainment of Strategic development objectives

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Background

Community development as stipulated in the Production sharing contract is primarily a strategic means which the government ensures how well the company is achieving its goals or benchmarks for social responsibility. In reference to Production Sharing contracts for licensed Blocks, article 1.4.2. For the purposes of auditing, the Government may examine and verify, at reasonable times all charges and credits relating to the petroleum production Sharing Contract' operations. Also, in line with the PSC's the Government through the relevant departments and stakeholders monitors all Corporate Social Responsibility programs together with Community Development Projects and assess its level of acceptance to the host community.

Sustainability

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

- Guidelines and procedures in place in management of community projects
- The impact the social projects have to the host 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

Environmental Performance

The State Department for Petroleum is guided by Environmental Management and Coordination Act (EMCA 2015) in monitoring environmental impacts State Department for Petroleum also insists on the individual company's policy on Health Safety and Environment and check consistency with the existing regulations and laws.

Market place practices-

The organization should outline its efforts to:

- a) Responsible competition Practice.
Explain how the organization ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors
- b) Responsible supply chain and supplier relations – explain how the organization maintains good business practices, treats its own suppliers responsibly by honoring contracts and respecting payment practices.
- c) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices

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- d) Product stewardship-outline efforts to safeguard consumer rights and interests.

- a) Use of open tender method, which is the most competitive method of procurement
- b) The State Department for Petroleum 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 for Petroleum rarely punish our suppliers by not cashing their bid bonds.
- c) Market surveys are regularly conducted
 - Technical officers from technical State Department for Petroleum also ensure they continually research to understand up-to date information in relation to changes in technology and technological product.
- d) The State Department for Petroleum ensure that product specifications meet the set standard and threshold as prescribed in the Public Procurement and Asset Disposal Act, 2015 e.g environmental concerns, minimum wage requirements and Tax Compliance requirements.

Community Engagements-

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

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4. STATEMENT OF ENTITY 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.

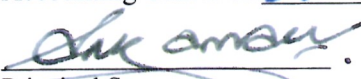
The Accounting Officer in charge of the State Department for Petroleum is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2021. 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.

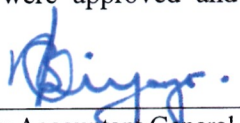
The Accounting Officer in charge of the State Department for Petroleum accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting 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, 2021, and of the entity's financial position as at that date. The Accounting Officer 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 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

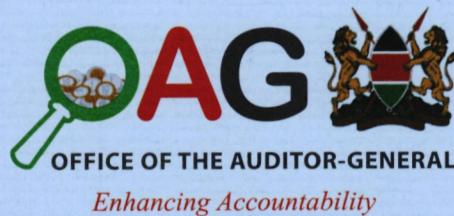
The Ministry of petroleum and Mining's financial statements were approved and signed by the Accounting Officer on 30.09.2021.


Principal Secretary
Name: Andrew Kamau, CBS


Deputy Accountant General
Name: Charles Liyayi Shidzugane
ICPAK Member Number: 5068

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR PETROLEUM FOR THE YEAR ENDED 30 JUNE, 2021

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, gazetted notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of State Department for Petroleum set out on pages 45 to 75, which comprise the statement of financial assets and liabilities as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows, summary statement of appropriation - recurrent and development combined 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, 2021, 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 Opinion

1. Inaccuracies in the Financial Statements

The financial statements for the year ended 30 June, 2021 reflect the following anomalies.

- The statement of assets and liabilities reflects an unreferenced fund balance brought forward of Kshs.35,655,140, while Note 14 reflects fund balance brought forward of Kshs.79,412,648. The variance of Kshs.43,757,508 has not been reconciled.
- Disclosed in Note 15 and reflected in the statement of cashflows for the year ended 30 June, 2021 is a negative prior year adjustments balance of Kshs.67,848,980 and a comparative negative balance of Kshs.124,804,908. However, these balances have not been adjusted in the statement of assets and liabilities as required by paragraph 1.5.1 of IPSAS cash basis. Further, the prior year adjustments balance of Kshs.67,848,980 includes refund to the National Treasury, adjustments on payables and adjustments of receivables of Kshs.(35,655,140), Kshs.(32,739,990) and Kshs.186,150 respectively whose supporting documents were not provided for audit review.
- In addition, the statement of receipts and payments for the year ended 30 June, 2021 reflects a comparative period surplus of Kshs.35,629,382 which varies with the amount reflected in the comparative period statement of assets and liabilities resulting to an unbalanced statement of assets and liabilities as at 30 June, 2020.

In the circumstances, the accuracy of the financial statements for the year ended 30 June, 2021 could not be confirmed.

2. Variance Between Financial Statements and General Ledger

The financial statements reflect balances for various items which differ with balances in the Integrated Financial Management Information System (IFMIS) general ledger as shown in the table below. The variances have not been explained or reconciled.

Item	Note	Financial Statement Balance Kshs.	General Ledger Balance Kshs.	Variance Kshs.
Routine Maintenance - Other Assets	7	3,012,052	1,780,400	1,231,652
Research, Studies, Project Preparation, Design & Supervision	10	1,503,511,895	1,503,372,769	139,126
Outstanding Imprest	12	92,490	18,754,500	18,662,010

In the circumstances, the accuracy of the financial statements could not be confirmed.

3. Unsupported Payments to Staff and Suppliers

The statement of financial assets reflects cash and cash equivalents balance totalling Kshs.15,970,560 as at 30 June, 2021. The bank reconciliation statements for the month of June, 2021 for the development and recurrent accounts reflect payments in the cashbook not in the bank statements totalling Kshs.337,613,517 and Kshs.11,204,324 respectively. These payments include amounts totalling Kshs.100,088,805 and Kshs.443,850 paid to staff on 30 June, 2021 from development and recurrent accounts respectively. The payments were expensed directly and not processed as imprest as required by financial regulations. Further, the supporting documents for the payments have not been provided for audit review.

In the circumstances, the purpose, nature, and authenticity of the payments could not be established and the non-recognition of payments to staff as imprest has overstated the expenditure and understated the receivables in the financial statements.

4. Misclassification of Expenditure

The statement of receipts and payments reflects Kshs.727,541,479 and Kshs.1,783,578,881 in respect to use of goods and services and acquisition of assets, respectively. A review of the expenditure disclosed in Notes 7 and 9 to the financial statements revealed expenses totaling Kshs.20,878,246 were charged to incorrect expenditure items without approval of The National Treasury contrary to Section 43(2b) of the Public Finance Management Act, 2012 as shown below: -

Item	Note	Vote-Head Total (Kshs.)	Amount Wrongly Charged (Kshs.)	Correct Vote-Heads for the Expenditure
Hospital Supplies & Supplies	7	92,827,869	9,516,608	Domestic Travel & Subsistence
Communication Supplies & Services	7	2,729,348	299,698	Domestic Travel & Subsistence
Domestic Travel & Subsistence Allowance	7	3,367,330	2,136,810	Foreign Travel & Subsistence
Research Studies, Project Preparation, Design & Supervision	10	1,503,511,895	2,000,000	Fuel, Oil & Lubricants
Research Studies, Project Preparation, Design & Supervision	10	1,503,511,895	6,925,130	Office and General Supplies
Total			20,878,246	

In the circumstance, the accuracy of balances reported against the expenditure items could not be ascertained.

5. Unsupported Fuel Expense

Note 7 to the financial statements reflects use of goods and services expenditure of Kshs.727,541,479 which includes Kshs.6,675,000 in respect to fuel, oil, and lubricants. Examination of the related expenditure records revealed that payments totalling Kshs.5,425,000 were made to National Oil Corporation of Kenya for purchase of bulk fuel during the year. However, no documentary evidence to indicate how the fuel was drawn by the State Department's vehicles during the year were provided for audit review.

In the circumstances, it was not possible to ascertain the propriety of fuel expenses of Kshs.5,425,000.

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 audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Pending Bills

The financial statements under Note 19.1 reflect pending bills balance of Kshs.115,724,246 as at 30 June, 2021. The bills were incurred during the year under review and remained unsettled. Failure to settle bills during the year to which they relate adversely affects the provisions of the subsequent year to which they will form a first charge.

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 sections 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. Unaccounted for Transfers to Other Government Entities

The statement of receipts and payments for the year ended 30 June, 2021 reflects expenditure amounting to Kshs.1,783,578,881 under acquisition of assets. The amount includes Kshs.280,000,000 transferred to National Oil Corporation of Kenya (NOCK) from the Petroleum Development Levy (PDL) Fund and Petroleum Training Levy for development of Block 14T, an oil exploration block allocated to the Corporation, and training of Corporation staff on petroleum matters. However, no approved budget, work plan of activities to be carried in the block or details of employees trained was provided for audit verification. Further, no cost statements or evidence of expenditure of the funds transferred was provided for audit review.

Consequently, it was not possible to ascertain whether the transferred amount of Kshs.280,000,000 was incurred for the intended purpose.

2. Purchase of Defective LPG Gas Cylinders

During the year under review, the State Department contracted an inspection company for Kshs.10,122,371 to conduct an independent inspection of the 6kg LPG gas cylinders purchased under the Mwananchi gas project. As previously reported in 2017/2018, the State Department for Petroleum had started the implementation of Liquefied Petroleum Gas (LPG) project that was intended to promote the use of modern cooking fuels among low-income households. The project entailed supply and distribution of LPG cylinders, grills and burners and National Oil Corporation of Kenya was engaged to distribute the gas cylinders to the households. However, majority of the supplied cylinders were found to have technical defects and were recalled hence prompting the Ministry to engage services of an independent inspector.

Tests done by the independent inspector engaged during the year concluded that a total of 79,057 gas cylinders comprising 15,056 and 11,132 being 100% of cylinders supplied by two firms and 52,869 being 66% of another firm's delivery, did not meet the tender specifications. This was consistent with the inspection and acceptance committee's finding at the time of supply.

In view of the above, the payments totaling Kshs.125,091,769 made to the three suppliers in respect of the supply gas cylinders that did not meet tender specification in 2017/2018 and 2018/2019 financial years constitute a loss of public funds.

3. Irregular Procurement of Equipment

a. Two Burner Low Pressure Tabletop Cookers.

Note 9 to the financial statements reflects expenditure of Kshs.279,686,486 on purchase of specialized plant, equipment, and machinery under acquisition of assets. The amount includes Kshs.77,700,000 incurred on purchase and delivery of 20,000 units of 2-Burner Low Pressure Tabletop Cooker.

Examination of related procurement records revealed that the State Department awarded and signed the above contract of Kshs.77,700,000 inclusive of Kshs.5,200,000 for inland transportation on 30 June, 2021, with a delivery period of nine (9) weeks from the date of the contract signing. However, payment records provided for audit review revealed that the invoice, delivery note, goods received note, inspection and acceptance certificate for the goods were all dated 30 June, 2021 and the payment of the Kshs.77,700,000 was made to the supplier on the same date yet the goods had not been delivered. This is contrary to Section 146 of the Public Procurement and Asset Disposal Act, 2015 which states that no works, goods or services contract shall be paid for before they are executed or delivered and accepted by the Accounting Officer of a procuring entity or an officer authorized by him or her in writing.

Further, the notification of intention to enter into a contract was dated 17 June 2021, while the contract was signed on 30 June, 2021, which was less than the mandatory fourteen (14) days prior to contract signing required by clause 45(1)(f) of the contract agreement. Similarly, the standstill period in the notice of intention to award was reduced from fourteen (14) to ten (10) days contrary to clause 42 (1)(f) of the contract agreement.

In the circumstances, the procurement of the contract was irregular and validity of the expenditures incurred on purchase and delivery of new two-burner low pressure tabletop cookers at a cost of Kshs.77,700,000 could not be confirmed.

b. Supply, Delivery, Testing and Commissioning of Magnetometer

The State Department for Petroleum awarded and signed the contract for the supply, delivery, testing and commissioning of a magnetometer with a local company on 30 June, 2021, at cost of Kshs.22,500,000 for a delivery period of three weeks. A review of the payment records for the contract revealed that the invoicing was done on 29 June, 2021 while payment was made on 30 June, 2021 yet no delivery had been made. This is contrary to Section 146 of the Public Procurement and Asset Disposal

Act, 2015 which states that no works, goods or services contract shall be paid for before they are executed or delivered and accepted by the Accounting Officer of a procuring entity or an officer authorized by him or her in writing.

In the circumstances, the procurement of the magnetometer was irregular and the validity of the expenditures for the supply, delivery, testing and commissioning of a magnetometer at cost of Kshs.22,500,000 could not be confirmed.

4. Irregular Payments of Allowances to Staff

A review of expenditure records revealed payments totalling Kshs.42,979,358 as allowances to staff working beyond normal working hours. However, these payments were made to staff undertaking their normal duties and at their regular workstations. In addition, the payments were not approved by Salaries & Remuneration Commission or backed by any circulars as shown below.

Account Name	Date	Expense Description	Amount (Kshs.)
Hospitality	24 June, 2021	Payment of allowances to 39 staff involved in LAN cabling restructuring	2,212,540
Domestic Travel	24 June, 2021	Payment to staff preparing bank reconciliations	318,000
Research Studies	6 January, 2021	Payment to 63 staff for preparing financial statements for year 2018/2019	6,400,000
Research Studies	26 January, 2021	Payments to 31 staff for preparation of tender documents	3,500,000
Research Studies	30 June, 2021	Payment to 41 officers to undertake payroll audit and data cleaning for 2019/2020	6,850,000
Research Studies	30 June, 2021	Payment to 160 staff for participating in closure of financial year 2020/2021	16,724,000
Research Studies	28 June, 2021	Payment to 21 staff for participating in disposal of obsolete stores & equipment	2,100,000
Research Studies	28 June, 2021	Payment to 61 staff for participating in preparation of second revision of revenue and expenditure estimates	5,192,500
		Total	42,979,358

In the circumstances, the allowance are irregular and the validity of the expenditures reported under domestic travel, hospitality and research studies for the year ended 30 June, 2021 could not be confirmed.

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 overall governance were not effective.

Basis for Conclusion

1. Weaknesses in Implementation of Mwananchi LPG Enhancement Project

Mwananchi Liquefied Petroleum Gas (LPG) Project which was initiated by the then Ministry of Energy and Petroleum in 2016 intended to promote use of modern cooking fuel 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 a role to ensure the components are distributed to the households.

The project was to be implemented in two modules whereby Module 1 entailed distribution of subsidized filled 6 Kg cylinders fitted with a grill and a burner in eleven (11) piloted sub-counties in Nairobi. While Module II involved distribution of filled 6Kg cylinders with a smart metering device, a horse pipe and two (2) low burner tabletop cookers.

A review of implementation status of the project revealed implementation lapses and uncertainties relating to the project as follows:

- i) An approved project implementation plan and strategy detailing how project was incepted, how it was to be actualized, and its overall sustainability plan was not provided for audit review;
- ii) At the initial stages of roll out of the project, a total of 79,057 LPG cylinders or 74% of the 106,186 cylinders supplied for module 1 were defective which significantly affected implementation and attainment of the project objective;

- iii) A beneficiary identification mechanism for the procured LPG cylinders and 20,000 Low burner tabletop cookers was yet to be developed, raising doubts on readiness for implementation;
- iv) There was no smart metering service and technical support in place at the source point for dispensing LPG to consumers and;
- v) There was no policy for recognition and accounting for revenue from the sale of LPG cylinders and LPG from the smart metering dispensing.

In view of the above, it was not possible to confirm whether the project objective would be achieved and whether the project is sustainable.

2. Delays in Handover of Functions to Energy and Petroleum Regulatory Authority

The statement of receipts and payments reflects an amount of Kshs.1,783,578,881 relating to acquisition of assets out of which Kshs.704,787,543 was incurred on acquisition of data, supervision of upstream activities, and local content enforcement. The payments were made under research, studies, project preparation, design, and supervision. However, according to Section 45 and Section 51(1) of the Petroleum Act, 2019, these functions fall under the mandate of Energy and Petroleum Regulatory Authority (EPRA).

In the circumstances, it was not possible to ascertain whether the activities were complimenting EPRA functions or a duplication of mandate.

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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and for assessment of the effectiveness of internal control, risk management and 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 using the applicable basis of accounting unless Government is aware of the 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 the 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 control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control system would not necessarily disclose all matters in internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation

to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


01 April, 2022

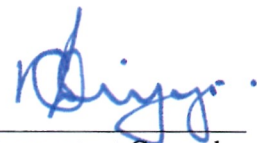
State Department for Petroleum
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6. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2020-2021	2019-2020
		Kshs	Kshs
RECEIPTS			
Tax Receipts	1	3,113,857,106.45	1,138,323,033.60
Proceeds from Domestic and Foreign Grants	2	77,224,621.40	74,301,848.75
Exchequer releases	3	990,591,713.75	854,625,228.75
Proceeds from Foreign Borrowings	4	340,855,792.35	494,593,639.20
Other Revenues	5	47,000,000.00	47,000,000.00
TOTAL RECEIPTS		4,569,529,233.95	2,608,843,791.30
PAYMENTS			
Compensation of Employees	6	173,697,543.55	156,024,130.65
Use of goods and services	7	727,541,479.45	973,418,815.65
Transfers to Other Government Units	8	280,000,000.00	140,000,000.00
Subsidies	9	1,600,000,000.00	-
Acquisition of Assets	10	1,783,578,881.00	1,303,771,462.90
TOTAL PAYMENTS		4,564,817,904.00	2,573,214,409.20
SURPLUS/DEFICIT		4,711,329.95	35,629,382.10

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 30.09.2021 and signed by:


Principal Secretary
Name: Andrew Kamau, CBS



Deputy Accountant General
Name: Charles Liyayi Shidzugane
ICPAK Member Number: 5068

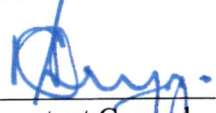
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STATEMENT OF ASSETS AND LIABILITIES

	Note	2020-2021	2019/2020
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	11	15,970,560.15	79,108,210.10
			-
Total Cash and cash equivalent		15,970,560.15	79,108,210.10
Accounts receivables – Outstanding Imprests	12	92,490	304,438.00
TOTAL FINANCIAL ASSETS		16,063,050.15	79,412,648.10
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	13	11,351,720.20	43,757,488.00
NET FINANCIAL ASSETS		4,711,329.95	35,655,160.10
REPRESENTED BY			
Fund balance b/fwd		35,655,140.10	136,055,016
Less refund to the National Treasury		(35,655,140.10)	(136,029,238)
Surplus/Deficit for the year		4,711,329.95	35,629,362.10
Outstanding imprest b/fwd			25,798
Fund balance b/d		4,711,329.95	35,655,140.10
NET FINANCIAL POSITION		4,711,329.95	35,655,140.10

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 30.09.2021 and signed by:


Principal Secretary
Name: Andrew Kamau, CBS

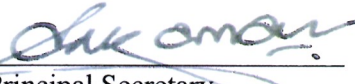

Deputy Accountant General
Name: Charles Liyayi Shidzugane
ICPAK Member Number: 5068

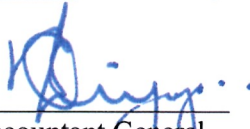
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8. STATEMENT OF CASH FLOWS

		2020-2021	2019/2020
		Kshs	Kshs
Tax Revenues	1	3,113,857,106.45	1,138,323,033.60
Proceeds from Domestic and Foreign Grants	2	77,224,621.40	74,301,848.75
Transfers from National Treasury	3	990,591,713.75	854,625,228.75
Other Revenues	5	47,000,000.00	47,000,000.00
		4,228,673,441.60	2,114,250,152.10
Payments for operating expenses			
Compensation of Employees	6	173,697,543.55	156,024,130.65
Use of goods and services	7	727,541,479.45	973,418,815.65
Transfers to Other Government Units	8	280,000,000.00	140,000,000.00
Subsidies	9	1,600,000,000.00	-
Adjusted for:		2,781,239,023	
Adjustments during the year	15	(67,848,979.90)	(124,804,908)
Net cash flow from operating activities		1,379,585,438.70	720,002,297.80
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	10	(1,783,578,881.00)	(1,303,771,462.90)
Net cash flows from Investing Activities		(1,783,578,881.00)	(1,303,771,462.90)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	4	340,855,792.35	494,593,639.20
Net cash flow from financing activities		340,855,792.35	494,593,639.20
NET INCREASE IN CASH AND CASH EQUIVALENT		(63,137,649.95)	(89,175,525.90)
Cash and cash equivalent at BEGINNING of the year		79,108,210.10	168,283,736
Cash and cash equivalent at END of the year		15,970,560.15	79,108,210.10

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 30.09.2021 and signed by:


Principal Secretary
Andrew Kamau, CBS


Deputy Accountant General
Charles Liyayi Shidzugane
ICPAK Member Number: 5068


9. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED


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 Utilizat ion f=d/c %
RECEIPTS						
Tax Receipts- (AIA)	3,444,000,000.00	-	3,444,000,000.00	3,113,857,106.45	330,142,893.55	90.41
Proceeds from Domestic and Foreign Grants	100,000,000.00	(22,500,000)	77,500,000.00	77,224,621.40	275,378.60	99.64
Exchequer releases	899,964,660.00	98,255,389.00	998,220,049.00	990,591,713.75	7,628,335.25	99.24
Proceeds from Foreign Borrowings	450,000,000.00		450,000,000.00	340,855,792.35	109,144,207.65	75.75
Other Receipts	23,500,000.00	23,500,000	47,000,000	47,000,000.00	0.00	100.00
TOTAL RECEIPTS	4,894,964,660.00	121,755,389.00	5,016,720,049.00	4,569,529,233.95	447,190,815.05	91.09
PAYMENTS						
Compensation of Employees	89,700,000.00	84,500,000.00	174,200,000.00	173,697,543.55	502,456.45	99.7
Use of goods and services	821,137,805.00	36,933,534.00	858,071,339.00	727,541,479.45	130,529,859.55	84.8
Other grants and transfers	1,600,000,000.00	0	280,000,000.00	280,000,000.00	0.00	100.0
Subsidies	280,000,000.00	0	1,600,000,000.00	1,600,000,000.00	0.00	100.0
Acquisition of Assets	2,104,126,855.00	321,855.00	2,104,448,710.00	1,783,578,881.00	320,869,829.00	84.8
TOTAL PAYMENTS	4,894,964,660.00	121,755,389.00	5,016,720,049.00	4,564,817,904.00	451,902,145.00	91.0

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- i. The 105% on use of goods and services arose due to reduction of the budget on the Kenya petroleum assistance project (KEPTAP). The budget was adjusted after expenditure arising from direct payments had already been incurred. For the purpose of transparency and accountability the expenditure had however to be captured so as to reflect the true position
- ii. The underutilization of 63.9 % on acquisition of assets resulted from the pandemic that paralysed the operations not only globally but also on the state department activities .hence some of the activities in the work plan were not undertaken and

The entity financial statements were approved on 30.09.2021 and signed by:


Principal Secretary
Andrew Kamau, CBS



Deputy Accountant General
Charles Liyayi Shidzugane
ICPAK Member Number: 5068


State Department for Petroleum
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10. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

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 %
RECEIPTS						
Tax Receipts-(AIA)	1,600,000,000.00		1,600,000,000.00	1,600,000,000.00	0.00	100.0
Proceeds from Domestic and Foreign Grants			0			96.8
Exchequer releases	94,254,660.00	98,255,389.00	192,510,049.00	186,259,430.15	6,250,618.85	100.0
Other Receipts	23,500,000.00	23,500,000.00	47,000,000.00	47,000,000.00	0	99.7
TOTAL RECEIPTS	1,717,754,660.00	23,500,000.00	1,839,510,049.00	1,833,259,430.15	6,250,618.85	99.7
PAYMENTS						
Compensation of Employees	89,700,000.00	84,500,000.00	174,200,000.00	173,697,543.55	502,456.45	99.7
Use of goods and services	27,812,805.00	36,933,534.00	64,746,339.00	56,550,422.30	8,195,916.70	85.6
Subsidies	1,600,000,000.00	0	1,600,000,000.00	1,600,000,000.00	0.00	100.0
Acquisition of Assets	241,855.00	321,855.00	563,710.00	532,166.65	31,543.35	94.4
TOTAL PAYMENTS	1,717,754,660.00	121,755,389.00	1,839,510,049.00	1,829,643,690.80	9,866,358.20	99.5

(i). The underutilization of 85 % on use of goods and services resulted from the pandemic that paralysed the operations not only globally but also on the state department activities .hence some of the activities in the work plan were not undertaken and The entity financial statements were approved on 30.09.2021 and signed by:


Principal Secretary
Andrew Kamau, CBS


Deputy Accountant General
Charles Liyayi Shidzugane
ICPAK Member Number: 5068

State Department for Petroleum
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SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT


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 %
RECEIPTS						
Tax Receipts-(AIA)	1,844,000,000.00	-	1,844,000,000.00	1,513,857,106.45	330,142,893.55	82.1
Proceeds from Domestic and Foreign Grants	100,000,000.00	(22,500,000.00)	77,500,000.00	77,224,621.40	275,378.60	99.6
Exchequer releases	700,000,000.00	105,710,000.00	805,710,000.00	804,332,283.60	1,377,716.40	99.8
Proceeds from Foreign Borrowings	1,000,000,000.00	(550,000,000.00)	450,000,000.00	340,855,792.35	109,144,207.65	75.7
TOTAL RECEIPTS	3,644,000,000.00	(572,500,000.00)	3,177,210,000.00	2,736,269,803.80	440,940,196.20	86.1
PAYMENTS						
Use of goods and services	1,385,125,000.00	(591,800,000.00)	793,325,000.00	670,991,057.15	13,114,972.30	98.0
Transfer to other government units	1,004,000,000.00	(724,000,000.00)	280,000,000.00	280,000,000.00	-	100.0
Acquisition of Assets	1,254,875,000.00	849,010,000.00	2,103,885,000.00	1,783,046,714.35	320,838,285.65	84.75%
TOTAL PAYMENTS	3,644,000,000.00	(466,790,000)	3,177,210,000.00	2,734,037,771.50	443,172,228.50	86.05%

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- (i) The 105% on use of goods and services arose due to reduction of the budget on the Kenya petroleum assistance project (KEPTAP). The budget was adjusted after expenditure arising from direct payments had already been incurred. For the purpose of transparency and accountability the expenditure had however to be captured so as to reflect the true position
- (ii) The underutilization of 64 % on acquisition of assets resulted from the pandemic that paralysed the operations not only globally but also on the state department activities .hence some of the activities in the work plan were not undertaken as planned.

The entity financial statements were approved on 30.09.2021 and signed by:


Principal Secretary
Andrew Kamau, CBS


Deputy Accountant General
Charles Liyayi Shidzugane
ICPAK Member Number: 5068

BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget 30TH June, 2021	Adjustments	Final Budget 30TH June, 2021	Actual on comparable basis 30TH June, 2021	Budget utilization difference
	Kshs	Kshs	Kshs	Kshs	Kshs
Exploration and Distribution of Oil and Gas	5,016,720,049.00	-	5,016,720,049.00	4,527,313,468.45	489,406,580.55
Oil and Gas exploration	2,924,755,572.00	-	2,924,755,572.00	2,640,880,152.65	283,875,419.35
Distribution of petroleum and gas	2,091,964,477.00	-	2,091,964,477.00	1,886,433,315.80	205,531,161.20
TOTAL	5,016,720,049.00	-	5,016,720,049.00	4,527,313,468.45	489,406,580.55

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based. Ensure that this document is completed to enable consolidation by the National Treasury)

11. SIGNIFICANT ACCOUNTING POLICIES

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

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) Kenya Petroleum Technical Assistance 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.

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Entity 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 actually been received by the Entity.

• Tax Receipts

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received. (Check if this policy is applicable to entity)

State Department for Petroleum
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SIGNIFICANT ACCOUNTING POLICIES

- **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.

- **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 30th June 2021, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

- **Other 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.

b) Recognition of payments

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

- **Compensation of Employees**

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

- **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.

- **Interest on Borrowing**

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

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• **Repayment of Borrowing (Principal Amount)**

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

• **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 by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

5. 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.

6. Third Party Payments

Included in the receipts and payments, are payments made on its 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.

7. Cash and Cash Equivalent

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.

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. As at 30th June 2021, this amounted to Kshs 43,757,488.00 compared to Kshs 32,254,498 in prior period as indicated on note 13.

There were no other restrictions on cash during the year.

SIGNIFICANT ACCOUNTING POLICIES

8. Accounts Receivable

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 AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

9. Accounts Payable

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 by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

10. 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 to provide a sense of the overall net cash position of the Entity at the end of the year. 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.

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, 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 on June 2021 for the period 1st July 2021 to 30th June 2022 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.

12. Comparative Figures

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

State Department for Petroleum
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SIGNIFICANT ACCOUNTING POLICIES

13. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2021.

14. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

During the year, errors that have been corrected are disclosed under note 26 explaining the nature and amounts.

15. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

State Department for Petroleum
Reports and Financial Statements
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12. NOTES TO THE FINANCIAL STATEMENTS

1 TAX REVENUES

	2020-2021	2019-2020
	Kshs	Kshs
Taxes on Goods and Services	3,113,857,106.45	1,138,323,033.60
Total	3,113,857,106.45	1,138,323,033.60

(These are monies received from Petroleum Development Levy Fund and Petroleum Training Levy Fund to cater for the State department for petroleum development expenditure. An amount of Kshs. 996,797,982.50 and Kshs 141,525,051.10 were drawn from Petroleum Development Levy Fund and Petroleum Training Levy Fund respectively.

2 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

	Name of Donor	Date received	Indicate whether it was a direct payment	Amount in foreign currency	2020-2021	2019-2020
					Kshs	Kshs
	Grants Received from Multilateral Donors (International Organisations)					
	World Bank		Direct payment		77,224,621.40	74,301,848.75
	Total		Direct payment		77,224,621.40	74,301,848.75

These direct payments were used to cater for the Kenya Petroleum Technical Assistance Project (KEPTAP payments)

State Department for Petroleum
Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 EXCHEQUER RELEASES

Description	2020/2021	2019/2020
	Kshs	Kshs
Total Exchequer Releases for quarter 1	428,040,272.00	200,953,408
Total Exchequer Releases for quarter 2	49,519,526.35	319,102,972
Total Exchequer Releases for quarter 3	280,334,693.40	213,302,827
Total Exchequer Releases for quarter 4	232,697,222.00	121,266,021
Total	990,591,713.75	854,625,228

State department for Petroleum received the total budgeted exchequer for both development and recurrent

4 PROCEEDS FROM FOREIGN BORROWINGS

	2020-2021	2019-2020
	Kshs	Kshs
Foreign Borrowing - Direct Payments	340,855,792.35	494,593,639.20
Total	340,855,792.35	494,593,639.20

These amounts borrowed were part of the funding for the Kenya Petroleum Technical Assistance Project (KEPTAP)

State Department for Petroleum
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For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 OTHER REVENUES

Description	2020-2021	2019-2020
	Kshs	Kshs
Sales by Market Establishments	47,000,000.00	47,000,000.00
Total	47,000,000.00	47,000,000.00

6 COMPENSATION OF EMPLOYEES

	2020/2021	2019/2020
	Kshs	Kshs
Basic salaries of permanent employees	111,523,706.90	95,350,782.75
Basic wages of temporary employees		
Personal allowances paid as part of salary	62,173,836.65	60,673,347.90
Total	173,697,543.55	156,024,130.65

State Department for Petroleum
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 USE OF GOODS AND SERVICES

	2020/2021	2019/2020
	Kshs	Kshs
Utilities, supplies and services	1,434,279.95	2,605,210.75
Communication, supplies and services	2,729,348.00	4,396,024.65
Domestic travel and subsistence	11,143,375.00	12,680,800.00
Foreign travel and subsistence	3,367,329.60	4,335,715.00
Printing, advertising and information supplies & services	1,535,451.00	3,285,204.00
Rentals of produced assets	0	
Training expenses	166,539,892.00	94,782,906.40
Hospitality supplies and services	92,827,869.00	259,202,288.60
Specialized materials and services	1,340,220.00	2,094,165.20
Office and general supplies and services	5,583,522.10	6,651,606.00
Other operating expenses	426,225,136.65	572,550,646.35
Routine maintenance – vehicles and other transport equipment	5,128,004.45	1,674,199.90
Routine maintenance – other assets	3,012,051.70	1,676,323.80
Fuel oil and lubricants	6,675,000.00	7,483,725.00
Exchange Rate Losses	0	
Total	727,541,479.45	973,418,815.65

State Department for Petroleum
Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

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

Description	Recurrent Kshs	Development Kshs	Total Kshs	2019-2020 Kshs
Transfers to SAGAs and SCs				
National oil corporation	-	280,000,000	280,000,000	140,000000
TOTAL	-	280,000,000	280,000,000	140,000000

We have confirmed these amounts with the recipient entities and attached these confirmations as an Appendix to this financial statements

State Department for Petroleum
Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Subsidies

Description		2020-2021	2020-2021
		Kshs	Kshs
Transfers to SAGAs and SCs			
Subsidies to Public Corporations		1600,000,000	-
TOTAL		1600,000,000	-

State Department for Petroleum
Reports and Financial Statements
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 ACQUISITION OF ASSETS

Non-Financial Assets	2020/2021	2019/2020
	Kshs	Kshs
Overhaul and Refurbishment of Construction and Civil Works		
Overhaul of Vehicles and Other Transport Equipment		
Purchase of Office Furniture and General Equipment	380,500.00	251,700.00
Purchase of Specialised Plant, Equipment and Machinery	279,686,486.10	140,126,047.30
Research, Studies, Project Preparation, Design & Supervision	1,503,511,894.90	955,007,615.60
Rehabilitation of Civil Works		208,386,100.00
Total	1,783,578,881.00	1,303,771,462.90

State Department for Petroleum
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• **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

11 Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Developm ent, deposit e.t.c	Exc rate (if in foreign currency)	2020/2021	2019/2020
				Kshs	Kshs
<i>Central Bank of Kenya, Recurrent</i>	-	-	-	2,479,298.45	14,329,620.25
<i>Central Bank of Kenya, Development</i>				531,509.40	21,021,101.85
<i>Central Bank of Kenya, Deposit</i>				11,351,720.20	43,757,488.00
<i>Central Bank of Kenya, KEPTAP</i>				1,608,032.10	
Total				15,970,560.15	79,108,210.10

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

<i>Description</i>	2020/2021	2019/2020
		Kshs
Government Imprests	92,490	304,438.00
Total	92,490	304,438.00

List of officers with 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>
MARK MWIRIGI		92,400.00		92,400.00
MARY MADAHANA				60
AGENETTA OGENDO				20
JACKSON OKINDO				10
				92,490.00

13 ACCOUNTS PAYABLE

Description	2020-2021	2019-2020
	Kshs	Kshs
Deposits	11,351,720.20	43,757,488.00
Total	11,351,720.20	43,757,488.00

These are monies received from Kenya national boundary office to pay for a company that was charged with the responsibility of procuring seismic data reprocessing and reinterpretation services upon completion of the exercise, which had to be verified by the State Department before making payment.

14 FUND BALANCE BROUGHT FORWARD

Description	2020/2021	2019/2020
	Kshs	Kshs
Bank accounts	35,350,722.10	136,029,238
Accounts Receivables	304,438.00.00	25,778
Accounts Payables	43,757,488.00	32,254,498
Total	79,412,648.10	168,309,514

Accounts payables related to deposits in the state department

NOTES TO THE FINANCIAL STATEMENTS (Continued)**15 PRIOR YEAR ADJUSTMENTS**

Description of the error	2020/2021	2019/2020
	Kshs	Kshs
Refund to the National Treasury	(35,655,140.10)	(136,029,238)
Adjustments on payables	(32,379,989.80)	11,502,990
Adjustments on receivables	186,150.00	(252,882.00)
Others (<i>specify</i>)		
	(67,848,979.90)	(124,804,908)

State Department for Petroleum
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. CHANGES IN RECEIVABLE

Description of the error	2020 - 2021	2019 - 2020
	KShs	KShs
Outstanding Imprest as at 1 st July 2019 (A)	304,438.00	25,778.00
Imprest issued during the year (B)	161,812,654.00	153,389,548.80
Imprest surrendered during the Year (C)	162,024,602.00	153,136,666.80
Net changes in account receivables D= A+B-C	92,490.00	278.660.00

17. CHANGES IN ACCOUNTS PAYABLE – DEPOSITS AND RETENTIONS

Description of the error	2020 - 2021	2019 - 2020
	KShs	KShs
Deposit and Retentions as at 1 st July 2019 (A)	43,757,488	32,254,498
Deposit and Retentions held during the year (B)	-	11,502,990.
Deposit and Retentions paid during the Year (C)	32,405,767.8	-
Net changes in account receivables D= A+B-C	11,351,720.20	43,757,488

18 RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

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

- Key management personnel that include the Cabinet Secretaries and Accounting Officers
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

	2020- 2021	2019- 2020
	Kshs	Kshs
Transfers to other National Oil corporation	280,000,000	140,000,000
Total	280,000,000	140,000,000

State Department for Petroleum
Reports and Financial Statements
For the year ended June 30, 2021

19 OTHER IMPORTANT DISCLOSURES

19.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings				
Construction of civil works				
Supply of goods	1,697,040	0	1,697,040	0
Supply of services	436,482,856	115,724,246.39	436,482,856	115,724,246.39
Total	438,179,896	115,724,246.39	438,179,896	115,724,246.39

19.2 External Assistance

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
External assistance received in cash	100,000,374.00	
External assistance received as loans and grants	700,003,561.00	414,362,118
External assistance received in kind- as payment by third parties	418,080,413.00	568,895,488
Total	1,218,084,348.00	983,257,605.3

a) External assistance relating loans and grants

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
External assistance received as loans	700,003,561.00	316,109,242
External assistance received as grants	100,000,374.00	98,252,876
Total	800,003,935.00	414,362,118

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b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2020/2021	FY 2019/2020
Description		Kshs	Kshs
Undrawn external assistance – loans	The funds will be utilized to implement various activities as per the annual work plans and budget and in line with the project appraisal documents	33,367,235.00	1,721,891,679
Undrawn external assistance – grants		956,832,618.00	112,592,331
Total		990,199,853.00	1,834,484,010

c) Classes of providers of external assistance

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
Use of goods	411,962,741.00	568,895,488
Acquisition of assets	6,117,672	
Total	418,080,413.01	568,895,488

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
Multilateral donors	1,218,084,348.00	983,257,605.3
Total	1,218,084,348.00	983,257,605.3

Purpose and use of external assistance

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
Use of goods and services	418,080,413.01	568,895,488
Acquisition of Assets		
TOTAL	418,080,413.01	568,895,488

N/B The above sub-classification will be adopted based on the purpose of the external assistance and how the external assistance was used.

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f. External Assistance paid by Third Parties on behalf of the Entity by Source

This relates to external assistance paid directly by third parties to settle obligations on behalf of the entity

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
Multilateral donors-World bank	418,080,413.01	568,895,488
Total	418,080,413.01	568,895,488

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

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1542	Pending Bills A variance of shs.1,926,207 between the reported pending bills and the one indicated in the financial statement	The Kshs. 1,926,207 relates to a supplier whose invoice had been paid but returned due to wrong bank details and could not be paid at the close of financial year since money had reverted back to the consolidated fund	Head of accounting unit	RESOLVED	
1543.	Budgetary Control and Performance Budget underperformance		Head of finance	RESOLVED	
1544.	Delay of Exchequer Releases	<ol style="list-style-type: none"> 1. Exchequers requisition are done through the IFMIS System and it is only for the invoices that have been processed and ready for payment. 2. MDAs are allowed to requisition for the exact amount that are needed at any given time. 	Head of accounting unit	RESOLVED	

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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)
1546.	Lack of an Audit Committee	The ministry has an audit committee in place after the positions for audit committee members were advertised via mygov and Nation newspapers The management had in place a system of communication between the transport office and management of National Oil Corporation via email regarding which vehicle, driver and quantity of fuel to be drawn have been availed as proof the transactions that took place during the financial year	CFO PSCO SECRETARY PETROLEUM	RESOLVED	
1547.	Weak Controls over Fuel Expenditure Lack of a proper stocks management system		CFO PSCO SECRETARY PETROLEUM	RESOLVED	


Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;

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- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.


Principal Secretary
Andrew Kamau, CBS


Deputy Accountant General
Charles Liyayi Shidzugane
ICPAK Member Number: 5068

21. ANNEXURE

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance	
				2020	2019
	A	B	C	D=A-C	
IHSMARKIT	21,353,768	30-04-21	0	21,353,768	
AUSTRALIA AFRICA ENERGY & MINERAL INSTITUTE	7,024,954	24-06-21	0	7,024,954	
HSE INTERNATIONAL	7,982,903	05/6/2021	0	7,982,903	
HSE INTERNATIONAL	6,261,100	10-06-21	0	6,261,100	
SMARTKONCEPT INC	7,982,903	09/03/2021	0	7,982,903	
CLYDE AND CO LLP	7,844,860		0	7,844,860	
MOTT MACDONALD	26,433,349	06/01/2021	0	26,433,349	
RSK ENVIRONMENT LTD	8,519,846	15-06-21	0	8,519,846	
TIRAZ INTERIORS AND RENOVATIONS	354,000	21-06-21	0	354,000	
KURRENT TECHNOLOGIES	4,165,577	31-03-21	0	4,165,577	
POLARIS APPLIED SCIENCES INC	1,806,546	14-04-21	0	1,806,546	
SCHLUMBERGER OFFSHORE SERVICES	5,736,960	10-05-21	0	5,736,960	
RAYDOLL TOURS AND TRAVEL LTD	5,725.00	03-05-21	0	5,725.00	
TUSMO TRAVEL TOURS AND CARGO LTD	14,600.00	25/5/21	0	14,600.00	
KENYA SAFARI LODGES AND HOTELS LIMITED.	153,000.00	27/5/21	0	153,000.00	
FLIGHT CENTER TRAVEL		27/5/21	0		

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LIMITED.	34,000.00			34,000.00
LONGROCK TOURS AND TRAVEL LTD	86,100.00	28/5/21	0	86,100.00
ATTIC TOURS AND TRAVEL LTD	110,000.00	28/5/21	0	110,000.00
GREENBAY TRAVEL LTD	114,000.00	28/5/21	0	114,000.00
ROSMA TOURS AND TRAVEL	24,020.00	28/5/21	0	24,020.00
ZAKALE EXPEDITIONS LTD	36,500.00	31/5/21	0	36,500.00
FLY HIGH AGENCY LIMITED.	77,500.00	06-03-21	0	77,500.00
AFRICA BLISS TRAVEL LIMITED.	72,000.00	06-03-21	0	72,000.00
SILVER AFRICA TOURS AND SAFARIS.	76,800.00	06-03-21	0	76,800.00
PRIMATE TOURS LTD	55,950.00	06-03-21	0	55,950.00
REALEDGE AFRICA VENTURES LIMITED	83,100.00	06-03-21	0	83,100.00
TUSMO TRAVEL TOURS AND CARGO LIMITED	188,300.00	06-04-21	0	188,300.00
SILVER AFRICA TOURS AND SAFARIS	83,550.00	06-04-21	0	83,550.00
LONGROCK TOURS AND TRAVEL LTD	108,465.00	06-04-21	0	108,465.00
GREENBAY TRAVEL LTD	126,648.00	06-04-21	0	126,648.00
LONGROCK TOURS AND		06-04-21	0	

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TRAVEL LTD	16,940.00			16,940.00
TRAVELLERS BEACH HOTEL AND CLUB	136,000.00	06-04-21	0	136,000.00
PRIDE INN PARADISE BEACH RESORT AND SPA	222,000.00	06-04-21	0	222,000.00
KENYA SAFARI LODGES AND HOTELS LIMITED	168,000.00	06-07-21	0	168,000.00
KENYA PIPELINE COMPANY LIMITED	630,000.00	07-07-21	0	630,000.00
FLIGHT CENTRE TRAVEL	28,875.00	06-08-21	0	28,875.00
FLIGHT CENTRE TRAVEL.	27,560.00	06-09-21	0	27,560.00
ZAKALE EXPEDITIONS LTD	73,500.00	06-11-21	0	73,500.00
PRIDEINN FLAMINGO BEACH RESORT LIMITED	1,627,500.00	06-11-21	0	1,627,500.00
ASTORIAN GRAND HOTEL	252,000.00	06-11-21	0	252,000.00
ASTORIAN GRAND HOTEL	221,200.00	06-11-21	0	221,200.00
LONGROCK TOURS AND TRAVEL LTD	29,860.00	14/6/21	0	29,860.00
LONGROCK TOURS AND TRAVEL LTD	32,150.00	16/6/21	0	32,150.00
FLIGHT CENTER TRAVEL	119,535.00	17/6/21	0	119,535.00
GREENBAY TRAVEL LTD	90,680.00	17/6/12	0	90,680.00
PRIMATE TOURS LTD	90,750.00	17/6/21	0	90,750.00

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RAYDOLL TOURS AND TRAVEL LTD.	58,870.00	18/6/21	0	58,870.00	
FLIGHT CENTER TRAVEL	511,390.00	25/6/21	0	511,390.00	
REX KIOSK	109,456.00	27/5/2021	0	109,456.00	
JIMMON CLEANING SERVICES	150,506.13	05-04-21	0	150,506.13	
JIMMON CLEANING SERVICES	150,506.13	31/5/21	0	150,506.13	
JIMMON CLEANING SERVICES	150,506.13	31/3/21	0	150,506.13	
JIMMON CLEANING SERVICES	150,506.13	30/6/21	0	150,506.13	
HATARI SECURITY GUARD LTD.	82,810.34	30/11/20	0	82,810.34	
HATARI SECURITY GUARD LTD.	92,747.58	31/12/20	0	92,747.58	
HATARI SECURITY GUARD LTD.	96,060.00	30/1/21	0	96,060.00	
HATARI SECURITY GUARD LTD.	96,060.00	28/2/21	0	96,060.00	
HATARI SECURITY GUARD LTD.	96,060.00	31/3/21	0	96,060.00	
HATARI SECURITY GUARD LTD.	96,060.00	30/4/21	0	96,060.00	
ELEVATOR GENERAL SERVICES LTD	597,480.00	22/6/21	0	597,480.00	
ELEVATOR GENERAL SERVICES LTD	957,501.00	06-02-21	0	957,501.00	
PONG AGENCIES LTD.		14/7/21	0		

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	38,620.00			38,620.00
PONG AGENCIES LTD	111,540.00	22/7/21	0	111,540.00
MFI	1,493,993.26	26/6/21	0	1,493,993.26
M/S GREENBAY TRAVEL LTD	114,400.00		0	114,400.00
HATARI SECURITY GUARD LTD	96,060.00			96,060.00
HATARI SECURITY GUARD LTD	75,523.00			75,523.00
REAGE WORLD	492,000.00			492,000.00
UNIKEM ENTREPRISES	184,267.25			184,267.25
TOYOTA KENYA LIMITED	31,828.00			31,828.00
LENIX ENTERPRISES	319,828.95			319,828.95
NORPY GENERAL AGENCIES	393,103.45			393,103.45
				117,423,524.00

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ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2019/2020	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost e/f (Kshs) 2020/2021
Land					
Buildings and structures					
Transport equipment	19,453,000				19,453,000
Office equipment, furniture and fittings	3,340,636	380,500.00			3,721,136.00
ICT Equipment				-	0.00
Machinery and Equipment	649,594,878	275,077,812.05			924,672,690.05
Biological assets					0.00
Infrastructure Assets- Roads, Rails					0.00
Heritage and cultural assets					0.00
Intangible assets	3,393,704,840	1,491,403,067.40		-	4,885,107,907.40
Work in Progress					
Total	4,066,093,354	1,766,861,379.45-		-	5,832,954,733

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year. Ensure this section is complete covering all the entities assets)

**ANNEX 3 – LIST OF PROJECTS IMPLEMENTED BY THE STATE DEPARTMENT
FOR PETROLEUM**

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
1	KENYA PETROLEUM TECHNICAL ASSISTANCE PROJECT			YES

ANNEX 4 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE STATE DEPARTMENT FOR PETROLEUM

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Inter- entity reconciliations done?(yes/no)
1	NATIONAL OIL CORPORATION(NOCK)	Petroleum supply chain covering the upstream oil and gas exploration, midstream petroleum infrastructure development and downstream marketing of petroleum products.		140,000,000	
2	RNERGY AND PETROLEUM REGULATORY AUTHORITY	Regulating the energy and petroleum sector		-	
3	PETROLEUM DEVELOPMENT LEVY FUND	Funding of the development budget		(996,797,982.50)	
4	PETROLEUM TRAINING LEVY FUND	Funding of the development budget		(141,525,051.10)	

ANNEX 5 – CONTINGENT LIABILITIES REGISTER

	Nature of contingent liability	Payable to	Currency	Estimated Amount Kshs	Expected date of payment	Remarks
1	Pending court case	Accurate Power Systems Ltd	Kshs	18,935,850	By end of the Financial Year	
2	Pending court case	Surge Energy Ltd	Kshs	196,101,528	By end of the Financial Year	
3	Pending court case	All Day Technologies Ltd	Kshs	5,859,600	By end of the Financial Year	
				220,896,978.00		

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ANNEX 6- 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. FO30 (Bank reconciliations) 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
- 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