

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA FOREST SERVICE

**FOR THE YEAR ENDED
30 JUNE, 2020**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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ANNUAL REPORT & FINANCIAL STATEMENTS

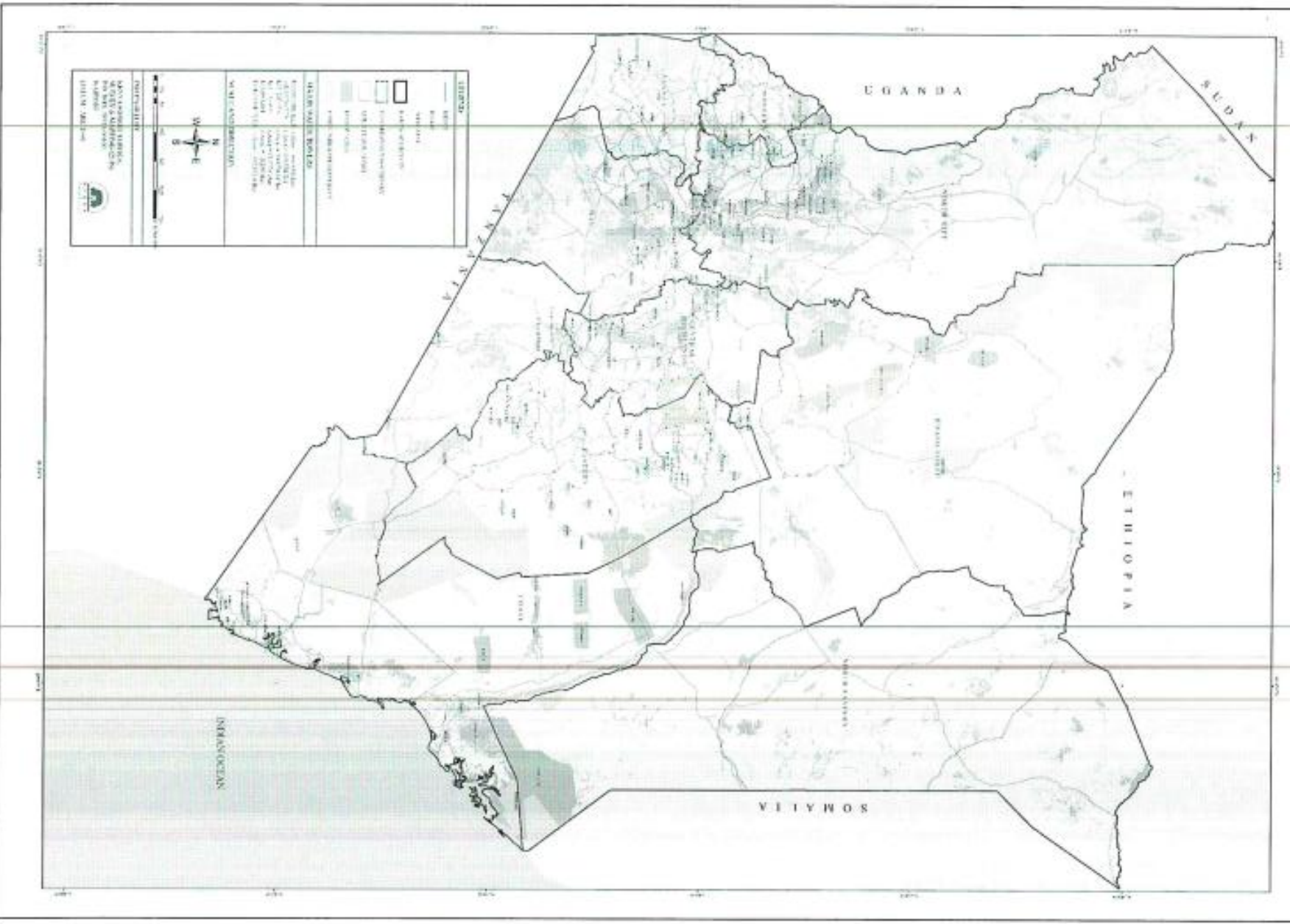
for the financial year ended

JUNE 30, 2020


Trees for better lives

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

FOREST ADMINISTRATIVE BOUNDARIES



Kenya Forest Service
Annual Report and Financial Statements
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INTRODUCTION

KEY SERVICE INFORMATION AND MANAGEMENT

Background Information

Kenya Forest Service is a body corporate established under the Forest Conservation and Management Act no. 34 of 2016. The Act which was operationalized on March 31, 2017, gave the Service's mandate as *"to conserve, protect and manage forest resources for environmental integrity and socioeconomic development of the country and for connected purposes"*

The Service is categorised as a schedule 4 national government entity with a national spread stratified into ten (10) forest conservancy areas that are ecologically demarcated, with ecosystem offices in all the 47 counties. These offices are critical in the co-ordination of forest conservation, management and surveillance.

Principal Activities

The Functions of the Service as provided in the act are; -

- i. Conserve, protect and manage all public forests in accordance with the provisions of the Act;
- ii. Prepare and implement management plans for all public forests and, where requested, assist in preparation of management plans for community forests or private forests in consultation with the relevant owners;
- iii. Receive and consider applications for licenses or permits in relation to forest resources or management of forests or any other relevant matter in accordance with the Act;
- iv. Establish and implement benefit sharing arrangements in accordance with the provisions of the Act;
- v. Assist county governments to build capacity in forestry and forest management in the counties;
- vi. In consultation with relevant stakeholders, develop programmes for tourism and for recreational and ceremonial use of public forests;
- vii. Promote forestry education and training;
- viii. Register and maintain a register of all forest management plans prepared for public forests;
- ix. Collaborate with relevant persons and institutions in identifying research needs and applying research findings in relation to forests and forestry;
- x. Manage water catchment areas in relation to soil and water conservation, carbon sequestration and other environmental services in collaboration with relevant stakeholders;
- xi. Prepare a Forest Status Report for the Cabinet Secretary once in every two years; and a Resource Assessment Report for the Cabinet Secretary once in every five years;
- xii. Consider and recommend to the Cabinet Secretary the establishment of public forests on un-alienated public land or any other public land;
- xiii. Consider and recommend to the Cabinet Secretary the determination and alteration of boundaries of public forests;
- xiv. Establish forest conservancy areas for purposes of conservation and management;
- xv. Approve the provision of credit facilities and technical training for community-based forest industries, and the provision of incentives to persons for the sustainable utilization of wood and non-wood forest products;
- xvi. Implement and enforce rules and regulations governing importation, exportation and trade in forest produce.
- xvii. Develop, maintain and regularly update a geographic information system database of all forests in Kenya.

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Vision, Mission and Strategic Goal

Vision

“To be an internationally recognized organization of excellence in knowledge based sustainable forest resources development, conservation and management”.

Mission

“Conservation, management, development and sustainable utilisation of forests and allied resources”.

Strategic
Goal

The Kenya Forest Service strategic goal is to conserve, develop and manage forest resources sustainably for the provision of forest goods and services.

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Core Values

Our core values form the foundation of how we conduct ourselves when carrying out our duties. The Service is guided by the following core values: - (T, R, E, E, I, S)

- *Teamwork:* Embrace mutual support, active participation, collective responsibility, open communication, information sharing and mentoring.
- *Results Oriented.* Allocation of resources based on measured performance to maximize effectiveness.
- *Equity:* Fairness, affirmative action and sensitivity
- *Excellence:* Challenge to the highest level of performance, to create the greatest impact.
- *Integrity:* Conduct our daily business on the basis of accountability and transparency, with a zero tolerance for corruption.
- *Scientific principles and professionalism:* Decision making and practice will be based on current scientific knowledge and best practice.

Key Management

Kenya Forest Service day-to-day management is under the following key organs:

- Board of Directors;
- Chief Conservator of Forests (CCF); and
- Senior Management Team

Fiduciary Management

The senior management team led by the Chief Conservator of Forest is entrusted to manage the Service total assets to execute the long-term strategies efficiently and target better outcome through a more effective governance structure. The key management personnel who held office during the financial year ended 30 June 2020 and who had direct fiduciary responsibility were:

No.	Name	Designation
1.	Julius Kamau	- Chief Conservator of Forests (CCF)
2.	Monica Kalenda	- Senior Deputy CCF, Support Services
3.	Esau O. Omolo*	- Senior Deputy CCF, Field Operations
4.	Peter K. Waweru	- Senior Deputy CCF, KFC
5.	Patrick Karuki	- Deputy CCF, Farm and Dryland Forestry
6.	Charity Munyasya	- Deputy CCF, Forest Conservation & Management
7.	Alex Lemarkoko	- Deputy CCF, Forest Protection & Security
8.	Lucy Kiboi	- Manager, Corporate Services
9.	Anastasia Muasya	- Manager, Finance & Accounting
10.	Juliana Ochieng	- Manager, Human Resources & Admin.
11.	Laura Yego	- Ag. Manager, Legal Services
12.	Zipporah Toroitich	- Ag. Deputy CCF, Plantation & Enterprises
13.	Anne Muthamia	- Principal Corporate Communication Officer
14.	Stephen Mugi	- Principal Internal Audit Officer
15.	Stephen Cheboi	- Principal Information, Communication and Technology Officer
16.	John Mburu	- Ag. Principal Supply Chain Officer

* N/B Mr. Esau Omolo retired from the Service on 15th January 2020.



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Fiduciary Oversight Arrangements

The Board of Directors has four Committees with specific delegated authorities. These are the Audit Committee, the Human Resources Committee, the Finance Committee and the Technical, Planning, Development & KFC Committee.

i) Audit Committee

The Audit Committee evaluates and recommends policies on the Service's internal controls and financial propriety as well as risk management, review matters connected with audits and the provision of assurance regarding internal controls.

NO.	NAME	POSITION
1.	Peter Wandera	Chairperson - Representing Community Forest Associations (CFA)
2.	Henry Barmao	Member - Representing Inspector General, National Police Service
3.	Jane Wamoko	Member - Representing PS, National Treasury
4.	Peter Leitoro	Member - Representing PS, Environment & Forestry

ii) Human Resource and Administration Committee

The main function of the Human Resource and Administration Committee is policy compliance and ensure effective management of human resources and administrative functions.

NO.	NAME	POSITION
1.	Anne Tek	Chairperson - Representing Council of Governors
2.	Peter Wandera	Member - Representing Community Forest Associations (CFA)
3.	Henry Barmao	Member - Representing Inspector General, National Police Service
4.	Joel Laigong	Member - Representing Forestry Society of Kenya
5.	Dr. Jane Njuguna	Member - Representing KEFRI
6.	Peter Leitoro	Member - Representing PS, Environment & Forestry
7.	Julius Kamau	Member - Secretary to the Board (CCF)

iii) Finance Committee

The Finance Committee evaluates and recommends policies to ensure the financial stability, corporate wellbeing and effective management of the Service's assets as well as recommend financial plans, actively monitor fiscal performance and advise on appropriate standards for assessing business risk.

NO.	NAME	POSITION
1.	Jaswant Singh Rai	Chairperson - Representing Forest Industry
2.	Anne Tek	Member - Representing Council of Governors
3.	Jane Wamoko	Member - Representing PS, National Treasury
4.	Peter Leitoro	Member - Representing PS, Environment & Forestry
5.	Julius Kamau	Member - Secretary to the Board (CCF)

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iv) **Technical, Planning, Development & KFC Committee**
The Technical, Planning, Development & KFC Committee is responsible for ensuring: policy compliance, operational and legal compliance, advising the Board on proposed subsidiary legislation, effective management of forests, effective organisational structures for forest conservancy areas as well as approvals of technical policies, strategies and systems. It also handles matters related to the Kenya Forestry College (KFC), Londiani.


NO.	NAME	POSITION
1.	Joel Laigong	Chairperson - Representing Forestry Society of Kenya.
2.	Dr. Jane Njuguna	Member - Representing KEFRI
3.	Ann Tek	Member - Representing Council of Governors
4.	Jaswant Singh Rai	Member - Representing Forest Industry
5.	Peter Wandera	Member - Representing Community Forest Associations (CFA)
6.	Peter Leitoro	Member - Representing PS, Environment & Forestry
7.	Julius Kamau	Member - Secretary to the Board (CCF)

Headquarters

Kenya Forest Service
P.O. Box 30513 - 00100,
Karura Forest, off Kiambu Road,
Nairobi - Kenya.

Contacts

Telephone: (254) 020 2014663 / 020 2589055
E-mail: info@kenyaforestservice.org, director@kenyaforestservice.org
Website: www.kenyaforestservice.org

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 Kenya Forest Service

 Kenya Forest Service

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Bankers

Kenya Commercial Bank
P.O. Box 14959
Tel: +254-20-3747576
Fax: +254-20-3747576
E-mail: info@kcb.co.ke
Website: www.kcb.co.ke

NCBA Bank
P.O. Box 44599-00100, GPO,
Tel: + 254-20-2884444
Fax: + 254-20-2888505
E-mail:
customercare@ncbgroup.com
Website: www.ncbgroup.com

Co-operative Bank of Kenya
P.O. Box 48231-00100,
Tel: +254-20-3276000
Fax: +254-20-219821
E-mail:
customerservice@co-opbank.co.ke
Website: www.co-opbank.co.ke

Equity Bank
P.O. Box 75102-00200-Nairobi
Tel: +254-20-2262000
Fax: +254-20-2737276
E-mail: info@equitybank.co.ke
Website: www.equitybank.co.ke

National Bank of Kenya
P.O. Box 72866-00200 Nairobi
Tel: 020-2828000
Fax: 020-311444/222304
E-Mail:
corporateaffairs@nationalbank.co.ke

Independent Auditors

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

Principal Legal Adviser

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



THE BOARD OF DIRECTORS



Peter Kinyua - Chairman

Mr. Peter Kinyua graduated from Salve Regina University, Rhode Island, USA, in May 1986, with a Bachelor of Arts and Science Degree. He is a coffee trader and has been exporting coffee for over 27 years. He is a member of Kenya Coffee Traders Association of which he was the founder Chairman. He has also been a Director of the Coffee Board of Kenya. Currently he is a coffee Farmer in Juja and a coffee exporter by profession. He is a Director of the Rhino Ark Charitable Trust. He is a former Trustee of the Board of Kenya Wildlife Service and has a passion for conservation. He successfully sourced for substantial funding for conservation through Rhino Ark, a Charitable Trust.



Peter Wandera - Vice Chairman & Representative of Community Forest Associations (CFA)

Mr. Wandera is the Vice Chairman of the Board as well as, the Chairman of the Audit Committee. He has vast knowledge in forestry having attended different forestry trainings.



Peter Leitoro, OGW - Representative of Principal Secretary, Environment and Forestry

Mr. Leitoro holds a master's in Security Studies and Risk Management and an MBA (Strategic Management as well as a diploma in Conservation and Management and diploma in International Studies). He has wide experience in law enforcement, conservation, managerial leadership and financial skills.



Jane Wamoko - Representative of Principal Secretary, National Treasury

Jane is a holder of a master's degree in Public Management (MPM) and Bachelor of Arts degree (BA Hons). She is trained in Projects and Financial management as well as Strategic Leadership. Her areas of specialization include preparation and implementation of budgets, public procurement and resource mobilization.



Henry Barmao - Representative of Inspector General of National Police Service

Mr Barmao is a career Police Officer and is currently the Director of Operations - Kenya Police Service. He is also an instructor at the Police College. He sits on the board of the NTSA. He has attended various courses including Strategic Leadership Development and Management Course.



Dr. Jane Njuguna - Representative of KEFRI

Dr. Njuguna is currently a Senior Deputy Director of KEFRI. She holds a Ph. D in Forest Science.

Joel Laigong - Representative of Forestry Society of Kenya

Mr. Laigong is the Chairman of the Technical, Planning, Development and KFC Committee of the board. He holds a Master of Science degree in Forestry Management. He is currently an Assistant Researcher at KEFRI and also lectures at the University of Eldoret with his expertise being in Forest management including PFM/Forest Administration. Mr. Laigong is a life member of the Forestry Society of Kenya.



Jaswant Singh Rai - Representative of Forest Industry

Mr. Rai is the Chairman of the Finance Committee of the Board.



Anne Tek - Representative of the Council of Governors

Ms. Anne Tek is the Chairlady of the Human Resource and Administration Committee. She holds a BSc. in Forestry and various courses on strategic management with over ten years' experience in organizational development and project management. She is currently the technical lead on Environment and Natural Resources at the Council of Governors and a member of the Forestry Society of Kenya.



Julius Kamau - Chief Conservator of Forests

Mr. Kamau is a First Class Honors Degree holder in Forestry (Moi University). He also holds a Master of Arts Degree in Environmental Planning and Management (University of Nairobi) and a Diploma in International Environmental Law Making and Diplomacy (University of Eastern Finland) and has over 18 years' experience in the conservation sector.

He has a great wealth of experience in policy dialogue and influence, design and management of environmental programmes in private, public and international development cooperation sectors.

Prior to joining the Service, he was the Deputy Executive Director of the Rhino Ark Kenya Charitable Trust. He has in the past worked with the Sotik Tea Company as the Environment and Forest Manager, Embassy of Finland as a Forest Specialist, Embassy of Sweden as a Regional Programme Manager, INTASAVE Africa as the Regional Director and the East African Wildlife Society as the Executive Director.

He is a full member of Forest Society of Kenya where he served as the National Vice Secretary for 6 years (2011-2016). He is also a registered lead auditor EIA/EA and a member of the Environment Institute of Kenya.



Laura Yego - Ag. Corporation Secretary

Ms Yego is the Ag. Corporation Secretary of the Service. She holds a Bachelor of Laws Degree (LLB) (Hons) and is currently pursuing a master's degree in Environmental Law from the University of Nairobi. She is also undertaking examinations for the Certified Secretary (CS) certification course. She is an Advocate of the High Court of over 13 years' experience, a Commissioner for Oaths and a Notary Public. She is a member of the Law Society of Kenya and the East Africa Law Society in good standing.

Julius Kamau - Chief Conservator of Forests

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He is a full member of Forest Society of Kenya where he served as the National Vice Secretary for 6 years (2011-2016). He is also a registered lead auditor ELA/EA and a member of the Environment Institute of Kenya.



Monica Kalenda - Senior Deputy Chief Conservator of Forests, Support Services

Monica Kalenda is in charge of Support Services. She is a career forest officer with a master's degree in Natural Resources Management, post graduate diploma in Corporate Governance, and a bachelor's degree in forestry with over thirty-three (33) years' experience in the field and in management. She has also undergone basic paramilitary training at the National Youth Service and officer's course at the Administration Police Training College. She is a member of the Forestry Society of Kenya and Kenya Institute of Management.





Esau O. Omolo - Senior Deputy Chief Conservator of Forests, Field Operations

Mr. Omolo was in charge of Field Operations and retired from the Service on 15th January 2020. He holds a master's degree in geo-information science and earth observation holds a certificate in forestry research and extension as well as a bachelor's degree in land resource studies with over thirty-three (33) years' experience. He has also undergone basic paramilitary training at the National Youth Service and officer's course at the Administration Police Training College. He is a member of the Forestry Society of Kenya.



Peter Waweru - Principal, Kenya Forestry College

Mr. Peter Waweru is in charge of Kenya Forestry College. The college carries out diploma and certificate courses in Forestry and paramilitary. He holds a master's degree in International Studies-Science, a post graduate diploma in education as well as two bachelor's degrees in forestry & nature conservation, with over thirty-three (33) years' experience. He has also undergone basic paramilitary training at the National Youth Service and officer's course at the Administration Police Training College. He is a member of the Forestry Society of Kenya.



Patrick Kariuki - Deputy Chief Conservator of Forests, Farm and Dryland Forestry

Mr. Kariuki is in charge of Farm and Dryland Forestry. He holds a Master of Agricultural Studies (Rural Development, Administration & Management) and a Bachelor of Science Degree in Forestry. He has over thirty-three (33) years' experience in forest management and administration in addition to extensive operational knowledge in project development and management. He pioneered the establishment of farm forestry field schools in the forestry sector in Kenya. He has also undergone basic paramilitary training at the National Youth Service and officer's course at the Administration Police Training College. He is a member of the Forestry Society of Kenya.



Charity Munyasya - Deputy Chief Conservator of Forests, Forest Conservation and Management
Ms. Munyasya is in charge of Forest Conservation and Management. Ms. Munyasya has over twenty-eight (28) years' experience in the forestry sector. She holds a Master of Arts degree in International Studies. She is a full member of the Forestry Society of Kenya.



Alex Lemarkoko - Deputy Chief Conservator of Forests, Protection & Security
Mr. Lemarkoko is in charge of Protection & Security. Mr. Lemarkoko has over twenty-eight (28) years' experience in forest management and protection. He holds a Master of Arts degree in International Studies. He is a Full Member of the Forestry Society of Kenya



Lucy Kiboi - Manager, Corporate Services
Mrs. Kiboi is in charge of Corporate Services. She holds a master's degree in Business Administration and a Bachelor's of Science Degree and is a Certified Public Accountant (K). She has over twenty-nine (29) years' experience. She has also undergone basic paramilitary training at the National Youth Service and the SLDP course at Kenya School of Government. She is a member of Institute of Certified Public Accountants (ICPAK) & Kenya Institute of Management (KIM).



Anastasia Muasya - Manager Finance and Accounting
Mrs. Muasya is in charge of Finance and Accounting. She holds a master's degree in Business Administration - Finance option, is a Certified Public Accountant (K), as well as a Bachelor's Degree in Commerce with over thirty-three (33) years' experience. She is a member of the Institute of Certified Public Accountants (ICPAK).

Juliana Ochieng - Manager Human Resource and Administration



Mrs. Ochieng is charge of Human Resource and Administration. She holds a master's degree in Business Administration, a Bachelor's Degree in Human Resource Management and an advanced Diploma in Human Resource Planning and Development. Other Skills development courses undertaken include Strategic Leadership Development Programme and Senior Management Course. She is a member of the Institute of Human Resource Management (IHRM). She has over twenty-seven (27) years' experience in human resource management



Laura Yego - Ag. Corporation Secretary

Ms Yego is the Ag. Corporation Secretary of the Service. She holds a Bachelor of Laws Degree (LLB) (Hons) and is currently pursuing a master's degree in Environmental Law from the University of Nairobi. She is also undertaking examinations for the Certified Secretary (CS) certification course. She is an Advocate of the High Court of over 13 years' experience, a Commissioner for Oaths and a Notary Public. She is a member of the Law Society of Kenya and the East Africa Law Society in good standing.



Zipporah Toroitich - Ag. Deputy Chief Conservator of Forests, Plantation and Enterprise

Mrs. Toroitich is in charge of Forest Plantations and Enterprise. She holds a Master of Philosophy in Forestry (Forest Economics & Management), a Bachelor of Science Degree in Forestry from Moi University, a Diploma in Environmental Services in Forest Management from Helsingki University, and a Certificate in Strategic Environmental Assessment (SEA). Mrs. Toroitich has over twenty-eight (28) years' experience in the forestry sector. She is a full member of the Forest Society of Kenya.



Stephen Mugi - Principal Internal Auditor

Mr. Mugi is in charge of Internal Audit and has over twelve (12) years' experience in Auditing in the public sector. He holds a Master of Science Degree in Finance, a Bachelor's Degree in Accounting and is a member of Institute of the Internal Auditors (IIA) - Kenyan Chapter and Institute of Certified Public Accountants of Kenya (ICPAK).



Anne Muthamia - Principal Corporate Communication Officer

Ms. Muthamia is in charge of Corporate Communications Department with over 17 years' work experience. She holds an M.A. International Studies from the University of Nairobi and is a graduate of the National Defence College, Kenya. She also holds an M.A. Communication Studies from the University of Nairobi and B.A. Communication from Daystar University. She is a member of the Public Relations Society of Kenya (PRSK) and the Association of Media Women in Kenya (AMWIK).



John Mburu - Ag. Principal Supply Chain Officer

Mr. Mburu is in charge of Supply Chain Management. He holds a master's degree in Procurement and Logistics, Bachelor of Arts in Economics as well as a graduate Diploma from Chartered Institute of Purchasing and Supplies (M.C.I.P.S) with over 16 years' experience in supply chain management in the public sector. He is a licensed member of the Kenya Institute of Supplies Management (K.I.S.M)

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SERVICE REPORT

CHAIRMAN'S STATEMENT

On behalf of the Board of directors, I am pleased to present the Kenya Forest Service Annual Report and Financial Statements for the year ended 30th June 2020.



Peter Kinyua - Chairman, KFS Board of Directors

In the fiscal reporting period 2019-2020, the Service had a total budget on Government funding of Kes.6.3 Billion on both recurrent and GOK development but received Kes.4.8 Billion from the exchequer out of which expenditure of Kes.180 million was utilised for capital expenditure. Funding from development partners had a budget of Kes.209 Million but released Kes.288 Million to the Service.

The Service had taken appropriate measures and focused its policies towards complying with the requirements of the Constitution of Kenya, Vision 2030, Big Four Agenda, and the Presidential Directive on accelerated achievement of 10% tree cover by 2022. In addition, the Service long term plans had taken into account Government commitment towards various multilateral and bilateral agreements and protocols such as Sustainable Development Goals, Bonn Challenge and Nationally Determined Commitments. The financial resources were therefore utilized in implementing the approved strategies and projects whose overall goal is to increase Kenya's forest cover in the country and provide an enabling environment for other sectors of the economy as anticipated in the National development priorities mentioned above.

In this regard the Service appreciates the continued financial support from the Government and Development Partners. During the period under review the Service was supported by the Government and the African Development Bank to implement the National Tree Planting Campaign (NTPC) Programme and the Green Zone Development



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Support Project Phase II. The two will greatly contribute to achieving the Presidential Directive on accelerated attainment of 10% national tree cover by 2022.

It is worth noting that during the period under review the Service managed to plant 6,966,982 seedlings in natural forests and the five water towers namely Aberdare, Cherangany, Mau, Mt. Elgon, Mt. Kenya and other strategic forests. In addition, the Service achieved a great milestone by reclaiming illegally and irregularly acquired forest land including 30,000 Ha in Kirisia forest in Samburu County, 8,868 Ha of Maasai Mau in Narok County, 198 Ha of North Nandi Forest in Nandi County, 256 ha in Makunga Forest and 4,047 Ha of Cheptais Forest in Bungoma County.

The Service however faced some challenges while implementing the objectives. This sector experience overlaps and conflicting sectoral policies, laws and regulation governing the management of forest and other natural resources. These include laws governing, the Kenya Wildlife Service (KWS), and the Kenya Water Tower Agency (KWTA) among others. Further the process of transferring the devolved forestry functions has not yet been fully completed, despite the budgetary resources having been transferred from the National level to County level. This has negatively affected the implementation of the devolved forestry functions. Other challenges include pressure for conversion of forest lands for agricultural use and demand for forest produce for commercial and domestic purposes.

Going forward, the Service will endeavour to attain her mission and national goal aimed at achieving the national objectives in Vision 2030 by attainment of 10% national tree cover by 2022. The Board will continue working closely with management to ensure realization of this goal.

My Board is committed to continue providing sound leadership to ensure sustained improvement of the forestry sector, and the Kenya Forest Service in particular in order to meet and exceed the expectations of the people of the Republic of Kenya.



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I am grateful to the KFS management team and staff for their continued dedication in steering the Service.



Peter Kinyua
Chairman, Kenya Forest Service

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REPORT OF THE CHIEF CONSERVATOR OF FORESTS



Julius Kamau - Chief Conservator of Forests

I am delighted to see our institution come to the end of another successful year. The Service operates through the Strategic Planning cycles that allow for prioritization and delivery of strategic objectives. Within the reporting period, the Service implemented the Strategic Plan 2017-2022. In addition, the Service implemented the relevant Presidential Directives and aligned its activities towards attainment of the Big Four Agenda as a driver and enabler.

During the period under review, the combined financial absorption of the Service was Kes.6,514,530,825 out of an allocation of Kes.6,527,219,003 translating into 99.6% absorption rate. The Service raised a total of Kes.581 million as Appropriation in Aid (AIA) mainly from the sale commercial fuel wood, movement permits, grazing fees, sale of seedlings, annual licenses, land rents and finance income etc. The AIA dropped against the previous reporting period FY 2018/19 of KES. 914 Million. The decrease of Appropriation in Aid is attributed to implementation of current forest reforms aimed at ensuring that commercial activities such as grazing and quarrying do not compromise the forest protection and conservation efforts, thus improving efficiency and effectiveness in service delivery in line with the Service mandate.

During the review period, the Service attained several key achievements during the reporting period. The highlights on the achievements are as follows:

- a) In the FY 2019-2020, the Service signed collaboration frameworks with private and public entities including but not limited to Safaricom Plc, East Africa Breweries Ltd, NCBA Bank Ltd and Gatsby, among others including government agencies such as Insurance Regulatory Authority.
- b) Implemented the recommendation of the Task Force report particularly the reforms in the commercial forestry management practices.



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- c) Increased green spaces in Nairobi county through the rehabilitation of Hon. John Michuki Memorial Park (12.31Ha)
- d) Increased public awareness on tree planting through initiatives such as National Tree Planting Campaign (NTPC)
- e) The Service produced 39,522,634 tree seedlings in KFS nurseries and further facilitated the production of 92,065,123 tree seedlings in private tree nurseries managed by stakeholders for afforestation purposes among other activities.

The main challenges to effective implementation of the Strategic Plan include inadequate Forest Rangers, inadequate funding and COVID-19 pandemic which presented major obstacle into achievement of 2019/20 targets.

The Service will continue implementing the reforms aimed at enhancing service delivery, adhere to the Government's financial management requirements while upholding strict financial management guidelines and application of best practise in management.

I wish to thank the Ministry of Environment and Forestry and Kenya Forest Service Board for their sound leadership in driving the implementation of the KFS Mandate.

I also wish to applaud the commitment, cooperation and professionalism of the Management team and the entire staff of the Kenya Forest Service.



Julius Kamau

Chief Conservator of Forests

REVIEW OF KENYA FOREST SERVICE PERFORMANCE FOR THE FY 2019/2020

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statements, a statement of the national government entity's performance against predetermined objectives.

The forest sector is anchored in the social pillar of the Vision 2030 development blueprint although it also plays a key role in the economic and political pillars. Forests are indeed both drivers and enablers of the Big Four Agenda. In addition, forest provide support to other sectors of the economy such as Agriculture, livestock, energy, tourism, fisheries, manufacturing, small and medium-term enterprises.

The sector aims at maintaining the long-term health of forest and landscape ecosystems while providing environmental, ecological, economic, social and cultural opportunities for the benefit of present and future generations.

The Service develops its annual work plans based on organization 5 strategic objectives which are aligned to the flagship projects in the Medium-Term Plan (MTP) III (2018 - 2022). The Service strategic objectives are:

- i. Rehabilitate 500,000ha of degraded natural forest areas, develop and conserve all public natural forests,
- ii. Restock 30,000 ha and sustainably manage all public plantations,
- iii. Increase forest cover outside public forest areas by 380,000 ha in 5 years (2017 - 2022),
- iv. Protect and Secure 2.59 M Ha of Public Forests and other Corporate Assets, and
- v. Strengthen capacity for efficient utilization of resources and effective service delivery.

Assessment of the Board's performance against the Organizational annual work plan and the Board Annual Performance contracts is done on a quarterly basis. The table below provides achievements of the performance targets set for the FY 2019/2020 FY against the 5 KFS strategic objectives as aligned to the respective flagship projects provided in the MTP III and Vision 2030, particularly under the social and economic pillars:

Strategic Pillar & Flagship projects;	Objectives & thematic areas	KPI	Activity/ Target 2019/20 FY	Achievements, 2019/20 FY
1. SOCIAL PILLAR AND FLAGSHIP PROJECTS				
1.1 Rehabilitation and protection of Water Towers and water catchments;	1.1.1 Rehabilitate 500,000 Ha of degraded natural forests areas, develop and conserve all public natural forests to restore the five water towers and	Area (Ha) of degraded public forests identified and mapped	Identify & map 500,000 Ha of degraded public forests areas	482,048.95 Ha of degraded public forests /water towers identified & mapped.
		Area (Ha) of degraded public natural forests and water towers	Rehabilitate 7,150 Ha of degraded public natural forests and water	6,966,982 seedlings planted in public natural forests and water towers

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Strategic Pillar & Flagship projects;	Objectives & thematic areas	KPI	Activity/ Target 2019/20 FY	Achievements, 2019/20 FY
	other selected areas	rehabilitated through planting and natural regenerations	towers through planting Rehabilitate 250,000 Ha of public natural forests and water towers through natural regenerations, resulting from enhanced protection.	274,500 Ha of public natural forests and water towers rehabilitated through regenerations. The achievement of 110% is due to improved mobility and equipping of the Forest Rangers.
		Area (Ha) of public forest lands reclaimed from illegal and irregular allocations	Reclaim 3,000 Ha of irregularly /illegally allocated public forest lands.	43,367 Ha reclaimed, including; Kirisia forest, 30,000 Ha; Maasai Mau, 8,868 Ha; North Nandi, 198 Ha; Makunga, 253.5; and Cheptais 4,047 Ha. The over achievement of 1291.5% is due to; the strong political support, use of multi-agency approach and voluntary relocation from Kirisa forest.
		Area (Ha) of natural forests increased through gazettelement	Gazette 20,000 Ha of new natural forest areas.	<ul style="list-style-type: none"> 2,538.2 Ha of natural forests gazetted in Meru in partnership with the County Government; 19,836.54 Ha of forests forwarded for gazettelement
		Area (Ha) of mangrove forests ecosystem rehabilitated	Rehabilitate 500 Ha of degraded Mangrove forests ecosystems	617.2 Ha of degraded Mangroves forests rehabilitated. The over achievement of 123.4% is attributed to increased partnership support
		Area (Ha) of public natural forests reclaimed from invasive Species	107 Ha of invasive species infested areas in public natural forests controlled and managed	40 Ha of invasive species infested areas controlled and managed. The low achievement of 37.4%

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Strategic Pillar & Flagship projects;	Objectives & thematic areas	KPI	Activity/ Target 2019/20 FY	Achievements, 2019/20 FY
	1.1.2. Protect and Secure 2.59 M Ha of Public Forests and other Corporate Assets, and	No. of technologies and innovation used to increase surveillance, protection and reclamation of the gazetted forest areas.	Deployment of Forest rangers to enhance regular ground patrols Adoption of multi-agency enforcement approach in in Mau Forest Complex, Boni, Kirisia, Embobut and Cheptais Use of aerial surveillance, Forest Alert Tools and Fire Risk mapping	Reduced incidences of illegal activities and increased natural regenerations Increased recovery of illegally allocated forest lands in Mau Forest Complex, Kirisia, Cheptais, and Embobut, as well as enhanced national security in Boni forest Enhanced control of forest fires, and reduced fire occurrences
1.2. Forest Conservation and Management	1.2.1. Increase National Forest Cover from 7.24% in 2018 to 10% in 2022	KMs of fire breaks maintained National Strategy for achieving and maintaining 10% tree cover by 2022, developed and implemented	Develop and implement the National Strategy for achieving and maintaining 10% tree cover by 2022, together with the Ministry and other SAGAs Produce 100 million seedlings in KFS tree nurseries across all programmes and projects Monitor & report production of 130,000,000 seedlings by institutional and private tree nurseries.	The National Strategy for achieving and maintaining 10% tree cover, developed and approved by the Cabinet. Implementation of the strategy is ongoing under the NTPC Project 39,522,634 seedlings produced in KFS tree nurseries. The low achievement of 39.5% is due to reduced budget and outbreak of COVID 19 pandemic 92,065,123 seedlings produced in institutional and private tree nurseries.



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Strategic Pillar & Flagship projects;	Objectives & thematic areas	KPI	Activity/ Target 2019/20 FY	Achievements, 2019/20 FY
		<p>Online Reporting Platform for seedling production and tree planting activities, developed and functional</p> <p>No of KFS tree nurseries refurbished</p> <p>No of boreholes drilled and equipped by KFS and partners</p> <p>No. of National tree planting campaigns developed and implemented</p>	<p>Design, develop & rollout Online Reporting Platform seedling production and tree planting activities</p> <p>Refurbish 150 KFS tree nurseries to enhance seedling productions</p> <p>Drill and equip 4 boreholes by KFS and partners, including; Athi Water Works and County Government (CG) of Meru.</p> <p>Develop and implement 2 national tree planting campaign programs, during 2019 short rain & 2020 long rain seasons</p> <p>Conduct 92 County level Tree Planting Campaign launches, during 2019 short rain</p>	<ul style="list-style-type: none"> Online Reporting Platform developed and rolled out to all the 10 conservancies and the 47 counties. All users trained & internet bundles provided to 47 ECs. <p>51 KFS tree nurseries refurbished. The rest were rolled to 2020/21 FY. The low achievement of 34% is attributed to delayed disbursement of funds under NTPC Project.</p> <ul style="list-style-type: none"> 2 boreholes drilled & equipped by KFS in Isiolo EC tree nursery and Nakuru model tree nursery. Drilled & equipped Nairobi Arboretum borehole, supported by Athi Water Works Meru CG supported drilling & equipping of Meru Forest St <ul style="list-style-type: none"> 2 national tree planting campaign programs developed and launched; Led by the Cabinet, there was increased participation and support of MDAs and private sector. Over 70 Ha planted during campaign rollout programs led by 5 CSs, CAsS & PSS 92 county level tree planting campaign programs conducted in accordance with "KFS Protocol on planting of trees

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Strategic Pillar & Flagship projects;	Objectives & thematic areas	KPI	Activity/ Target 2019/20 FY	Achievements, 2019/20 FY
		developed and implemented Guideline on "Adopt-A-Forest" initiative developed and implemented	in 2020 long rain seasons Develop and implement guideline on "Adopt A Forest" initiative, with the target of 10,000 Ha	under COVID 19 pandemic". • Guideline on "Adopt A Forest" developed • 10,804.4 Ha of degraded forest areas adopted by MDAs and the private sector • Adoption of Karura nursery by NCBA Bank to support production of 1,000,000 seedlings
	1.2.2. Restock 30,000 ha and sustainably manage all public plantations	Area (Ha) of public forest plantations established / restocked.	Establish / restock 10,000 Ha of public forest plantations	4,206.4 Ha of public forest plantations established. The low achievement of 42.2% is due to reduced budget and outbreak of COVID 19 pandemic
	Area (Ha) of mature and overmatured KFS plantations assessed and verified	Area (Ha) of mature and overmatured KFS plantations assessed and verified	Establish and operationalize a multi-agency team in collaboration with the Ministry	A multi-agency team established & operationalized to oversee verification of the plantations
			Refresher training for the inventory teams	30 university students and 15 KFS officer trained.
			Assess and verify 13,000 Ha of matured plantations	13,000 Ha of mature and overmatured KFS plantations assessed, verified and mapped.
1.2.3. Establish 380,000 Ha of trees outside public forest areas (2017 - 2022).	Area (Ha) of commercial farm forests established	Area (Ha) of commercial farm forests established	Support establishment of 21,000 Ha of Commercial Farm Forests	9,231 Ha of Commercial Farm Forests established
	Area (Ha) of degraded areas in ASALS rehabilitated	Area (Ha) of degraded areas in ASALS rehabilitated	Rehabilitate 1,000 Ha of degraded areas in ASALS	851.7 Ha degraded ASAL areas rehabilitated
			Identify sites for piloting dryland afforestation technology in	Sites for piloting of dryland afforestation technology in Kajjado, and Marsabit counties, identified



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Strategic Pillar & Flagship projects;	Objectives & thematic areas	KPI	Activity/ Target 2019/20 FY	Achievements, 2019/20 FY
			Kajiado and Marsabit	
		Area (Ha) of woodlots established in schools & other institutions	Establish 600 Ha of woodlots in schools and other institutions	810 Ha of woodlots established in schools and other institutions
		No. of Green Spaces, Parks & recreational centres rehabilitated	Rehabilitate Michuki park (12 Ha) and Nairobi Arboretum (30.4 Ha)	Rehabilitation of Michuki memorial Park and Nairobi Arboretum initiated and ongoing.
	1.2.4. Promote establishment and utilization Bamboo	Area (Ha) of Bamboo established in public forests	Establish 1,100 Ha of Bamboo along riverine areas	792.1 Ha of Bamboo established along riverine areas (72% achievement).
		Developed Draft Bamboo policy	Develop draft Draft Bamboo policy	Draft Bamboo policy developed together with KEFRI & other partners
	1.2.5. Promote establishment of sustainable forest-based enterprise development, through grants and revolving loans	No. of nature-based enterprises supported	Establish 250 nature-based enterprises	239 nature-based enterprises established
		No of households supported with loans to develop forest-based enterprises	Provide loans to 200 households in Tharaka.Nithi Embu, Kitui & Kericho, for forest-based enterprises	202 households supported with KES 15.445 Million loans disbursed in Tharaka.Nithi, Embu, Kitui, Kericho.
		No. of Forest Officers trained on enterprise development	Train 40 Forest Officers on enterprise development	40 Forest Officers trained on enterprise development
	1.2.6. Strengthen capacity for efficient utilization of resources and effective service delivery.	No. of KFS Officers trained for Senior Management and NDC Courses	Train 18 KFS Officer in Senior Management Course and 1 Officer NDC Course	10 Officers trained in Senior Management Course and 1 Officer in NDC Course
		No. of youths deployed on internship & Industrial attachment	Deploy 250 youths on internship and Industrial attachment	217 youths deployed on internship and Industrial attachment
		Developed and implemented partnership and	Mobilize Kes. 1.3 Billion through Strategic	Kes. 39,123,575, mobilized through the

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Strategic Pillar & Flagship projects;	Objectives & thematic areas	KPI	Activity/ Target 2019/20 FY	Achievements, 2019/20 FY		
1.3. Strengthening Environmental Governance	1.3.1. Implement recommendations of the Taskforce Report to strengthen institutional capacity of KFS.	No. of Rangers camps rehabilitated	Rehabilitate 200 Rangers camps	97 Rangers camps Rehabilitated		
		No. of priority recommendations of the Taskforce Report implemented	Implement all the 12-priority recommendations of the Taskforce Report	The implementation of all the 12 priority recommendations were initiated during the reporting period and ongoing.		
		Draft Forest Policy produced with KFS inputs	Provide inputs and submissions on review of the Forest Policy	KFS inputs and submissions on the Draft Forest Policy, provided		
		Draft FCMA produced with KFS inputs	Provide inputs and submissions on review of the Forest Policy	KFS inputs and submissions on the Draft FCMA, provided		
		No. of draft subsidiary legislations, reviewed, developed and submitted to the Ministry for gazettment	Review 3 draft Rules and Regulations on; Private Forests, Charcoal, and Gums and Resins	The 3 Rules and Regulations were reviewed and resubmitted to the Ministry		
		Draft Forest Fire Policy Developed	Develop draft Commercial Forestry Rules and Regulations, and Regulations, enolaboration with KEFRI & other partners	Draft Commercial Forestry Rules and Regulations developed and submitted to the Ministry		
		No. of CFAs reformed / reconstituted	Reconstitute and reform 20 CFAs	20 CFAs reconstituted and reformed inline		
		1.3.3. Improve Capacity and		Draft Forest Fire Policy	Develop draft Forest Fire Policy	Draft Forest Fire Policy developed



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Strategic Pillar & Flagship projects;	Objectives & thematic areas	KPI	Activity/ Target 2019/20 FY	Achievements, 2019/20 FY
	Governance of CFAs 1.3.4. Enforce the ban on single use plastics in all gazetted forests	% of compliance with the ban on single use plastics in KFS headquarters	Phase out the use of disposable plastic bottles at the KFS headquarters	with their respective constitutions. 100% compliance achieved in KFS headquarter. Water dispensers were installed in all Offices in the headquarter
2. ECONOMIC PILAR				
2.1. Ecotourism development	2.1.1. Develop natured-based tourism for enhanced conservation of natural forests and improved livelihoods.	No. of Ecotourism sites identified in the Public Natural Forests	Identify and 10 sites in Public Natural forests for development of Ecotourism facilities.	10 sites identified and mapped
		No. of Ecotourism facilities established	Develop 5 Ecotourism facilities in designated natural forests through Public-Private Partnerships	1 Ecotourism facility developed in Upper Imenti Forest Station, Meru County

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CORPORATE GOVERNANCE STATEMENT

We believe in good Corporate Governance as an organisation. We remain committed to the highest standards of corporate governance and business ethics. The Board provides leadership through oversight, review and guidance whilst setting the strategic direction. It is the primary decision-making body for all matters considered as material to the Service. The Service continues to be guided by the Mwongozo Code of Governance for State Corporations and continues to implement its provisions.

Board meetings and attendance

1. The Service Board members usually dedicate adequate time and effort for meetings and meet as regularly as required and at least meet quarterly in order to effectively lead the organization.
2. The Chairman chairs all Board meetings and, in his absence, or inability to chair for whatever reason, the members present appoint one of their numbers to preside over the meeting.
3. The quorum for Board meetings is usually five members since the total Board membership nine.
4. Board papers are usually made available to Board members not less than ten days before the date of the meeting.
5. The Corporation Secretary attends all Board meetings and, in her absence, or inability to attend for whatever reason, the Board appoints a Secretary for the meeting from amongst the staff of the Service.

The attendance of Board meetings during the year under review was as follows;

Director	Full Board	Technical, Planning & Development Committee	Finance Committee	HR & Administration Committee	Audit Committee
Mr. Peter Kinyua	Membership	✓			
	Attendance	11/11			
Mr. Peter Wandera	Membership	✓		✓	✓
	Attendance	11/11	6/6		5/5
Mr. Peter Leitoro	Membership	✓		✓	✓
	Attendance	11/11	5/6	5/5	5/5
Ms. Jane Wamoko	Membership	✓		✓	✓
	Attendance	7/11		3/5	2/4
Mr. Henry Barmao	Membership	✓		✓	✓
	Attendance	11/11			4/5
Dr. Jane Njuguna	Membership	✓		✓	
	Attendance	10/11	5/6		2/5
Mr. Joel Laigong	Membership	✓		✓	
	Attendance	10/11	6/6		3/5
Mr. Jaswant Singh Rai	Membership	✓		✓	
	Attendance	7/11	2/6	5/5	
Ms. Anne Tek	Membership	✓		✓	✓
	Attendance	8/11	6/6	5/5	5/5



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Director		Full Board	Technical, Planning & Development Committee	Finance Committee	HR Administration Committee	Audit Committee
Mr. Julius Kamau	Membership	✓	✓	✓	✓	
	Attendance	11/11	6/6	5/5	5/5	
Ms. Laura Yego	Membership	✓	✓	✓	✓	
	Attendance	11/11	6/6	5/5	5/5	
Dr. Jane Weru	Co-opted Member					
	Attendance				4/5	
Mr. Dominic Katiku	Rep. IG-Corp					
	Attendance	4/11	1/6	2/5		1/4
Dr. Salah Abdi Sheikh	Co-opted Member					
	Attendance			4/5		2/4
Mr. Christian Lambretchs	Co-opted Member					
	Attendance	1/11	4/6			
Ms. Stella Muendo	Co-opted Member					
	Attendance				4/5	
Mr Philip Tama	Co-opted Member					
	Attendance		3/6			

* Ms. Laura Yego was representing the Corporation Secretary in the Board meetings.

Succession plan

The Presidency and Parent Ministry Cabinet Secretary who are the appointing authority have parameters in place to ensure that the tenures of Board members are staggered to ensure a phased transition.

Board charter

The Service Board has developed and adopted a Board Charter. The Board Charter defines the role, responsibilities and functions of the Board in the governance of the organization. The first KFS Board charter has not been reviewed.

Process of appointment and removal of Directors

1. KFS Board appointment is in line with Article 27 of the Constitution of Kenya, the Forest Conservation and Management Act, the State Corporations Act and the guidelines of the Mwongozo Code of Conduct.
2. The Board is appointed through a transparent and formal process governed by the overriding principle of merit.
3. The Board has nine members who are formally appointed to the Board through a Gazette Notice. However, on 5th April 2019, the Board co-opted 5 members with various specialties to assist in implementation of forest reform agenda i.e., Dr. Jane Weru, Dr. Salah Abdi Sheikh, Mr. Christian Lambretchs, Ms. Stella Muendo and Mr. Philip Tama.



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4. The Chief Conservator of Forests is a Board member with no voting rights.
5. Board appointments put into consideration the mix of skills and competencies required for the achievement of the organizations long term goals.
6. The Board membership has one third of the Board members who are independent upon appointment and maintains their independence during their term of service.
7. The removal of a Board member is based on non-performance, non-attendance of meetings, unethical conduct or as set out in any constitutive documents or applicable law.

Roles and functions of the Board

These are:

- (a) Determining the Service mission, vision, purpose and core values.
- (b) To set and oversee the overall strategy and approve significant policies of the Service.
- (c) To ensure that the KFS strategy is aligned with the purpose of the organization and the legitimate interests and expectations of its stakeholders.
- (d) To ensure that the strategy of the organization is aligned to the long-term goals of the Service on sustainability so as not to compromise the ability of future generations to meet their own needs.
- (e) To approve the KFS organizational structure.
- (f) To approve the annual budget of the Service.
- (g) To monitor the Service performance and ensure sustainability.
- (h) To enhance the corporate image of the Service.
- (i) To ensure availability of adequate resources for the achievement of the Service objectives.
- (j) To hire the Chief Conservator of Forests, on such terms and conditions of service as may be approved by the relevant government organ(s) and approve the appointment of senior management staff.
- (k) To ensure effective communications with stakeholders.

Board induction and training

The Service Board;

- (a) Developed an induction programme for new Board members.
- (b) Ensures that a competence needs assessment is carried out and an annual development programme for a minimum of two-day s per Board member is put in place.

The Board members;

- (a) Ensure that they are up to date with continuous professional development in their respective professional bodies.
- (b) Receive regular briefings on matters relevant to the Service, changes in laws and regulations including government accounting policies and practices.
- (c) Are certified by an accredited body within six months of their appointment

Board and member performance

1. The KFS Board have;

- (a) Determined its performance criteria.
- (b) Undertaken an annual evaluation of its performance



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2. The evaluation covers the Board as a whole, its committees, individual members, the chairperson, the Chief Conservator of Forests and the Corporation Secretary.
3. State Corporations Advisory Committee (SCAC) always facilitate the annual evaluation.
4. The annual evaluation results are usually printed in a report with recommendations for implementation.
5. The evaluation report is usually shared with the relevant stakeholders.
6. The re-appointment for a subsequent term for any Board member or Chief Conservator of Forests are based on a favourable evaluation as spelt out in the evaluation tool.

Conflict of interest

The Board have ensured that a policy on the management of conflict of interest is in place. The Board members;

- (a) Declare any real or perceived conflict of interest with the Service upon appointment to the Board.
- (b) Declare to the Board any real or perceived conflict of interest that may subsequently arise.
- (c) Do not take part in any discussions or decision-making regarding any subject or transaction in which they have a conflict of interest.
- (d) Do not influence in any manner whatsoever decision making on any matter in which they have interest.

Board remuneration

The Service have established a formal and transparent remuneration policy and remunerate Board members fairly, ethically and responsibly. The Service ensures that the remuneration policy is as per the Government regulations. The remuneration policy for Board members clearly stipulates the elements of such remuneration including sitting and other allowances.

Ethics and conduct

The Board;

- (a) Ensured that a code of conduct and ethics was developed.
- (b) Ensures that all members of the organization subscribe to the code of conduct and ethics.
- (c) Reviews the code of conduct and ethics as necessary.
- (d) Promote ethical conduct and sanction misconduct.
- (e) Ensured that a corporate gifts policy is in place.
- (f) Receives from the Committee responsible for Governance and Compliance, a report on the level of adherence to the code of conduct and ethics by members of the Service.

Governance audit

1. The Board, in consultations with State Corporations Advisory Committee (SCAC), ensures that it subjects the Service to an annual governance audit by a member regulated by the Institute of Certified Public Secretaries of Kenya (ICPSK) and accredited for that purpose.

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2. The governance audit usually covers the governance practices of the Service in the following parameters:

- (a) Leadership and strategic management;
- (b) Transparency and Disclosure;
- (c) Compliance with Laws and Regulations;
- (d) Communication with stakeholders;
- (e) Board independence and governance;
- (f) Board systems and procedures;
- (g) The Board ensures Consistent stakeholders value enhancement and Corporate social responsibility.



MANAGEMENT DISCUSSION AND ANALYSIS

The Vision 2030 has provided the overall direction for the country's development and has specified the priorities for each sector. The development agenda for the forestry sector is anchored in the social pillar of the Vision 2030 and also explicitly provided for in the Constitution of Kenya 2010 which requires that the country achieves and maintains a minimum of ten percent tree/forest cover of the national land area. The forest sector has further developed a long-term National Forest Programme to provide a road map towards achievement of the Constitutional and Vision 2030 requirements. The Service has in this regard prepared a strategic plan that is geared towards accelerating the implementation of the Presidential Directive on attainment of 10% national tree cover by 2022. In addition, the Service projects have been aligned to the Big Four Agenda; national & sectorial policies and strategies; as well the achievement various multilateral agreements and protocols.

Kenya Forest Service is mandated to provide for the development and sustainable management, including conservation and rational utilization of all forest resources for the socioeconomic development of the country and for connected purposes

Review of Strategic Plan

The third KFS Strategic Plan 2017-2022 was prepared based on the lessons learnt from the first strategic plan 2009-2014 and second 2014-2017 and informed by the emerging issues in the environment. The Service developed and launched its Third Strategic Plan (2017 - 2022) in the FY 2017-2018. The Service is in the process of reviewing the current strategic plan. The terms of reference were developed for the review of Strategic Plan to align it to the MTP III, the Government's "Big Four" Agenda, Forest Reform Agenda as contained in The Taskforce Report and the National Strategy for the Achievement and Maintenance of Over 10% Forest Cover by 2022.

Review of activities and achievements of F/Y 2019/2020

i. Finance Management

- The Service raised a total AiA of Kes.581 million mainly from the sales movement permits, grazing fees, sale of seedlings, annual licenses, land rents and finance income against annual target of Kes.874 million. This is a drop compared to the AiA of Kes.910 million collected in a similar period in the previous year. The reason for the underachievement in AiA collection is due to;
- Enforcement of stringent measures on livestock grazing in the forest to ensure to ensure that protection efforts are not compromised.
 - Scaling down quarrying and soil mining due to their impacts on forest conservation
 - Declining revenues from recreation facilities due to the negative effects of COVID-19 pandemic

ii. Natural Forest Conservation and Management Programme

The Service rehabilitated a total of 2,234.825 Ha of degraded natural forest areas mainly within the five water towers against annual target of 3,950 Ha. The Service also rehabilitated Michuki Park (12.31 Ha) within the Nairobi City County. In addition, the Service in collaboration with partners reclaimed and enhanced protection of 8,869 Ha of Maasai Mau Forests to allow natural regeneration to take

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place. In addition, the Service established 792.1 Ha of Bamboo against a target of 1,100Ha equivalent to 72%. This underachievement is attributed to challenges in securing the right propagation materials for producing bamboo seedlings.

iii. Farm & Dryland Forestry Programme

The Service through the programme;

- Coordinated two meetings with the Council of Governors on matters of forestry and emerging issues;
- Provided technical support and continued its collaboration with all the 47 County Governments on tree growing. Five Counties, (Lamu, Kwale, Nakuru, Nyeri and Bungoma), signed the Transition Implementation Plans (TIPs) making the overall total for Counties who have signed to 35;
- Provided capacity building for farmers (financial literacy, proposal writing) and disbursed Kes.15.445 Million to 202 farmers revolving loans for investment in farm forestry and livelihood enterprises to farmers in Kitui, Tharaka-Nithi, Embu and Kericho Counties. The loan repayment is ongoing;
- Launched the FAO supported Forest and Farm Facility (FFF). The facility has operations in Bungoma, Bomet, Kericho, Nakuru, Baringo, Nyandarua and Laikipia.

iv. National Campaigns for Tree Planting

This project aimed at supporting the production of 100 million tree seedlings across the KFS tree nurseries.

The following were the key achievements under the National Tree Planting Campaign Project;

- Potting material for 100,000,000 seedlings procured;
- 6,561kg seeds procured for production of 100,000,000 seedlings
- Supported planting of 14,913,243 seedlings planted in the FY;
- Rehabilitation of 575Ha (575,000 seedling) of Maasai Mau forest block
- Refurbishment of 150 tree nurseries, construction of 3 Tree Nurseries and drilling and equipping of 2 boreholes;
- Procurement of 1,600,000 seedlings procured from Kenya Prison Services (KPS).
- The Service facilitated and coordinated the planting of 23,026,253 seedlings against a planned target of 250,000,000 seedlings during the two tree planting seasons. This is 9.2% achievement on this target. The low achievement is due late release and reduced funding for tree planting campaigns activities as well as the negative effects of COVID-19 pandemic that limited campaigns drives across the country.

v. Seedlings Production and Distribution for afforestation

The Service produced a total of 39,522,634 seedlings in 290 tree nurseries under her management.

vi. Strengthen Forest Governance and Management

In order to strengthen forest governance and management, the Service carried out the following activities:

- Re-submitted the Rules on Registration of Private Forests, Forest Charcoal Rules and the Gums and Resins Regulations to the Ministry for gazettelement,



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- Re-submitted the proposed amendments on Forest Conservation and Management Act, 2016 to the Ministry for consideration,
- Undertook organizational re-structuring of KFS,
- Undertook legal audit of policies and guidelines of the Service,
- Developed a Forest Fire Policy.

vii. Youth, Women and Persons with Disabilities Empowerment

The Service targeted to allocate Kes. 350,330,508 being 30% of the non-specialized goods & services procurement budget to AGPO, but achieved Kes. 84,671,609 which is 24%. The shortfall was due to low disbursement of funds.

viii. Ease of Doing Business

The Service achieved the following;

- Automated the Import/Export of Forest Produce movement permits with KENTRADE
- Developed and implemented pricing regime for fees and charges payable on Forest goods and services.
- Integrated KFS systems by doing the following;
 - Developed a plan to migrate all independent existing systems.
 - Sourced single pay bill number for all mobile transactions.
 - Integrated KFS Financial Management System with the mobile money payment system (M-Pesa) to enable automatic receipt generation.
 - Piloted in 5 forest stations the application of mobile money payment systems with ability for automatic receipt generation.
 - Finalized development and implementation of e-registration system for saw millers.
 - Subscribed for a toll-free number triangulation for all forests for reporting forest incidences by members of the Public for quick response.
 - Developed a mobile application for real time forest incidences reporting by the forest Rangers and Field Forest Officers.
 - Worked jointly with KEFRI to develop a mobile app for tracking tree planting and survival rate.

ix. Trainees Enrolment at Kenya Forestry College

In the FY 2019-2020 the college enrolled and trained 367 trainees for the technical courses and 101 refreshers course for foresters all totalling to 468 number of trainees.

x. Implementation of the Task Force Recommendations

In the FY 2019/20, the Service has undertaken key reforms to improve the efficiency and effectiveness in service delivery among them;

- Developed Human Resource Policy Instruments and submitted them to SCAC for approval to inform the organization restructuring for enhanced efficiency in service delivery.
- Developed a road map towards the integration of the KFS Systems integration

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- To support the reform agenda of the Service, the Board co-opted five (5) members/experts in finance, ICT, Human Resource, Legal and forest governance respectively and further appointed the new Chief Conservator of Forests.
- Development of the Standard Operating Procedures on the disposal of the commercial forest plantation materials.
- Formulation of Forest Adoption Framework to enable MDAs, private sector and non-state actors to adopt a forest and support their restoration.

Challenges

The Service has faced Cash flows problems in the FY 2019-2020. This has affected timely implementation of planned activities particularly the development projects. Inadequate resources for professional management of forest fires and institutionalizing preventive measures remain a perennial challenge.

Conclusion

The Service has not performed as per the plan due to funding constraints experienced throughout the period. Many of the activities have delayed to start due to cashflow challenges. The need for adequate funding and timely exchequer releases to enable effective programme implementation cannot be overstated.

Although the Service did not reclaim the 3,000 ha in Marmahet forest planned in the year, great milestones were attained in reclaiming land in other forest areas: 30,000 Ha in Kirisia forest in Samburu County; 4,500 Ha of Maasai Mau; 198 Ha of North Nandi Forest and 4,047 Ha of Cheptais Forest.



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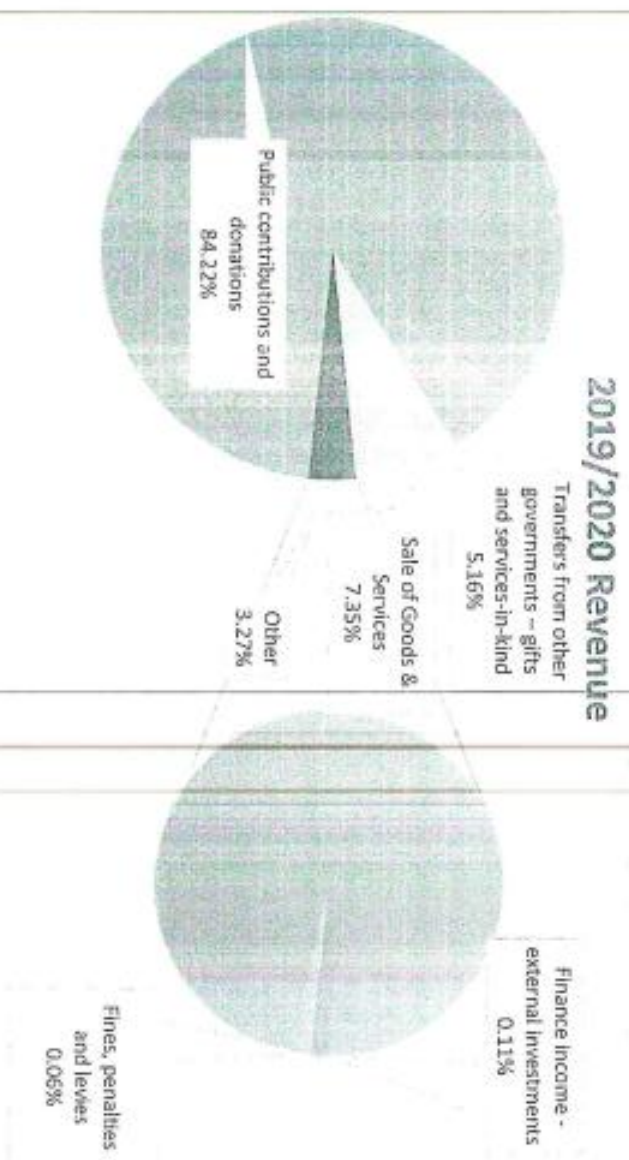
Financial Performance

FIVE YEAR FINANCIAL PERFORMANCE

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
	Kes '000'				
Revenue from non-exchange transactions					
Public contributions and donations	1,547,754	2,313,914	2,017,014	4,717,424	4,605,527
Transfers from other governments - gifts and services-in-kind	18,728	194,149	38,075	37,156	278,810
Fines, penalties and levies	1,465	1,901	2,710	3,791	3,549
Revenue from exchange transactions	1,567,947	2,509,964	2,057,799	4,758,371	4,887,886
Sale of Goods & Services	3,349,466	4,021,549	2,702,905	660,580	401,442
Licenses and permits	272,246	282,562	204,794	236,655	169,302
Finance income - external investments	143,473	121,299	88,922	13,493	6,242
Total revenue	3,765,185	4,425,410	2,996,621	910,728	576,986
5,333,132	6,935,374	5,054,420	5,669,099	5,464,872	
Expenses					
Employee costs	-3,862,421	-4,302,539	-4,566,696	-4,642,618	-4,643,450
Use of goods and services	-24,254	-26,707	-26,161	-30,032	-27,482
Remuneration of Directors	-30,720	-31,904	-19,488	-25,214	-16,266
Depreciation and amortization expense	-342,999	-296,533	-227,407	-215,239	-216,749
Repairs and maintenance	-275,945	-321,944	-376,301	-172,617	-229,682
Contracted services	-47,244	-55,900	-51,300	-37,414	-32,140
Grants and subsidies	-10,609	-720	-972	-58	0
General expenses	-1,415,440	-1,382,816	-1,268,159	-866,162	-1,384,779
Total expenses	-6,009,632	-6,419,063	-6,536,484	-5,989,354	-6,550,548
Other income	50	-160	-2,149	3,581	3,300
Taxation				-76,621	-1,102
Surplus/(Deficit)	-676,450	516,151	-1,484,213	-393,295	-1,083,478

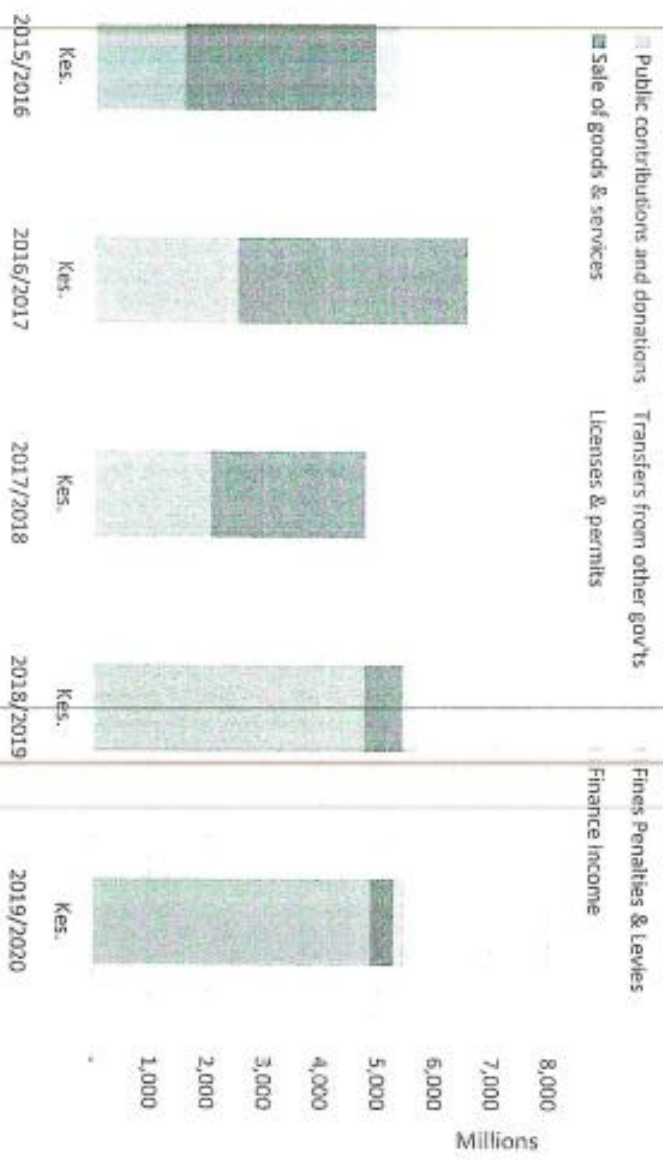
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Revenue



Revenue from sale of goods and services reduced significantly from Kes.661 Million (Fy 2018/2019) to Kes.401 Million (Fy 2019/2020). This reflects a decrease of 39%.

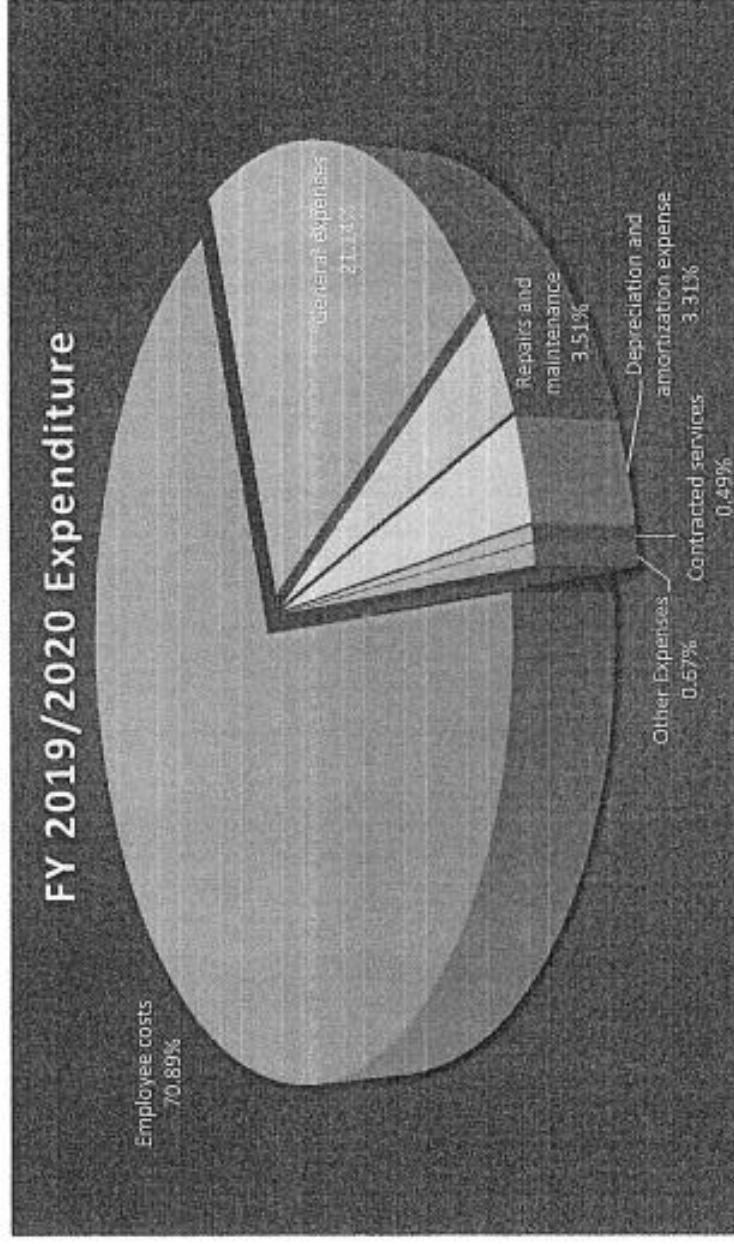
Revenue By Sources



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Expenditure

The Service total expenditure amounted to Kes.6,514 million in FY 2019/2020 compared to the budget of Kes.6,527 million. In comparison Kes.5,989 million was utilised in FY 2018/2019 against a budget of Kes.7,223 million. There was an increase of Kes.561 million (9%) mainly as a result of heightened reforestation activities by the Service and an aging inventory of assets that need constant repairs.



Employee costs accounted for 71% of the total expenditure of the Service and 88% of the Service recurrent budget. This item also saw a marginal increase to Kes.4,644 million from Kes.4,643 million, an increase of Kes.1 million (0.02%). Despite exit of 338 employees from the Service through retirement, death and resignation during the financial year, the increment was due to implementation of the Service recategorisation from 3C to 3A. General expenses recorded an increase of Kes.518 million from Kes.866 million to Kes.1,384 million equivalent to 60% while repairs and maintenance increased by Kes.57 million (33%).

Deficit for the year

The deficit for the financial year 2019/2020 increased by Kes.690 million (175%) from Kes.393 million in the previous year to Kes.1,083 million. This is mainly due to a decrease in revenues by Kes. 204 million (4%) coupled with an increase in expenditures by Kes.561 million (9%).

The Service was however able to finance its operations from the savings held by the Service at the beginning of the year since the expenditure was within approved budget.

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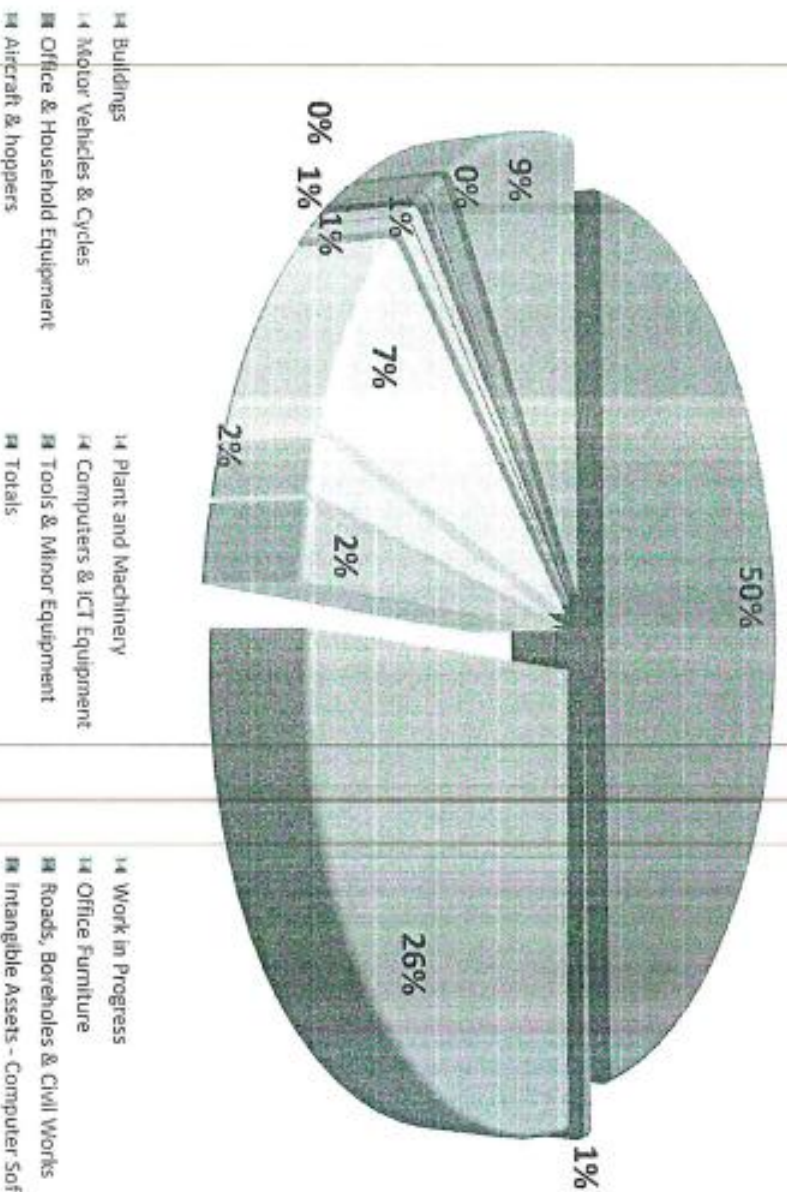
Assets

The Service total assets amounted to Kes.74,729 million against Kes.69,502 million in FY 2018/2019, an increase of Kes.5,227 million (8%). This is mainly attributed to the increase in value of biological assets by Kes.6,040 million (9%).

Current assets decreased by Kes.777 million, with cash and cash equivalents recording a significant decrease from Kes.1,523 million last year to Kes.664 million in financial year 2019/2020. This represents decrease of Kes. 859 million equivalent to 56%. Receivables from exchange transactions rose by 27% to record Kes.451 million while receivables from non-exchange transactions decreased by 24% from Kes.60 million to Kes.46 million.

Non-current assets are currently valued at Kes.73,566 million which includes biological assets (forest plantations) valued at Kes.71,869 million. Property plant and equipment recorded a decline of Kes.27 million (2%) from Kes.1,706 million in FY 2018/2019 to Kes.1,679 million in FY 2019/2020. This is as a result of a significant number of the Service assets being almost fully depreciated. The composition of property, plant and equipment is as per the chart below;

PROPERTY PLANT & EQUIPMENT



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Liabilities

The Service liabilities mainly include trade payables, employee benefit obligations and tax payables. The total liabilities increased from Kes.465 million in FY 2018/2019 to Kes.555 million in FY 2019/2020, an increase of Kes.89 million (19%).

Trade payables recorded an increase of Kes.25 million (18%) from Kes.144 million in FY 2018/2019 to Kes.169 million in FY 2019/2020. This is attributed to pending payments to suppliers.

Net assets/Worth

The Service networth as at 30 June 2020 is Kes.74,174 million. This is an increase of Kes.5,137 million compared to Kes.69,036 million as at 30 June 2019 representing 7%. This is mainly attributed to the increase in value of plantations by Kes.6,040 million (9%).

Key KFS ongoing projects

	Key projects	Total Project cost (Kes thousands')	% completion as on 30/06/2020	Start date	End date	Funded by
1	Natural Forest Programme (Conservation)	3,275,000	4.02	July' 2016	June' 2030	GoK
2	Forest Plantations Development	1,900,000	35.58	July' 2016	June' 2030	GoK
3	Farm and Dry land Forest Development	2,524,000	3.69	July' 2016	June' 2030	GoK
4	Forest Rangers Camps Rehabilitation	281,000	35.55	July' 2014	June' 2022	GoK
5	Forest Fire Prevention Management Project	1,200,000	7.75	July' 2017	June' 2030	GoK
6	Forest Irrigation Climate and Green Energy Project (FICaGE)	4,057,000	12.20	July' 2016	Dec' 2030	GoK
7	Forest Roads Improvements	661,000	30.36	July' 2014	June' 2030	GoK
8	Capacity Development Project for Sustainable Forest Management (CADEP-KFS)	2,700,000	30.22	July' 2016	June' 2020	GoK/ JICA
9	Kenya's Water Towers Protection and Climate	1,760,000	9.80	July' 2016	Dec' 2022	GoK/EU

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	Key projects	Total Project cost (Kes thousands')	% completion as on	Start date	End date	Funded by
	Change (WATER) Programme		30/06/2020			
10	Green Zone Development Support Project (Phase II)	5,498,000		July' 2019	June' 2025	Gok/ADB /ADF
11	National Tree Planting Campaign Project	48,000,000		July' 2019	June' 2022	Gok

Compliance with statutory requirements

The Board is satisfied that the Service has to the best of their knowledge complied with all relevant laws and conducted its business affairs in accordance with the law in particular to the State Corporations Act and the Forests Conservation and Management Act 2016. Further disclosures on compliance are set out in the Directors statement of responsibilities and notes to the financial statements.

In F/Y 2019/20, the Service had duly complied with statutory requirements and payments have been submitted on time except one penalty in respect of late submission of NSSF deductions for April 2020 casual labourers Kes.84,700. However, the Service also has a disputed claim of Kes.3,974,441,972 from the Kenya Revenue Authority in relation to unpaid Value Added Tax (VAT) but negotiations are ongoing.



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Major Risk facing the Service

The table below identifies key risks that might affect the Service in the implementation of its operations and their respective mitigation measures.

No	Risk Factor	Priority	Mitigation measures
1.	Political interference	High	<ul style="list-style-type: none"> Sensitize the political class on the importance of conserving and sustainably managing forests Develop partnerships with County Governments Share information with the public on forest operations Adapt climate resilience strategies and technologies
2.	Climate change impact	High	<ul style="list-style-type: none"> Work closely with other security agencies to enhance security of public forests and corporate assets Intensify surveillance and protection of forests Involvement and participation of local communities in forest management
3.	Insecurity, banditry and terrorism	High	<ul style="list-style-type: none"> Develop and implement a fire management plan Implement strategies that will enhance transparency and accountability in organizational operations
4.	Illegal forest activities	High	<ul style="list-style-type: none"> Lobby for harmonization of the relevant policies on levies
5.	Forest fires	High	<ul style="list-style-type: none"> Anticipate changes in these factors and provide for them in the programme budget.
6.	Corruption	High	<ul style="list-style-type: none"> Involve the communities in forest management and initiate forest-based livelihood activities
7.	Excessive levies on tree/forest products on transit.	High	<ul style="list-style-type: none"> Embrace and adapt appropriate technologies in organizational operations. Lobby the Government and diversify funding sources.
8.	Inflation and exchange rates	Medium	
9.	High poverty rates	Medium	<ul style="list-style-type: none"> Monitor, identify and take appropriate actions Develop a disaster response plan
10.	Technological changes	Medium	<ul style="list-style-type: none"> Establish the optimal level of infrastructure development in the forest.
11.	Inadequate financial resources for forest development	Medium	<ul style="list-style-type: none"> Monitor, identify and take appropriate actions
12.	Pests and Diseases	Medium	
13.	Natural calamities	Medium	
14.	Uncontrolled development of infrastructure in forest	Medium	<ul style="list-style-type: none"> Lobby for harmonization of the relevant legal, policies and mandates
15.	Occurrence of invasive species	High	<ul style="list-style-type: none"> Explore availability of alternative sources of germplasm.
16.	Overlaps in Legal, Policy and institutional mandates	Medium	<ul style="list-style-type: none"> Intensify sensitization of communities and other stakeholders on importance of trees and forests.
17.	Inadequate and low quality of germplasm.	Medium	
18.	Low prioritization of tree resources planting and management in private and community land	Low	
19.	Changes in government structure	Low	<ul style="list-style-type: none"> The Service operations are flexible and can easily be reviewed and aligned to the new Government structure.

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Material arrears in statutory and other financial obligations

Creditor	Amount owed Kes.	Comments
Kenya Revenue Authority	3,974,441,972	The Service has engaged a tax consultant to conduct a health check and spearhead the negotiations on the pending taxation payments.
National Industrial Training Authority (NITA)	39,410,010	This is a statutory levy that the Service failed to remit to NITA from January 2008 to December 2018. From Jan 2019 to date the service has paid the principal amount of Kes. 19,388,600 but have requested NITA for waiver of Kes. 39,410,010 of interest and penalties accrued.
Ministry of Transport, Infrastructure, Housing and Urban Development	18,968,613	This is outstanding market rent for houses belonging to the Ministry of transport and housing but occupied by the Service employees. A joint team is reviewing to inform the accurate outstanding amount.
TOTAL	4,032,820,595	

Other information on the Service

Improve the Capacity and Governance of CFAs

In order to strengthen the capacities of CFAs for participation in forest management, the Service is carrying out the following activities;

- a) Supporting the formation/reformation of five CFAs.
- b) Training 20 CFAs on the “CFA Development and Financing Cycle” so that they can develop viable proposals for funding their activities.
- c) Conducting one CFA award scheme within Mara-Mau catchment.

Integrated the Service systems by doing the following;

- a) Developed a plan to migrate all independent existing systems.
- b) Sourced single pay bill number for all mobile transactions.
- c) Integrated the Service Financial Management System with the mobile money payment system (M-Pesa) to enable automatic receipt generation.
- d) Piloted in 5 forest stations the application of mobile money payment systems with ability for automatic receipt generation.



The Kenya Forest Service exists to transform lives and strives to undertake activities that promote sustainable forest conservation management with particular focus on vulnerable groups and forest adjacent communities. The Service recognizes its role and purpose to contribute to the socio-economic development of the country by executing its mandate as stipulated in law and places the customer first. Below is our highlight of achievement in each pillar.

Sustainability strategy and profile

The Service has aligned its operations with the new Global Development Agenda 2030 with its 17 Sustainable Development Goals (SDGs) and, Bonn Challenge among others. The Sustainable Development Goals succeeded the Millennium Development Goals as the international development agenda from 2016. The Service recognises the importance of forests and trees in conserving biodiversity (SDG 15), tackling climate change (SDG 13), improving urban habitats (SDG 11), providing safe drinking water (SDG 6), supporting food security (SDG 2), reducing inequalities (SDG 10) and ending poverty (SDG 1), among other Sustainable Development Goals (SDGs). The Service has continued to realise positive trends, such as increasing awareness on forest preservation and increasing sustainable forest practices.

Environmental performance

Environmental policy is the commitment of an organization or government to the laws, regulations, and other policy mechanisms concerning environmental issues.

1. Strengthen Forest Governance and Management

In order to strengthen forest governance and management, the Service carried out the following activities:

- Re-submitted the Rules on Registration of Private Forests, Forest Charcoal Rules and the Gums and Resins Regulations to the Ministry for gazettelement,
- Re-submitted the proposed amendments on Forest Conservation and Management Act, 2016 to the Ministry for consideration,
- Undertook organizational re-structuring of the Service,
- Undertook legal audit of policies and guidelines of the Service,
- Developed a Forest Fire Policy; and
- Recommended to the Cabinet Secretary Ministry of Environment and Forestry suitable volunteers for appointment and gazettelement as Honorary Foresters in line with Section 18 of the Forest Conservation and Management Act, 2016.

2. Management of biodiversity

Kenya's rich biodiversity is threatened by unsustainable management practices; deforestation and degradation of forests; pollution water ecosystems and invasion of alien species.

Corridors and other habitat design aspects to give flexibility to protected areas are effective precautionary strategies. Improved management of habitat corridors and

production ecosystems between protected areas will help biodiversity adapt to changing conditions

The Service has undertaken the following activities to Protect and Conserve Biodiversity;

- Government legislation.
- Nature preserves.
- Reducing invasive species.
- Habitat restoration.
- Captive breeding and seed banks.
- Research.
- Reduce climate change.
- Purchase sustainable products.

The major threats/ shortcomings to biodiversity include;

- Climate change. Changes in climate throughout our planet's history have, of course, altered life on Earth in the long run – ecosystems have come and gone and species routinely go extinct.
- Deforestation and habitat loss.
- Overexploitation.
- Invasive species.
- Pollution.

3. Waste management policy

Waste management policy is set by the government and is detailed in a set of four policy documents produced. This policy is aimed at;

- Changing our ways
- Delivering change
- Taking stock and moving forward
- A resource opportunity

During the period under review, the Service;

- Enforced a ban on single use plastics in all gazetted forests.
- Phased out the use of disposable plastic bottles at the Service headquarters and in all forest conservancy offices
- Installed solar in the newly refurbished rangers' camps

Employee Welfare

The Service Policies guiding the hiring process are Human Resource policy and procedure manual together with a disability policy and a gender policy. The Service practices affirmative action and equal opportunity recruitment of qualified persons. The above policies guide its actions and decisions. As part of its staff development programme, the Service endeavours to empower all staff through various measures whose effectiveness is monitored on a regular basis.

The Service recognizes its human capital to be strategic to the achievement of its business objectives and has implemented as part of its policy, a comprehensive medical scheme for all its staff and dependants that also caters for pre-existing conditions and HIV/AIDS

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to assist all who may be infected or affected. It also ensures staff carry out their duties in an ethical manner and has an anti-corruption policy that is implemented to the letter. It also has embedded into the medical scheme a component of employee assistance for staff that are affected or addicted to alcohol and/or abusing drugs.

The Service continuously provides opportunity to build human capital capacities in terms of knowledge and skills improvement, attitude change and enhancing teamwork to all staff. This has been achieved by sponsoring staff for training programmes focused on strategic leadership development, corporate governance, paramilitary courses, pre-retirement training and customer service training among others.

During the period, the Service achieved the following under human capital development;

- i. **Youth Internships/Industrial Attachments/ Apprenticeships.**
The Service progressively engaged at least 217 youths (5% of the 4,340 total in-post of the staff strength) in industrial attachment.

- ii. **Competency Development.**

During the period, the Service;

- Reviewed Skills Gap Analysis
- Carried out Staff Training Needs Assessment
- Executed interventions to address the identified skills gaps and training needs through, Recruitment, Outsourcing, capacity building/training.
- On Data and Knowledge Management - Packaged data into useful information and knowledge which will be internally and across Government. This enables the establishment of trends and patterns that provide intelligent insights to support the Service in making informed decisions in executing mandate. The Service;
 - Identified and documented data needs and data gaps under its mandate
 - Captured, organized and processed data and information in a consistent manner
 - Established patterns, trends and attributes of the processed data and information.
 - Drew insights from the data and knowledge intelligence in addressing critical problems to inform on policy and resource allocation
 - Preserved and shared knowledge and lessons learnt across the Service, sector and Government for continual improvement
- On Performance Appraisal - Assessed individual employee's performance based on the negotiated and agreed performance targets drawn from the Service annual work plan and the PC 2019 -2020 financial year.

- iii. **Disability Mainstreaming**

The Service implemented Government policy on affirmative action for persons with disabilities by undertaking the following:

- Developed and submitted Disability Mainstreaming Policy and annual work plan to NCPWD,
- Reconstituted and made operational the disability mainstreaming committee.



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- Trained disability mainstreaming committee and Senior Management and sensitized all staffs,
- Ensured 5% of the total staff establishment comprises persons with disabilities,
- Carried out accessibility and usability audit and submitted the report to NCPWD,
- Increased equal access of products and services/programmes to PWDS and
- Submitted quarterly reports in the prescribed format to NCPWD.

iv. Safety and Security Measures.

- These included all aspects relating to the safety and security of personnel, documents, information, equipment and assets. Kenya Forest Service put in place safety and disaster preparedness mechanisms to address current insecurity issues affecting the Service. In this regard, the Service put in place the following measures to mitigate against technological hazards, terrorism, fire and natural disasters;
- Developed KFS safety and security guidelines,
 - Inspected all firefighting equipment,
 - Conducted structural fire drills and security evacuation at Head Office and all conservancies and
 - Enhanced firewalls and anti-virus already in place to mechanisms to mitigate against technological hazards.

Market place practices

KFS efforts to responsible competitive practices includes promoting and maintaining fair competition in markets principally within the boundaries of public forests and beyond.

i. Corruption Prevention

This activity aims at combating and preventing corruption, unethical practices and promote standards and best practices in governance. This is in line with the Anti-Corruption and Economic Crimes Act, 2019 and the leadership and Integrity Act of 2012. To achieve this, the Service;

- Undertook a Corruption Risk Assessment and developed a Corruption Risk Mitigation Plan;
- Implemented measures emanating from the Corruption Risk Mitigation Plan as per the implementation matrix;
- Submitted quarterly performance reports to EACC using the prescribed reporting format.

ii. Responsible political involvement

KFS commitment to corporate responsibility guides everything the Service does, including work to help develop public policy and legislation that supports conservation. Some of political involvement include taking the responsibility to provide suitable access for persons with disabilities and universal standard designs for them.

Also, the Service undertake activities like stakeholder's engagement, community participation in conservation through formation of CFA's which enable people to develop and express their opinions on the mandate of the Service and how its governed, and try to take part in and shape the decisions that affect their lives.



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During the year under review the Service undertook to Improve the Capacity and Governance of CFAs. In order to strengthen the capacities of CFAs for participation in forest management, the Service carried the following activities;

- Supported the formation/reformation of five CFAs.
- Trained 20 CFAs on the “CFA Development and Financing Cycle” so that they can develop viable proposals for funding their activities.
- Conducted one CFA award scheme within Mara-Mau catchment.

iii.

National Cohesion and values

KFS committed to implement five (5) commitments relevant to their mandate and; Enhanced the protection of the environment by securing riparian lands, water towers, improving the national forest cover and other measures to facilitate sustainable development;

- Protection of the forest for natural regeneration by deploying 2,464 forest rangers in all gazetted public forests;
- Restoration of the degraded forest areas by rehabilitation through enrichment planting indigenous trees .
- Involvement of communities and stakeholders in forest conservation and management through formation of 5 PFMPs.
- Aligned policies and implemented programs, projects and activities to the realization of the 'Big Four' Agenda by protection of the forests for natural regeneration by deploying 2,464 forest rangers in all gazetted public forests to support food security, housing and manufacturing;
- Continual fight against corruption enhanced judicial processes and capacity building to facilitate dispensation of justice and adherence to the rule of law;
 - Carrying out Corruption Risk Assessment
 - Develop and Implement Corruption Risk Mitigation Plan
- Implemented measures to support gender mainstreaming and youth empowerment by developing and implementing Gender policy by conducting one (1) sensitization forum on gender mainstreaming (6%);
- Enhanced collaboration between the two levels of government to entrench sharing and devolution of power by;
 - Conduct four (4) regional forums for County Governments to facilitate discussions and modalities on implementation of devolved forestry functions;
 - Undertake two (2) consultative meetings with the Committee for Environment, Water and Mining of the Council of Governors/County Executives Committee Members to address emerging forestry issues.

iv.

Responsible supply chain and supplier relations

During the year, the Service;

- Reserved 50.2% (Kes.447,597,050.48) of all procurement allocations of Kes.895,194,100.96 for goods and services produced locally. The achievement was due to promotion of local consumption of locally produced goods and services that contributed to among other things employment creation and growth of local industries.

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- Prepared and submitted quarterly progress reports on the implementation of this indicator to the Ministry of Industry, Trade and Cooperatives.
 - Also, the Service implemented AGPO requirement (Allocated Kes.123,410,518 out of the total of non-specialized goods and service of Kes.380,489,498) translating to 32% allocation against a requirement of at least 30%.
 - Prepared and submitted quarterly progress reports to Public Procurement Regulatory Authority on this indicator.
- v. Responsible marketing and advertisement**
- The Service advertises its tenders through the daily newspapers giving access to a wide range of suppliers to participate
- vi. Product stewardship**
- KFS sets goals and performance standards following consultation with stakeholders. All programs within the Service product category are accountable to the same goals and performance standards. The Service allows customers the flexibility to determine the most cost-effective means of achieving the goals and performance standards. The Service is responsible for ensuring a level playing field by enforcing requirements that all producers in a product category participate in a stewardship program as a condition for selling their product in the jurisdiction.

KFS has a Service Charter which enables the Service to safeguard consumer rights and interest.

During the year under review The Service undertook the following efforts to safeguard consumer rights and interests by;

- Displayed the Charter (3 feet by 4 feet size) prominently at the point of entry/service delivery points and with clearly visible font size of the contents at the Head of Conservancy (HOC) and Ecosystem Conservator (EC) offices.
- Sensitized the employees and visitors to our ASK stands on the Service Charter in all the ten Conservancies.
- Ensured compliance with the commitments and standards in the Charter by maintaining records on service delivery.
- Customized the Charter to unique needs of the customers by developing audio Corporate ringtone on the Service's telephone system.
- Customized the Service Delivery Charter to unique needs of the customers by developing braille for the HOC and EC offices.

Community Engagements

The Service engaged in charitable giving in line with the Corporate Social Responsibility policy. In partnership with Amadeus East Africa Limited, the Service issued 100 laptops to Community Forest Associations, High Schools and Primary Schools in various parts of the Country.



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REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Kenya Forest Service affairs.

Principal activities

The principal activities of the Service continue as highlighted in *page ii* above.

Results

The results of the Service for the year ended June 30, 2020 are set out on page 1 to 59.

Directors

The members of the Board of Directors who served during the year are shown on pages viii-x.

Auditors

The Auditor General is responsible for the statutory audit of the Service, in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015, for the year ended June 30, 2020.

By Order of the Board


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Julius Kamau
Secretary to the Board
Nairobi

Date: 15/8/2021

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012; section 14 of the State Corporations Act and section 26 of the Forest Conservation and Management Act, 2016, require the Directors to prepare financial statements in respect of the Kenya Forest Service, which give a true and fair view of the state of affairs of the Kenya Forest Service at the end of the financial year and the operating results of the Service for that year. The Directors are also required to ensure that the Kenya Forest Service keeps proper accounting records which disclose with reasonable accuracy the financial position of the Kenya Forest Service. The Directors are also responsible for safeguarding the assets of the Kenya Forest Service.

The Directors are responsible for the preparation and presentation of financial statements of the Kenya Forest Service, which give a true and fair view of the state of affairs of the Kenya Forest Service for and as at the end of the financial year ended on June 30, 2020. 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 Kenya Forest Service;
- (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 Kenya Forest Service;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the financial statements of Kenya Forest Service, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public-Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act, the State Corporations Act and the Forest Conservation and Management Act. The Directors are of the opinion that the financial statements of the Kenya Forest Service give a true and fair view of the state of transactions of Kenya Forest Service during the financial year ended June 30, 2020, and of the financial position of the Kenya Forest Service as at that date. The Directors further confirm the completeness of the accounting records maintained for the Kenya Forest Service, which have been relied upon in the preparation of the financial statements of the Kenya Forest Service, as well as, the adequacy of the systems of internal financial control.



**Kenya Forest Service
Annual Report and Financial Statements
For the year ended June 30, 2020**

Nothing has come to the attention of the Directors to indicate that the Kenya Forest Service will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Kenya Forest Service financial statements were approved on 28/9/.....
2020 and signed on its behalf by:



**Peter Kinyua
Chairman, Board of Directors**



**Julius Kamau
Chief Conservator of Forests**





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REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA FOREST SERVICE FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Forest Service set out on pages 1 to 50, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of the Kenya Forest Service as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Forest Conservation and Management Act, 2016.

Basis for Qualified Opinion

1.0 Property, Plant and Equipment

1.1 Unresolved Prior Year Issues

- (i) As previously reported, the financial statements as at 30 June, 2020 reflects property, plant and equipment balance of Kshs.1,679,377,425 out of which Kshs.890,201,139 relates to the value of buildings owned by the Service in various locations. The figure excludes unspecified value of rangers' houses that were constructed and donated to the Service by China Roads and Bridges Company during the year under review. In addition, contrary to the requirements of IPSAS 17, the land on which these buildings are erected had not been valued in the last seven years and/or disclosed separately.
- (ii) In addition, the Service acquired all the assets of the former Forest Department including land vide Legal Notice No.151 of 2008 dated 28 November, 2008. However, out of the two hundred and sixty-five (265) gazetted forest blocks owned by the Service with an acreage of 2,585,526.44 hectares, only seventy-seven (77)

blocks have title deeds while twenty-five (25) are at an advanced stage of title deed acquisition.

(iii) The acreage of 2,585,526.44 hectares includes undetermined area of land with land ownership disputes ongoing court cases between the Service and private parties.

(iv) There was illegal encroachments and excisions on forest land in various parts of the country of which a total of 555.9 hectares were illegally acquired by private parties in Kipkabus, Tingwa and Ngong forest. Further, in Uasin Gishu County, 29.5 hectares of land has operational installations in the forest land that were not formally permitted through a license and others which were licensed but remained unpaid for as tabulated below:

Institution	Hectares
Ministry of Energy	0.7
Kenya Airports Authority	1.0
Nabkoi Water Project	10.0
Kapsaret Water Project	1.8
County Cemetery	16.0
Total	29.5

Failure to have licenses for installations and to collect revenue results to loss of revenue and illegal use/occupation of the land.

1.2 Heritage Assets

As previously reported, Note 26 of the financial statements indicate that the Service has two hundred and sixty-five (265) gazetted forest blocks, some of which form part of conservation areas and nature reserves including the land, forest and allied forest resources therein and are such treated as heritage assets as per IPSAS 17. However, the Service did not disclose the specific forest blocks recognized as heritage assets as required by paragraph 9 and 12, of IPSAS 17.

Consequently, the accuracy and completeness of heritage assets as at 30 June, 2020 could not be ascertained.

1.3 Failure to Revalue Assets

Note 4(e) on property, plant, and equipment under the summary of significant accounting policies stipulate that cost includes expenditure that is directly attributable to the acquisition of the items. Further, IPSAS 17 Section 31 stipulates that revaluations should be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date.

The Service has a policy document to guide in the management of its assets; mainly the valuation, recording and capitalization of assets, method and rate of depreciation, impairment of assets, the procedures of write offs and disposal. However, the Management did not avail any evidence that valuation has been carried out as stipulated in the policy document.

In the circumstances, the fair statement of assets in the financial statements could not be confirmed.

2.0 Forest Plantations

2.1 Omission of Plantations Land

As previously reported, Note 27 to the financial statements reflects biological assets balance of Kshs.71,869,497,972 (2019 - Kshs.65,829,634,562) as at 30 June, 2020. However, the value of the land on which the plantations are located was not separately disclosed under property, plant and equipment or investment property as required by IPSAS 27. The IPSAS further requires that biological assets, other than bearer plants, that are physically attached to the land be measured as biological assets separately from the land. In addition, it is not clear whether the plantations have been treated as property, plant and equipment, investment property or biological assets. Further, a detailed register showing the plantations land owned by the Service had not been maintained.

In the circumstances, it has not been possible to confirm whether the biological assets balance of Kshs.71,869,497,972 as at 30 June, 2020 is fairly stated.

2.2 Impairment of Plantations

The following was noted in relation to impairment of plantations.

- (i) As previously reported, Note 27(ii) to the financial statements reflects impairment to forest plantations of Kshs.5,843,000 (2019 - Kshs.122,809,496) representing a decrease of 95% or Kshs.116,966,496 from the previous year. However, although impairment was recognized in the statement of changes in equity for the year ended 30 June, 2020, significant assumptions made in the estimation of the fair value of the trees such as 15% of the trees planted will not attain maturity due to natural factors could be factual but it may not be possible for the Service to determine whether cash inflow and outflow could accrue evenly throughout the useful life and figures cannot be quantified.
- (ii) As previously reported, in Mau and North Rift Conservancies, 227.7 hectares of mature and young plantations valued at Kshs.75,974,850 in the previous year were burnt. The loss resulted to 42-fold compared to the previous year. Poaching of mature trees, poles, withies, and uprooting of young seedlings was reported in all the conservancies. This reduced the values of standing stock by Kshs.5,843,000 during the year under review.
- (iii) As previously reported, the Service had not disclosed or explained the basis (method and assumptions) for the impairment amount as well as the categories and distinction of its biological assets as required by IPSAS 26.
- (iv) No disclosure had been made on changes to the carrying amount of the biological assets. Therefore, it was not clear if the biological assets were disclosed using fair value measurements as required by IPSAS 27.

Consequently, the total impairment value for plantations amounting to Kshs.5,843,000 as at 30 June, 2020 could not be confirmed.

3.0 Long Outstanding Receivables from Exchange Transactions

- (i) As previously reported, the receivables from exchange transactions balance of Kshs.451,346,810 includes long outstanding debts of Kshs.247,716,405 out of which debts amounting to Kshs.75,024,727 are owed by Government Agencies and Media houses whose transmitters are located within Kenya Forest Service land. The license charges had not been paid for by 30 June, 2020 as the license fee is said to have been paid to the Government owned Kenya Broadcasting Corporation. In addition, a review of debtors aging analysis confirmed that some debtors have been outstanding for several years, some since year 2010.

- (ii) As previously reported, the minutes of the special Board of Directors meeting dated 14 November, 2018, Ref. Special Board/Min 5/11/2018 (Chairman's remarks) stated that the proprietors of Kipini Conservancy owed the Service Kshs. 19 million. The conservator (Kipini) communicated to the Management of the Service offering to give 5,000 hectares in lieu of payment and requested that the Government purchases the remaining hectares. The Board advised the Management to write to the parent Ministry to request Treasury for money to purchase the land. However, the advice of the Board was not acted on. Further, the debt of Kshs. 19 million was omitted from the financial statements, thus understating the receivables from exchange transactions by the same amount.

In the circumstances, it was not possible to confirm the receivables from exchange transactions balance of Kshs.451,346,810 as at 30 June, 2020 as fairly stated.

4.0 Revenues and Appropriation in Aid

4.1 Inappropriate Recognition of Revenue from Non-Exchange Transactions

As previously reported, the statement of financial performance for the year ended 30 June, 2020 reflects revenue from non-exchange transactions of Kshs.4,887,885,834 and deficit for the year of Kshs.1,083,477,250. The revenue amount of Kshs.4,887,885,834 includes Kshs.278,809,682 reflected as transfers from other Governments in Note 7 to the financial statements. The audit of the component revealed that the receipts had related conditions attached that would give rise to a liability to repay the amounts.

As previously reported, although deferred income was recognized as required by IPSAS 23, the statement of changes in net assets for the year ended 30 June, 2019 reflects an adjustment of Kshs.66,431,615 (2018 - Kshs.124,110,416) made to the revenue reserves which has been described as refunds to different donors after the closure of specific projects for the financial year 2017/2018 and beyond. Further, donor related grants received during the year have not been recognized as income over the periods including the year under review.

In the circumstances, the accuracy and completeness of the revenue from non-exchange transactions balance of Kshs.4,887,885,834 could not be confirmed.

4.2 Plantation Revenue and Seeds and Seedlings

As previously reported, the Service earned Kshs.401,441,795; (2019 - Kshs.660,580,099) as Appropriation-in-Aid (AIA) mainly from forest and related forest

products. In the same period, the Service spent Kshs.110,260,931 (2019 - Kshs.42,826,674) for trees seeds and seedlings and Kshs.207,812,226 (2019 Kshs.15,660,107) for tree planting activities. During the year under review, the Service produced a total of 39,522,634 seedlings in 290 tree nurseries under its management. The Service facilitated the planting of 23,060,253 tree seedlings against a planned target of 250,000,000 seedlings during the two tree planting seasons. This was 9.2% achievement on the overall target which was associated to low funding and effects of COVID-19 pandemic.

In the same period, the Service partnered with stakeholders and facilitated production of 92,065,123 seedlings against a production of 201,698,436 seedlings in 2017/2018. New stocked area established was 4,826.1 hectares compared to total acreage of 7,898 done in the previous year, a decrease of 27%. In natural forest conservation, the Service further performed poorly leading to non-realization of the set targets as follows:-

- (i) Protection for natural regeneration planted 588,393 hectares against annual target of 900,000 hectares.
- (ii) Enrichment planting was done at 783 hectares against a target of 3,000 hectares.
- (iii) Areas cleared off invasion species was 281 hectares against the set target of 450 hectares.

Further, because of the Government forest moratorium, the Service did not earn any revenue as compared to 2019 when it realized Kshs.252 million with respect to plantation revenue. The moratorium was placed three years ago with the aim of aiding increasing the forest stocking and rehabilitation of the degraded areas which would consequently increase the national tree cover. From the above analysis, the efforts made and the achievements realized in the year, the forest cover increased by 0.03 hectares against a target of 0.06 hectares (50%). These activities declined against a backdrop of increased funding from the Government under National Tree Planting Program.

In addition, the expenditure on seeds and seedlings increased slightly. It is not clear whether the planting regime undertaken by the Service match with the international standards which should be geared towards increasing the national tree coverage by 10% every year.

Consequently, it has not been possible to confirm the propriety of Kshs.318,073,157 incurred for the year ended 30 June, 2020.

5.0 Aircraft Operations and Maintenance Cost

As reported previously, the Service acquired a caravan aircraft and helicopter to enhance its accessibility to forested areas and other transport related needs. During the year under review, the Service incurred Kshs.11,270,836 for aircraft operating, Kshs.28,966,865 for maintenance and Kshs.11,603,390 for insurance, all totalling Kshs.51,841,091 (2019 - Kshs.40,003,753). In addition, the aircraft and helicopter were leased out for private functions and earned the Service Kshs.4,961,572 (2019 - Kshs.2,438,590). However, no travel logs of the aircraft and helicopter were provided to indicate the journeys the two had been used for and the rates applied in order to verify the revenue generated.

Consequently, it was not possible to determine whether the aircrafts were being utilized for official duties, the completeness of the revenue earned of Kshs.4,961,572 and propriety of the total aircraft costs of Kshs.51,841,091 could not be confirmed.

6.0 Unsupported Special Operations Expenditure

As previously reported, Note 19 to the financial statements reflects general expenses balance of Kshs.1,384,778,791 which included an expenditure of Kshs.77,054,328 (2019 - Kshs.100,421,322) on special operations. This expenditure was incurred on imprests issued to various District Forest Officers and Regional Commandants for purchase of goods and services and allowances to forest rangers. However, the Management did not provide reports to support the special activities on forest protection.

In the circumstances, it has not been possible to confirm the propriety of the expenditure of Kshs.77,054,328 on special operations.

7.0 Unconfirmed Trade and Other Payables

The Service has a financial obligations of Kshs.4,032,820,595 which was omitted from trade and other payables from exchange transactions balance of Kshs.169,026,549 and which have been outstanding for a long period as analysed below: -

Creditor	Amount Owed (Kshs.)	Comments
Kenya Revenue Authority	3,974,441,972	The Service has engaged a tax consultant to conduct a health check and spearhead the negotiations on the pending taxation payments.
National Industrial Training Authority (NITA)	39,410,010	Statutory levy that the Service failed to remit to NITA from January 2008 to December 2018. From January, 2019 to date the Service has paid the principal amount of Kshs.19,388,600 but have requested NITA for waiver of Kshs.39,410,010 of interest and penalties accrued.
Ministry of Transport, Infrastructure, Housing and Urban Development	18,968,613	Outstanding market rent for houses belonging to the Ministry of transport and housing but occupied by the Service employees.
Total	4,032,820,595	A joint team is reviewing to inform the accurate outstanding amount

The Service may not have discharged its statutory obligations when they fell due and risks accruing high interests and penalties.

In the circumstances, it has not been possible to confirm that trade and other payables from exchange transactions of Kshs.169,026,549 as at 30 June, 2020 is fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Forest Service Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled the 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 the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Going Concern Assumption

The statement of financial position reflects current liabilities of Kshs.554,861,519 and current assets of Kshs.1,161,644,191 resulting to a positive working capital of Kshs.606,782,672. However, the current liabilities are exclusive of the statutory obligations amounting to Kshs.4,032,820,595 comprising of Kshs.3,974,441,972; Kshs.39,410,010 and Kshs.18,968,613 relating to Kenya Revenue Authority, National Industrial Training Authority (NITA) and Ministry of Transport, Infrastructure, Housing and Urban Development respectively. Had the outstanding statutory obligations been included, the current liabilities would have been Kshs.4,587,682,114 resulting to negative working capital of Kshs.3,426,037,923.

Consequently, the Service's going concern assumption is dependent on the support of the Government.

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

1. Utilization of Information Technology (IT)

The financial statements under review indicate the net book value for computers and ICT assets as Kshs.23,793,377 (2019 - Kshs.28,118,479) and the value of intangible assets as Kshs.18,012,014 (2019 - Kshs.27,220,970) all totalling Kshs.41,805,391. It was noted that the Service was still experiencing inadequate IT infrastructure in terms of suitable systems (software), ICT personnel and appropriate hardware. The slow adaptation of ICT services was noted despite having invested over Kshs.9,156,805 (2019 - Kshs.11,455,250) on computerization. The use of Geographical Information System (GIS) was still not effective in the surveillance and monitoring of forests activities such as illegal logging, theft of firewood or forest fires. The system was not linked to any devices positioned in the forests for prompt surveillance and GIS was not interfaced with the aim of surveillance and monitoring of forests.

2. Biological Assets - Plantations Valuation Method

As previously reported, the valuation process used by the Service had the following inadequacies:

- (i) Shortcomings where saw millers paid full invoice value but tree stands remained un-harvested for longer periods, even longer than the stipulated one-year period.

- (ii) Rebates were issued to saw millers who encountered defective trees during harvesting thereby reducing the invoice value. This scenario results to reconciliation issues between the plantation department and the revenue section which sometimes remained outstanding for long periods unresolved.
- (iii) Likelihood of collusion amongst the saw millers, inventory team, Chief Conservator of Forests (CCF) office and the Ecosystem Conservation (EC) office was evident.
- (iv) Further there was no evidence of any reconciliation between the allocated, invoiced, paid, removed and even remaining materials on the ground.
- (v) Lack of plantation register and an overall plantation management plan has adversely affected the accountability of the country's forest cover.

Consequently, the Management may fail to attain the revenue targets due to the cited limitations.

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 Report on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Unauthorized Acquisition of Legal Services

As previously reported, Note 19 to the financial statements includes legal and arbitration expenses amounting to Kshs.35,684,853 (2019 - Kshs.15,437,610). During the year under review, it was noted that various lawyers or law firms were engaged in offering legal services on behalf of Kenya Forest Service.

The Management did not explain why an approval to hire legal services was not sought from Attorney-General and the procurement methods used to procure the law firms. In addition, reports of pending and finalized litigations as at 30 June, 2020 were not availed for audit review.

Consequently, the Service was in breach of the law and it was not possible to confirm whether value for money was obtained.

2. Outstanding Temporary Imprest

Note 25 to the financial statements reflects Kshs.45,913,860 (2019 - Kshs.60,367,594) being receivables from non-exchange transactions for the Service as at 30 June, 2020. The balance include Kshs.12,339,548 being temporary imprest which had not been surrendered by the close of the year as required by Section 71(4) of Public Finance Management Act No. 18 of 2012.

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

3. Un-updated Asset Register

During the year under review, the Service acquired various assets through development projects under its management. These assets include among others motor vehicles, computers, and other office equipment. The assets register produced for audit scrutiny did not comply with the requirement that the assets register which should include Development Project's assets and liabilities separately in line with the National Treasury Circular No.5/2020 of 25 February, 2020. All assets appear to have been procured directly by the Service.

In the circumstances, the Management was in breach of the law and National Treasury circulars.

4. Conflicting Laws in Establishment of the Kenya Forest Service

The Service has continued to experience challenges due to conflicting sectoral policies, laws and regulations governing the management of forests and other natural resources. The laws governing Kenya Wildlife Service (KWS), Kenya Water Towers Agency (KWTA) as well as the process of transferring the devolved forestry functions have negatively affected the implementation of the devolved forestry functions.

Under the circumstances, it was difficult to draw the boundaries of each entity resulting to conflict in the Management of the resources.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Enterprise Resource Planning (ERP)

The Service acquired an Enterprise Resource Planning (ERP) system to manage its operations. The ERP had several modules including revenue collection module used in the management of revenue collection. An analysis of the revenue collection module

revealed that the Service operated both a manual and electronic system in the collection of revenue.

Manual receipt books were used to collect revenue then subsequently an electronic internal receipt was issued to clear the initial collected revenue and recognize or account for the revenue in the system. The management did not explain why the manual system and electronic system were used interchangeably.

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 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 the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Service's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Service 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 the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance 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 and submit the audit report in compliance with Article 229(7) 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 would not necessarily disclose all matters in the 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 Service'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 Service 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 Service 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 to 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

08 February, 2022

Kenya Forest Service
Annual Report and Financial Statements
For the year ended June 30, 2020

FINANCIAL STATEMENTS

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2019/2020 Kes.	2018/2019 Kes.
Revenue from non-exchange transactions			
Public contributions and donations	6	4,605,527,481	4,717,423,887
Transfers from other governments - gifts and services-in-kind	7	278,809,682	37,156,016
Fines, penalties and levies	8	3,548,671	3,790,597
		4,887,885,834	4,758,370,500
Revenue from exchange transactions			
Sale of goods & services	9	401,441,795	660,580,099
Licenses and permits	10	169,301,781	236,654,584
Finance income - external investments	11	6,242,227	13,492,590
		576,985,803	910,727,273
Total revenue		5,464,871,637	5,669,097,773
Expenses			
Employee costs	12	(4,643,449,604)	(4,642,617,953)
Use of goods and services	13	(27,481,602)	(30,032,472)
Remuneration of Directors	14	(16,265,882)	(25,213,932)
Depreciation and amortization expense	15	(216,749,220)	(215,238,961)
Repairs and maintenance	16	(229,681,561)	(172,616,720)
Contracted services	17	(32,140,445)	(37,413,539)
Grants and subsidies	18	-	(57,500)
	19	(1,384,778,791)	(866,162,259)
General expenses		(6,550,547,105)	(5,989,353,336)
Other gains/(losses)			
Gain/Loss on foreign exchange transactions	20	(37,252)	8,972
Gain on sale of assets	21	3,337,039	3,572,018
Surplus/(Deficit) before tax		(1,082,375,681)	(316,674,573)
Income tax expense	22	(1,101,569)	(76,621,225)
Surplus/(Deficit) for the period		(1,083,477,250)	(393,295,798)
Attributable to:			
Surplus/(Deficit) attributable to owners of the controlling entity		(1,083,477,250)	(393,295,798)

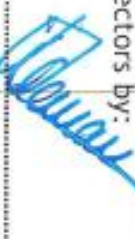
The notes set out on pages 6 to 44 form an integral part of these Financial Statements.

**Kenya Forest Service
Annual Report and Financial Statements
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**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**


	Note	2019/2020 Kes.	2018/2019 Kes.
Assets			
Current assets			
Cash and cash equivalents	23	664,383,521	1,522,958,903
Receivables from exchange transactions	24	451,346,810	355,475,425
Receivables from non-exchange transactions	25	45,913,860	60,367,594
		1,161,644,191	1,938,801,922
Non-current assets			
Biological assets	27	71,869,497,972	65,829,634,562
Property, plant and equipment	28	1,679,377,425	1,706,347,711
Intangible assets	29	18,012,014	27,220,970
		73,566,887,411	67,563,203,243
Total assets		74,728,531,602	69,502,005,165
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	30	169,026,549	143,771,163
Refundable deposits from customers	31	15,166,771	12,062,646
Provisions	32	162,063,191	142,047,396
Employee benefit obligation	33	30,147,712	24,391,043
Payments received in advance	34	4,289,307	3,749,330
Withheld Taxes	35	94,395,412	-
Corporation Tax	36	3,482,607	72,680,326
Deferred Income Liability	37	76,289,970	66,752,278
		554,861,519	465,454,182
Total liabilities		74,173,670,083	69,036,550,983
Net assets			
Reserves			
Capital funds		76,202,843,310	69,982,246,960
Accumulated surplus/(deficit)		(2,029,173,227)	(945,695,977)
Total reserves		74,173,670,083	69,036,550,983

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:


Julius Kamau
Chief Conservator of Forests

Date: 15/12/2020




Anastasia Muasya
Manager, Finance & Accounting
ICPAK Member Number: 6732

Date: 15/12/2020


Peter Kinyua
Chairman of the Board

Date: 15/12/2020

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STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2020

	Capital Funds	Revenue Reserves	Total
Balance b/f as at 1 July 2018	65,012,873,439	(485,968,564)	64,526,904,875
Adjustment for the year	-	(66,431,615)	(66,431,615)
Additions for the year	4,969,373,521	-	4,969,373,521
Surplus/(deficit) for the year	-	(393,295,798)	(393,295,798)
Balance c/f as at 30 Jun 2019	69,982,246,960	(945,695,977)	69,036,550,983
Balance b/f as at 1 July 2019	69,982,246,960	(945,695,977)	69,036,550,983
Adjustment for the year	-	-	-
Additions for the year	6,220,596,350	-	6,220,596,350
Surplus/(deficit) for the year	-	(1,083,477,250)	(1,083,477,250)
Balance c/f as at 30 Jun 2020	76,202,843,310	(2,029,173,227)	74,173,670,083

*The Service creates and maintains reserves in terms of specific requirements. The Service classifies its reserves as either capital or revenue in nature. Capital reserve is the replacement development reserve that will help the Service to replace assets as they age. Revenue reserve is the accumulated surplus over the years.

*An adjustment of Kes.66,431,615 was done to the revenue reserves in financial year 2018/2019 to recognize a deferred income liability (Note 37) for donor funds received from the European Union.

*The additions to Capital Funds for the year include Kes.6,039,863,410 being changes in carrying amount of biological assets (Note 27), Kes.178,848,984 being purchase of property, plant and equipment (Note 28), and Kes.1,883,956 being additions to intangible assets (Note 29).

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STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020 Kes.	2018/2019 Kes.
Cash Flows from operating activities			
Net operating Surplus		(1,083,477,250)	(393,295,798)
Adjustment			
Depreciation	28	205,656,309	205,902,951
Amortization of Intangible Assets	29	11,092,913	9,336,010
Net book value Retired	21	162,961	526,582
Proceeds from disposal of assets	21	(3,500,000)	(4,098,600)
Increase in Provision for Audit Fees	32	(80,000)	-
Increase in Provision for doubtful debts	32	20,095,795	13,063,015
Net Cash generated from operating activities before Changes in working Capital		(850,049,273)	(168,565,840)
Changes in Working Capital			
Increase in Trade and other receivables	24, 25 30,31,33,	(81,417,651)	379,247,774
Increase in trade and other payables	34,35,36,37	69,391,542	187,597,940
Deferred Income Liability	37	-	(66,431,615)
Net Cash generated from operating activities		(862,075,382)	331,848,259
Cash Flows from investing activities			
Purchase of property, plant & equipment	28	(178,848,984)	(64,131,106)
Purchase of intangible items	29	(1,883,956)	(8,104,046)
Proceeds from disposal of property, plant & equipment	21	3,500,000	4,098,600
Net cash used in investing activities		(177,232,940)	(68,136,552)
Cash Flows from Financing activities			
Development Grants Received	6	180,732,940	72,235,152
Development Grants Refunded		-	-
Net cash used in Financing activities		180,732,940	72,235,152
Net increase in cash & cash equivalents		(858,575,382)	335,946,859
Cash & cash equivalents at the beginning of the period		1,522,958,903	1,187,012,044
Cash & cash equivalents at the end of the period		664,383,521	1,522,958,903



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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2020



	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
Revenue	2019/2020	2019/2020	2019/2020	2019/2020	2019/2020
Public contributions and donations	5,637,219,003	(203,000,000)	5,434,219,003	4,786,260,421	(647,958,582)
Transfers from other governments - gifts and services-in-kind	2,114,000,000	(1,905,000,000)	209,000,000	288,347,374	79,347,374
Appropriation in Aid	874,000,000	-	874,000,000	574,292,247	(299,707,753)
Finance income	10,000,000	-	10,000,000	6,242,227	(3,757,773)
Total income	8,635,219,003	(2,108,000,000)	6,527,219,003	5,655,142,269	(872,076,734)
Expenses	(4,650,651,678)	-	(4,650,651,678)	(4,643,449,604)	(7,202,074)
Compensation of employees	(3,548,097,185)	(1,898,097,185)	(1,650,000,000)	(1,674,082,399)	24,082,399
Goods and services	(30,573,140)	-	(30,573,140)	(16,265,882)	(14,307,258)
Board Expenses	(405,897,000)	(209,902,815)	(195,994,185)	(180,732,940)	(15,261,245)
Acquisition of Assets	(8,635,219,003)	(2,108,000,000)	(6,527,219,003)	(6,514,530,825)	(12,688,178)
Surplus/(Deficit) for the period	-	-	-	(859,388,556)	(859,388,556)
Reconciliation with operating surplus					
Less: Grants received for financing activities				(180,732,940)	
Add: Depreciation & amortization expense				216,749,220	
Add: Acquisition of assets				180,732,940	
Less: Gain on foreign exchange transactions				37,252	
Add: Deferred income recognized from transfers from other governments				9,537,692	
Less: Gain on sale of assets				(3,337,039)	
Add: Income tax expense				1,101,569	
Surplus/(Deficit) in statement of financial performance				(1,083,477,250)	

- Public contributions and donations had a negative variation of Kes. 648 Million which represents 12%. This was due to reduced exchequer disbursed to the Service.
- Transfers from other governments had a total positive variation of Kes. 79 Million which represents 38% of the projected income.
- Appropriation in aid had a negative variation of Kes. 299 million equivalent to 34%. This was due to the effects of Covid 19.
- Finance income had a 38% negative variation due to the reduced amounts in the banks where the balances in the bank accounts earn interest.
- Board expenses had a negative variation of Kes. 14 million (47%). This was due to the effects of Covid 19.
- The budget adjustment is as a result of the supplementary budget approved by the Board.

NOTES AND APPENDICES

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Forest Service is established by and derives its authority and accountability from the Forest Conservation and Management Act, 2016. The Service is wholly owned by the Government of Kenya and is domiciled in Kenya. The Service's principal activity is conservation and management of state forests.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Service's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Service.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the Forest Conservation and Management Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

STANDARD	IMPACT
IPSAS 40:	Applicable: 1st January 2019:
Public Sector Combinations	The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

STANDARD	EFFECTIVE DATE AND IMPACT:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none">• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2022: The objective of this Standard is to improve the relevance, faithful representativeness, and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none">a. The nature of such social benefits provided by the entity;b. The key features of the operation of those social benefit schemes; andc. The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41,	<p>Applicable: 1st January 2022:</p> <ol style="list-style-type: none">a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.

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STANDARD	EFFECTIVE DATE AND IMPACT:
Financial Instruments	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p> <p>c) Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>d) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.</p> <p>e) Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>f) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).</p> <p>g) Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>

iii. Early adoption of standards

The Service did not early-adopt any new or amended standards in year 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Public Contributions and Donations

The Service recognizes revenues from the Government and other private entities when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Service and the fair value of the asset can be measured reliably.

Recurrent grants are recognized in the statement of financial performance. Development/capital grants are recognized in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Service and can be measured reliably. Donor grants are accounted for where they are recognized as income over the periods necessary to match them with the related assets which they are intended to compensate on a systematic basis while capital grants and non-monetary grants, such as property, plant and equipment or other resources, are usually accounted for at fair value. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Service and the fair value of the asset can be measured reliably.

Fees, taxes and fines

The Service recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met.

ii) Revenue from exchange transactions

Rendering of services

The Service recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Sale of goods

Revenue from the sale of goods is recognized before significant risks and rewards of ownership have been transferred to the buyer, usually on sale of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Service.

Interest income

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

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly in June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Service upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Service recorded reduced appropriations of Kes. 2,108,000,000 on the 2019-2020 budget following the Board of Directors' approval.

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts, and the actual amounts as per the statement of financial performance has been presented with the statement of comparison of budget and actual amounts.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Service operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Service and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Value Added tax

Expenses and assets are recognized net of the amount of Value added tax, except:

- When the Value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of Value added tax included

The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the placement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Service recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

f) Biological Assets

Biological assets comprise forest plantations. They are measured on initial recognition and at each reporting date at fair value less costs to sell. Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less costs to sell has not been recognised in the statement of financial performance in the year in which they arise as per IPSAS 27 due to the substantial effect on the statement.

The fair value of forest plantations is based on market prices as valued by internal valuation team. Purchases and development of biological assets include cost of planting and upkeep until they mature.

Subsequently all costs of upkeep and maintenance of mature biological assets are recognised in the statement of financial performance in the period in which they are incurred.

g) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Service. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Service also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Service will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Service. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

h) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Research and development costs

The Service expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Service can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

j) Provisions

Provisions are recognized when the Service has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Service expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

The Service does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Service in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

k) Nature and purpose of reserves

The Service creates and maintains reserves in terms of specific requirements. The service classifies its reserves as either capital or revenue in nature. Capital reserve is the replacement development reserve that will help the service to replace assets as they age. Revenue reserve is the accumulated surplus over the years. At the close of the financial year, the Service had an accumulated fund of Seventy-four billion, one-hundred and seventy-three million, six hundred and seventy thousand, and eighty-three shillings (Kes 74,173,670,083) as compared to Sixty-nine billion, thirty-six million, five hundred and fifty thousand, nine hundred and eighty-three shillings (Kes. 69,036,550,983) cumulated as at end of 2018/2019 financial year.

l) Changes in accounting policies and estimates

The Service recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**m) Employee benefits
Retirement benefit plans**

The Service provides retirement benefits for its employees and Directors. Defined contribution plans are post-employment benefit plans under which the Service pays fixed contributions into a separate Entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise. Monetary assets and liabilities as at the end of the year denominated in foreign currencies are translated using the average exchange rate during the year.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

o) Related parties

The Service regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Service, or vice versa. Members of key management are regarded as related parties and comprise the Directors, the CCF and senior managers.

p) Cash and cash equivalents

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

q) Comparative figures

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

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020. However, there was a non-adjusting subsequent event as detailed in Note 42.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Service
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

All items in an asset category are re-valued every 5 years or when need arises. Depreciation on property, plant and equipment is calculated to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the below rates;

Category	Rate
Buildings	5%
Plant, Machinery & Tractors	10%
Motor Vehicles & Cycles	25%
Computer & ICT Equipment	33 ¹ / ₃ %
Furniture & Fittings	20%
Office & Household Equipment's	20%
Tools & Minor Equipment's	100%
Roads, Fences, Boreholes & Civil Works	12.5%
Aircrafts, Hoppers & Boats	7.5%
Intangible Assets	33 ¹ / ₃ %

Depreciation is charged from the date of asset recognition and ceases on the date of asset disposal.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY
(Continued)

Provisions
Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 32.
Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. The Service recognises provision for bad debts on all overdue debtors above 180 days in default as follows:

181 - 270 days overdue, a provision of 5%
271 - 360 days overdue, a provision of 20%
360 days and above, a provision of 50%

6. Transfers from Government (Public Contributions and Donations)
These are funds from the exchequer to finance the Services recurrent and development activities in the following core programmes: Natural Forest Conservation and Management; Farm and Dryland Forests Conservation and Management; and Plantation and Enterprise Development..

Description	2019/2020 Kes.	2018/2019 Kes.
GOK Subventions - Recurrent	4,238,219,003	4,194,409,039
GOK Subventions - Development	548,041,418	595,250,000
Less: Grants received for financing activities	(180,732,940)	(72,235,152)
Total public contributions and donations	4,605,527,481	4,717,423,887

6b) Transfers from Ministries, Departments and Agencies

Name of the Entity Sending the Grant	Amount Recognized to Statement of Financial Performance Kes	Amount Deferred Under Deferred Income Kes	Amount Recognised in Capital Fund. Kes	Total Grant Income During the Year 2019/2020 Kes	Total Grant Income During the Year 2018/2019 Kes
Ministry of Environment & Forestry	4,605,527,481	-	180,732,940	4,786,260,421	4,789,659,039
Total	4,605,527,481	-	180,732,940	4,786,260,421	4,789,659,039

(The details of the reconciliation have been included under appendix 4)



NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Transfers from other Governments

During the year, the Service received transfers from different donors as set out below;

- **African Development Bank**

These are funds for the Green Zones Development Support Project Phase II from the African Development Bank. The project specific objectives are

- i. To enhance forest conservation and livelihood support for climate change resilience and
- ii. To develop timber, bamboo, potato, cereals and pulses value chains for improved household incomes.

- **Partners donations**

The Service partners with different stakeholders on forest conservation and management. These includes donations from embassies and other corporates who support tree planting in designated areas.

- **Food and Agriculture Organization (FAO)**

These are grants for the National Forest Programme Facility from the Food and Agriculture Organization (FAO). The facility is to kick-start the process of forest sector development with attention on poverty alleviation and ecological restoration. It will be used to strengthen and complement ongoing initiatives, identify emerging issues, develop, test and refine joint forest management models for ecologically sensitive forests, involving local communities.

- **Centres for Disease Control (CDC)**

These are funds from the USAID through Centres for Disease control (CDC) to support Aids Control unit within the Service through KFS ZUIA Project.

- **UK Space Agency - Ecometrica**

These are donor funds for the Forest 2020 (Kenya) Project from the UK Space Agency through Ecometrica, a private company in the UK. The main aim of the project is to address critical gaps in current National Monitoring Systems in Kenya by providing a sustained and effective forest monitoring system capable of measuring forest change and providing information on the risks and drivers of forest loss.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Transfers from other governments (Continued)

Description	2019/2020 Kes.	2018/2019 Kes.
African Development Bank (ADB)	228,539,890	-
Partners Donations	15,244,334	9,726,194
Food and Agriculture Organisation (FAO)	4,027,892	7,680,942
Nature Kenya	1,178,100	-
Centres for Disease Control (CDC)	1,605	2,071,951
UK Space Agency - Ecometrica	29,817,861	17,676,929
Total transfers from other governments - gifts and services-in-kind	278,809,682	37,156,016

7 (b) Details of transfers from other governments

Name of the Entity Sending the Grant	Amount Recognized to Statement of Financial Performance Kes	Amount Deferred Under Deferred Income Kes	Amount Recognised in Capital Fund. Kes	Total Grant Income During the Year Kes	Total Grant Income During the Year Kes
African Development Bank (ADB)	228,539,890	5,507,233	-	234,047,123	-
Partners Donations	15,244,334	13,446	-	15,257,780	9,726,194
Food and Agriculture Organisation (FAO)	4,027,892	4,018,618	-	8,046,510	8,000,000
Nature Kenya	1,178,100	-	-	1,178,100	-
Centres for Disease Control (CDC)	1,605	(1,605)	-	-	2,073,556
UK Space Agency - Ecometrica	29,817,861	-	-	29,817,861	17,676,929
Total	278,809,682	9,537,692	-	288,347,374	37,476,679

8. Fines penalties and levies

These are penalties levied to employees on disciplinary cases.

Description	2019/2020 Kes.	2018/2019 Kes.
Fines and Surcharges	3,548,671	3,790,597
Total fines, penalties and levies	3,548,671	3,790,597

9. Sale of Goods & Services

This comprises of particular classes of revenue streams which the accounting officer has been authorised to raise and use in addition to the amounts issued by the exchequer. For purposes of the financial statements this comprises of internally generated revenues as set out overleaf;



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Sale of Goods & Services (Continued)

Description	2019/2020 Kes.	2018/2019 Kes.
Plantations	-	251,580,074
Mangrove	5,481,160	1,189,350
Bamboo Stems	17,625	5,060
Compensation for tree stems	549,647	-
Professional fees	393,048	377,612
Tuition Fees	6,708,245	16,417,423
Boardwalk Fees	2,000	-
Carbon credits	-	12,763
Water easement charges	25,569,762	18,510,143
Aircraft Usage	4,961,572	2,438,590
Fuel wood	-	106,732
Quarrying, Soil, Sand	12,124,388	14,688,362
Resin	-	897,500
Grazing Fees	38,522,068	38,341,405
Recreation	37,711,888	35,407,909
Grass	1,792,429	1,652,850
Withies	1,350	7,000
Assessment Fees	1,054,353	2,277,805
Parking Fees	831,723	96,829
Research Permits	179,400	-
Application Fees	-	1,000
Accommodation	327,650	133,250
Farm Produce	36,860	65,175
Staff Quarters	3,423,570	5,013,780
Hire of Plant & Equipment	60,000	60,000
Leases	68,363,754	90,081,133
Land Rent	173,492,899	153,738,091
PELIS/Shamba Rent/Land Rent	5,895,660	17,487,182
Ground Rent	660,903	407,650
Bonded Items	79,350	756,029
Court Fines	397,000	-
Seedlings & Cuttings	7,990,885	6,911,575
Third Party Commissions	4,714,691	1,832,281
Training Levy	8,133	-
Unapplied Receipts	-	-
Other Miscellaneous Receipts	-	7,420
Staff Medical Recoveries	5,584	70,671
Sale of Tender Documents	84,198	7,455
Total revenue from the sale of goods and services	401,441,795	660,580,099



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Licenses & Permits

Description	2019/2020 Kes.	2018/2019 Kes.
Movement Permits	166,013,384	233,149,310
Monthly Fuel Licenses	3,288,397	2,798,774
Saw millers Licenses	-	706,500
Total licenses and permits	169,301,781	236,654,584

11. Finance Income - External Investments

This relates to interest earned from interest bearing current accounts during the financial year.

Description	2019/2020 Kes.	2018/2019 Kes.
Interest on Current Account - Coop	5,148,199	12,086,038
Interest on Current Account - NBK	558	199,777
Interest on Current Account - NCBA	1,093,470	1,206,775
Total finance income - external investments	6,242,227	13,492,590



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Employee costs

These are costs incurred by the Service on its employees and employee related activities during the reporting period while on official duties as set out below;

Description	2019/2020	2018/2019
	4,171	4,509
	Kes.	Kes.
Basic Salaries	2,995,723,780	3,004,378,291
Acting Allowance	2,349,065	3,005,357
Overtime	1,168,230	1,039,022
Transfer Allowance	25,656,651	38,146,196
Commuting Allowance	235,584,136	253,178,172
Hardship Allowance	73,018,873	82,015,140
Medical Allowance	73	5,445
Leave Allowance	86,269,462	83,049,137
Extraneous Allowance	2,899,722	3,420,324
Telephone Allowance	4,920,804	5,164,946
Medical Expenses - Ex-Gratia (Write-off)	662,951	-
Staff Medical Insurance	378,941,902	288,237,816
House Allowance	351,064,267	375,562,419
Non-Practice Allowance	720,000	720,000
Entertainment Allowance	424,516	421,667
Instructor's Allowance	-	210,705
GPA/GLA	24,545,392	44,644,868
Risk Allowance	82,200	30,800
Contributions to National Social Security	10,470,324	11,283,154
Staff Pension- KFS Contributions	442,550,749	442,961,678
Staff Gratuity	6,396,507	5,142,816
Total employee costs	4,643,449,604	4,642,617,953

13. Use of Goods and Services

Description	2019/2020	2018/2019
	Kes.	Kes.
Electricity	13,888,780	18,698,191
Water and Sewerage Charges	10,794,757	8,565,021
Membership Fees, Dues and Subscriptions	2,798,065	2,769,260
Total use of goods & services	27,481,602	30,032,472

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Remuneration of Directors

Description	2019/2020 Kes.	2018/2019 Kes.
Boards and Committees	16,265,882	25,213,932
Total remuneration of Directors	16,265,882	25,213,932

15. Depreciation and Amortization Expenses

Description	2019/2020 Kes.	2018/2019 Kes.
Depreciation: Motor Vehicles	42,566,611	37,985,169
Depreciation -Furniture & Fittings	7,541,800	10,292,402
Depreciation - Computers	9,885,855	11,709,813
Depreciation -Air Conditioners, Fans and Heating Equipment	731,165	850,240
Depreciation - Non-Residential Buildings	53,112,424	53,091,539
Depreciation-Plant, Machinery & Tractors	12,651	6,536
Depreciation- Residential Buildings	12,235,311	11,874,576
Depreciation - Roads & Civil works	9,440,737	9,440,737
Depreciation - ICT, Exchanges and Other Communication Equipment	1,712,096	1,881,924
Depreciation - Photocopiers and other Office Equipment	1,612,861	2,173,327
Depreciation - Tools, Spares & Small Equipment	1,678,261	1,573,080
Depreciation - Power Generators	23,464,048	23,306,992
Depreciation - Perimeter Fences	2,004,907	2,028,100
Depreciation - Household & Institutional Appliances	326,083	364,229
Depreciation - Aircraft & Hoppers	37,974,331	37,974,331
Depreciation - Boreholes	1,357,166	1,349,957
Amortization - Intangible Assets	11,092,913	9,336,010
Total depreciation and amortization expenses	216,749,220	215,238,961

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Repairs & Maintenance

Description	2019/2020 Kes.	2018/2019 Kes.
Maintenance of Motor Vehicles	62,682,931	68,296,433
Maintenance of Plant, Machinery and Equipment	1,528,159	1,694,043
Maintenance of Office Furniture and Equipment	924,225	1,374,747
Maintenance of Medical and Dental Equipment	1,675,546	627,296
Maintenance of Buildings - Residential	16,957,163	4,596,183
Maintenance of Buildings and Stations - Non-Residential	19,547,828	15,575,187
Maintenance of Civil Works	22,456,311	251,800
Maintenance of Roads	73,542,893	57,424,560
Maintenance of Computers, Software, Network	1,399,640	2,393,342
Maintenance of Aircraft	28,966,865	20,383,129
Total repairs and maintenance	229,681,561	172,616,720

17. Contracted Services

Description	2019/2020 Kes.	2018/2019 Kes.
Contracted Professional Services	22,897,529	19,721,624
Contracted Technical Services	9,242,916	17,691,915
Total contracted services	32,140,445	37,413,539

18. Grants & Subsidies

Description	2019/2020 Kes.	2018/2019 Kes.
Capital Grants and Transfers	-	57,500
Total grants and subsidies	-	57,500



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. General Expenses

This comprises of administrative costs as set out below:

Description	2019/2020 Kes.	2018/2019 Kes.
Casual Labour	165,429,807	127,233,628
Staff Welfare Costs	12,030,628	11,051,086
Telephone, Telex, Facsimile, Computer	6,295,460	6,912,822
Courier and Postal Services	4,758,577	6,332,509
Leased Communication Lines	78,000	379,400
Supplies of Accessories for Computers & Printers	9,863,376	10,450,713
Travel Costs (airlines, bus, railway, mileage)	2,445,622	2,747,686
Accommodation - Domestic Travel	-	78,250
Daily Subsistence Allowance	227,674,904	144,831,197
Passage and Transfer Expenses	25,200	-
Field Operational Allowance	2,882,582	5,974,791
Travel Cost-International (Overseas)	7,027,231	9,329,885
Publishing and Printing Services	19,222,940	12,074,500
Newspapers, Magazines and Periodicals	669,652	612,675
Advertising, Awareness and Publicity Campaigns	11,353,503	12,768,806
Training	27,873,772	17,750,900
Production and Printing of Training Materials	8,028	60,994
Hire of Training Facilities and Equipment	2,703,450	1,898,182
Buildings Insurance	4,008,570	4,070,080
Motor Vehicle Insurance	24,163,919	18,644,716
Aircraft Insurance	11,603,390	11,742,724
Motor Boat Insurance	-	195,196
Fungicides, Insecticides and Sprays	1,085,732	2,377,290
Workshop Tools, Spares and Small Equipment	333,000	39,900
Education and Library Supplies	180,725	126,600
Production of Photographic and Audio-Visual Materials	-	4,900
Laboratory Materials and Supplies	21,690	63,750
General Office Supplies (papers, pencils etc.)	14,055,148	12,130,297
Cleaning Materials, Supplies and Services	19,065,367	4,910,279
Catering services	12,217,308	12,388,801
Fines, Interest - NSSF, NHIF	-	1,678,277
Refined Fuels and Lubricants for Transport	115,403,273	101,779,313
Firebreaks	340,200	129,800
Bank Service Commission and Charges	2,149,493	1,227,330
Contracted Guards and Cleaning Services	2,632,953	4,861,783
Forest Conservation Committee Expenses	5,835,000	7,186,600
Legal dues, Arbitration and Compensation Packages	35,684,853	15,437,610
Special Operations	77,054,328	100,421,322

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

General Expenses (Continued)

Description	2019/2020 Kes.	2018/2019 Kes.
Provision for Bad Debts	20,095,795	13,063,015
Food and Rations	16,571,393	16,802,035
Events and Celebrations	23,727,281	33,281,003
Tree seeds and seedlings.	110,260,931	42,826,674
Supplies for production	146,946,571	46,412,565
Rounding off Difference Account	(227)	19
Seminars and Conferences	10,947,987	9,133,757
Tree Planting	207,812,226	15,660,107
Land Levies	2,000	6,000
Office Rent Expense	5,871,435	5,885,121
Aircraft Operating Costs	11,270,836	7,877,900
Staff Uniforms and Clothing	694,882	809,471
Audit Fee	4,400,000	4,500,000
Total general expenses	1,384,778,791	866,162,259

20. Foreign Exchange gain/(loss)

Description	2019/2020 Kes.	2018/2019 Kes.
Foreign Exchange Gain	10,862	23,713
Foreign Exchange Loss	(48,114)	(14,741)
Total foreign exchange gains/(loss)	(37,252)	8,972

21. Gain on sale of assets

Description	2019/2020 Kes.	2018/2019 Kes.
Proceeds from Disposal of Assets	3,500,000	4,098,600
Net Book Value Retired	(162,961)	(526,582)
Total gain on sale of assets	3,337,039	3,572,018

22. Income Tax Expense

This relates to taxation on interest income received by the Service from financial institutions on the cash balances in current accounts;

Description	2019/2020 Kes.	2018/2019 Kes.
Net interest income	6,242,227	13,492,590
Add: tax withheld	1,101,569	2,381,045
Gross interest income	7,343,796	15,873,635
Tax Payable (30% rate)	2,203,139	4,762,091
Less: withholding tax deducted at source	1,101,569	2,381,045
Add: previous years' tax payable		74,240,180
Income tax expense reported in the statement of financial performance	1,101,569	76,621,225

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Cash and Cash Equivalent

Description	2019/2020 Kes.	2018/2019 Kes.
Cash at bank	663,975,177	1,522,246,849
Cash in hand	408,344	712,054
Total cash and cash equivalents	664,383,521	1,522,958,903
23(a). Detailed Analysis of the Cash and Cash Equivalents		
(i) Bank Balances	2019/2020 Kes.	2018/2019 Kes.
Account Name	Account No.	
Co-operative Bank - Stima Plaza	01141275291700	-
SCBFFE JSDF Project	01141532868700	369,397
KFS Holding - COOP	01141532868701	4,503
KFS Forest Investment Facility	01141532868702	44,683,076
KFS Water Towers GOK A/C	01141532868703	103,316
KFS (JICA) Capacity Development Project	01141532868704	2,423,660
Forest Irrigation Climate & Green Energy	01141532868705	4,227
GZDSP II GOK A/C	01141532868705	43,876
GZDSP II Donor A/C	01141756225800	-
		47,632,055
Equity Bank - Ridgeways	0810298871018	31,634,727
KFS Forest Investment Facility	1340261075747	933,759
KFS Forest Management & Conservation Fund	1340261075761	18,982
KFS FAO Capacity Building	0470267372824	393,466
KFS Holding-Equity		32,980,934
		39,844,455
Kenya Commercial Bank - Sarit Centre	1106928652	40,848,480
KFS Main Operating - KCB	1106770021	864,206,003
KFS AIA Collection	1116447347	422,382,784
KFS Main Development	1139669249	7,096,364
KFS Gratuity A/C	1122198353	7,639,497
KFS Dollar A/C	1172165084	300,076
KFS FAO Forest & Farm Facility Programme	1181839513	3,329,027
KFS Water Towers Euro Ac	1181839106	63,102,588
KFS Water Towers Donor Ac	1203757093	4,617,563
KFS IPP - Forest 2020 Project		1,413,522,382
		508,678,044
National Bank - Kenyatta Avenue	01020069730800	41,864
KFS Airwing A/C	01023064393301	17,120
KFS Holding - NBK		58,984
		863,854
NIC Bank - Village Market	1001238015	867
KFS SPA Network Project	1002211536	1,646
KFS Zulia Project	1004667472	28,049,981
KFS Airwing Sinking Fund A/C		28,052,494
		29,143,394
Total bank balance	663,975,177	1,522,246,849
(ii) Others		
Cash in hand		408,344
		712,054
		408,344
Grand total	664,383,521	1,522,958,903



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Receivables from Exchange Transactions

Description	2019/2020 Kes.	2018/2019 Kes.
Receivables	447,761,115	346,254,024
Rental Deposit Receivable	1,319,345	1,319,345
Suppliers Prepayments	1,630,150	7,265,856
Safaricom Deposits	50,000	50,000
General Deposits with Suppliers	586,200	586,200
Total receivables from exchange transactions	451,346,810	355,475,425

Note: The total receivables from exchange transactions excludes debts accumulated on timber allocated and harvested some of which payments have not been received contrary to the Service Policy.

25. Receivables from Non-Exchange Transactions

Description	2019/2020 Kes.	2018/2019 Kes.
Zonal Control Account - Development	22,978,822	21,579,273
Zonal Control Account Recurrent	6,993,970	7,093,372
Temporary Imprest	12,339,458	25,739,963
Standing Imprest	-	3,940
Salary Advances	3,601,610	5,951,046
Total receivables from non - exchange transactions	45,913,860	60,367,594

Note: For the purposes of these financial statements, receivables from non-exchange transactions also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

26. Forest Land

As per the Forest Act all assets of the former forest department vested in the Kenya Forest Service vide Legal Notice number 151 of 2008 published in the Kenya Gazette Supplement number 82 of 28th November 2008, with effect from 1st February 2007. Currently there are two hundred and sixty-five (265) gazetted forest blocks. Out of the two hundred and sixty-five (265) gazetted forest blocks, the Service holds title deeds for seventy-seven (77) forests blocks.

Due to the non-availability in the open market of gazetted forest land it cannot be valued hence have not been recognised as part of property, plant and equipment.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. Biological Assets

Biological assets comprise forest plantations. Biological assets are carried at fair value at the end of each reporting period. The fair value of the biological assets has been determined by appropriately qualified staff employed by the Service using advanced modelling techniques/methods. The Service maintains commercial forest plantations for sale as per the gazetted Forest Service General Orders provisions.

The Service prepares a Forestry Resources Account (FRA) at the end of each financial year to capture full value of forest plantation, and provides evidence on whether the forestry asset is utilized sustainably.

The value of public forest plantations as at 30 June 2020 is as under:

i. Forest Plantations Area Account

This presents species composition of forest plantations, area per species and un-stocked area. The un-stocked area was caused by clear-cut of standing stock and forest fires. Un-stocked area declined from 31,747.1 Ha to 26,016.1 Ha. during the report period.

	2019/2020	2018/2019
Species	Area (Ha)	Area (Ha)
Pines	27,644.20	26,480.20
Cypress	73,102.20	70,360.80
Gravelia	515.90	515.90
Eucalyptus	17,014.20	16,735.70
Others	13,323.50	12,681.30
Unstocked	21,190.00	26,016.10
Total Plantation Area	152,790.00	152,790.00

ii. Forest Plantations Monetary Account

This presents the monetary account of forest plantation stock. The changes in carrying amounts of biological assets comprise:

Description	2019/2020 Kes.	2018/2019 Kes.
Carrying Amount as at 1 July	65,829,634,562	60,932,496,193
Changes in the carrying amount:		(251,686,806)
Decrease due to sales and harvest ¹		200,581,500
Increase due to purchases and development of new stands ²	5,876,792,910	5,071,053,171
Increase in value due to growth ³		
Less impairment due to poaching, forest fires and diseases ⁴	(5,843,000)	(122,809,496)
Total Changes in the carrying amount:	6,039,863,410	4,897,138,369
Carrying Amount as at 30 June	71,869,497,972	65,829,634,562

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. Biological Assets (Continued)

¹ Decrease of Value of Plantations Attributed to Harvest/ Removals

During the report period, the Service earned zero money from sale of timber, poles and fuel wood. This is due to current moratorium imposed on timber harvesting.

² Increase due to New Planting

The Service established a total of 4,826.1 Ha. of forest plantations. As a common practice, young plantations are valued at the cost of establishing the plantations. The cost of establishing one hectare of plantation is estimated at Kes.35,000. The total value of the new plantation is Kes.168,913,500

³ Increase of Plantation Value Attributed to Growth (Mean Annual Increment)

Mean annual increment of pine, cypress, eucalyptus and mixed species is 18m³/ha/year, 15m³/ha/year, 25m³/ha/year and 7m³/ha/year respectively. However, since plantations were not thinned in the last two years due to the moratorium on harvesting of plantations, affecting the normal growth of forest plantations, the Service has adjusted the rate by a value of 5%. The adjusted Mean annual increment of pine, cypress, eucalyptus and mixed species is 17.1m³/ha/year, 14.25m³/ha/year, 23.75m³/ha/year and 6.65m³/ha/year respectively. This increased the value of plantations by Kes.5,876,792,910

Species	Area (Ha)	Mean Annual Increment (%)	Volume (M ³)	Value per M ³	Increase Due to Growth (Kes.)
Cypress	66,791.30	14.25	951,776.025	3,000	2,855,328,075
Pine	24,800.80	17.1	424,093.68	3,000	1,272,281,040
Eucalyptus	16,286.00	23.75	386,792.50	3,000	1,160,377,500
Mixed Species	12,648.90	6.65	84115.185	7,000	588,806,295
	98,508.56				5,876,792,910

⁴ Decrease in Value Attributed to Impairments

Reduction of value of plantations results from impairments is attributed to fire damage and poaching just to mention a few. During the financial year 2019/2020, the decrease was as follows;

- In the reporting period there were four fire incidents reported with no significant negative impact on the existing plantations as compared to last financial year. This was due to well spread rains that were experienced in many parts of the country.
- Forest plantations are susceptible to game damage which injures the trees by debarking. The debarked portion provides avenues for pathogens which enter the stems and cause heart-rot. However, in the reporting period there were no harvesting or sales of timber, hence no defect allowance was granted.
- Poaching of mature trees, poles, withies and uprooting of young seedlings was reported in all the conservancies. This reduced the value of standing stock by Kes.5,843,000 during report period.

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27. Biological Assets (Continued)

Significant assumptions made in the estimation of the fair value of the trees in 2020 include:

- i. The transformation of the un-matured plantations is based on the current age of tree species;
- ii. Cash inflows and outflows accrue evenly throughout the useful life; and
- iii. 15% of the trees planted will not attain maturity due to natural factors.

*The total change in the carrying amount of Kes.6,039,863,410 has been adjusted in the statement of changes in Net Assets under capital reserves.

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28. Property, Plant and Equipment

	Cost As at 01 July 2019	Adjustment	Total as at 01 July 2019	Additions (cost)	Revaluation	Cost Adjustment	Disposal	Total Cost as at 30 June 2020	Accumulated Depreciation	Acc. Dep. Adjustment	Total as at 30 June 2019	Change for the year	As at 30 June 2020	NBV 30 June 2020	NBV 30 June 2019
Buildings	1,367,989,924	571,042,572	1,939,032,496	23,553,501	-	-	-	1,962,586,000	435,974,551	227,889,125	435,974,551	66,347,735	501,322,286	890,201,139	931,995,373
Plant and Machinery	247,395,386	571,042,572	818,437,958	226,889	112,664,266	-	-	931,102,224	143,796,542	227,889,125	143,796,542	23,476,699	167,273,241	80,349,034	103,598,844
Work In Progress	50,078,526	571,042,572	621,127,098	7,489,273	-	-	-	628,616,371	-	-	628,616,371	-	628,616,371	57,567,799	50,078,526
Motor Vehicles & Cycles	1,058,872,668	174,480,469	1,233,353,137	4,564,850	7,272,849	-	(3,259,220)	1,234,911,716	887,960,567	-	887,960,567	42,566,611	927,430,919	240,846,795	170,912,101
Computers & ICT Equipment	249,737,223	77,842,838	327,580,061	174,480,469	249,737,223	-	-	577,317,290	221,618,744	-	221,618,744	11,597,951	233,216,695	23,793,377	28,118,479
Office Furniture	174,480,469	77,842,838	252,323,307	4,564,850	4,615,807	-	-	257,443,964	150,702,165	-	150,702,165	7,541,800	158,243,965	20,791,354	23,778,304
Office & Household Equipment	77,842,838	115,612,416	193,455,254	4,615,807	4,286,700	-	-	198,141,954	68,053,402	-	68,053,402	2,670,110	70,723,512	11,735,133	9,789,436
Tools & Minor Equipment	115,612,416	571,042,572	686,654,988	4,286,700	115,612,416	-	-	806,553,104	108,380,095	-	108,380,095	1,678,261	110,058,356	9,840,760	7,232,321
Roads, Boreholes & Civil Works	108,063,775	571,042,572	679,106,347	14,184,849	108,063,775	-	-	791,354,971	70,392,895	-	70,392,895	12,802,811	83,195,706	39,072,918	37,690,880
Aircraft & Hoppers	571,042,572	571,042,572	1,142,085,144	-	571,042,572	-	-	1,142,085,144	227,889,125	-	227,889,125	2,311,671,827	2,517,328,136	305,179,116	343,153,447
Totals	4,021,115,797	4,021,115,797	8,042,231,594	178,848,984	-	-	-	8,221,080,582	2,314,768,086	-	2,314,768,086	(3,096,259)	2,311,671,827	1,679,377,425	1,706,347,711



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Property, Plant and Equipment (cont.)

	Buildings	Plant and Machinery	Work in Progress	Motor Vehicles & Cycles	Computers & ICT Equipment	Office Furniture	Office & Household Equipment	Tools & Minor Equipment	Roads, Boreholes & Civil Works	Aircraft & Hoppers	Totals
	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.
Cost As at 01 July 2018	1,367,042,703	245,704,886	22,779,527	1,036,040,068	246,386,019	173,826,069	76,457,077	114,073,916	107,628,254	571,042,572	3,960,981,091
Adjustment											
Total as at 01 July 2018	1,367,042,703	245,704,886	22,779,527	1,036,040,068	246,386,019	173,826,069	76,457,077	114,073,916	107,628,254	571,042,572	3,960,981,091
Additions (cost)	927,221	1,690,500	27,298,999	26,829,000	3,351,204	654,400	1,385,761	1,538,500	455,521	-	64,131,106
Revaluation											-
Cost Adjustment											(3,996,400)
Disposal				(3,996,400)							
Total Cost as at 30 June 2019	1,367,969,924	247,395,386	50,078,526	1,058,872,668	249,737,223	174,480,469	77,842,838	115,612,416	108,083,775	571,042,572	4,021,115,797
Accumulated Depreciation	371,008,436	120,483,014	-	853,445,216	208,027,008	140,409,763	64,665,606	106,807,015	57,574,101	189,914,794	2,112,334,953
Acc. Dep. Adjustment				(3,469,818)							(3,469,818)
Total as at 30 June 2018	371,008,436	120,483,014	-	849,975,398	208,027,008	140,409,763	64,665,606	106,807,015	57,574,101	189,914,794	2,108,865,135
Charge for the year	64,966,115	23,313,528	-	37,985,169	13,591,736	10,292,402	3,387,796	1,573,080	12,818,794	37,974,331	205,902,951
As at 30 June 2019	435,974,551	143,796,542	-	887,960,567	221,618,744	150,702,165	68,053,402	108,380,095	70,392,895	227,889,125	2,314,768,086
NBV 30 June 2019	931,995,373	103,598,844	50,078,526	170,912,101	28,118,479	23,778,304	9,789,436	7,232,321	37,690,880	343,153,447	1,706,347,711
NBV 30 June 2018	996,034,267	125,221,872	22,779,527	182,594,852	38,359,011	33,416,306	11,791,471	7,266,901	50,054,153	381,127,778	1,848,646,138

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29. Intangible Assets

Description	2019/2020 Kes.	2018/2019 Kes.
Cost		
At beginning of the year	119,519,784	111,415,738
Additions	1,883,956	8,104,046
At end of the year	121,403,740	119,519,784
Additions-internal development	-	-
At end of the year	121,403,740	119,519,784
Amortization and impairment		
At beginning of the year	(92,298,814)	(82,962,804)
Amortization	(11,092,913)	(9,336,010)
At end of the year	(103,391,727)	(92,298,814)
Impairment Loss	-	-
At end of the year	(103,391,727)	(92,298,814)
Net Book Value (NBV)	18,012,014	27,220,970

30. Trade and other payables from exchange transactions

Description	2019/2020 Kes.	2018/2019 Kes.
Employee Liability Account	2,792,831	1,880,824
Inventory AP Accrual Account	8,451,232	8,496,952
Expense AP Accrual Account	51,005,587	40,959,198
Suppliers Liability Account	98,365,667	82,083,013
Retention - General Contractors	8,411,232	10,351,176
Total trade and other payables from exchange transactions	169,026,549	143,771,163

31. Refundable deposits from customer

Description	2019/2020 Kes.	2018/2019 Kes.
Tender Refundable Deposits	3,104,125	-
Performance Bonds	12,062,646	12,062,646
Total refundable deposits from customers	15,166,771	12,062,646

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. Provisions

Description	Provision for Audit Fee	Provision for Bad Debts	Total
Balance as at 1 July 2019	9,040,000	133,007,396	142,047,396
Additional provisions	4,400,000	20,095,795	24,495,795
Provision utilized	(4,480,000)	-	(4,480,000)
Total provisions as at 30 Jun 2020	8,960,000	153,103,191	162,063,191

33. Employee Benefits Obligations

Description	2019/2020 Kes.	2018/2019 Kes.
Salary Clearance Account	411,026	453,425
Net Salary Account	1,329,458	877,039
NHIF	67,144	50,340
HELB	35,436	35,436
Sacco Deductions Account	86,751	268,780
Commercial Banks Deductions	655,764	321,372
Social Welfare Deductions	-	35,311
Insurance Deductions	1,143,606	871,358
Hire Purchase Deductions	368,457	371,028
Family Maintenance	39,960	50,650
House Rent Utility Charges	5,730,211	5,667,211
Staff Pension Contributions	8,934,755	8,587,384
Staff Gratuity	11,345,144	6,801,709
Total employee benefits obligations	30,147,712	24,391,043

34. Payments Received in Advance

Description	2019/2020 Kes.	2018/2019 Kes.
Imprest Clearing Account	4,289,307	3,749,330
Total advance receipts	4,289,307	3,749,330



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. Withheld Taxes

Description	2019/2020 Kes.	2018/2019 Kes.
Income Tax (PAYE)	40,520,605	-
VAT @14%	29,749,905	-
Pay Master General-PAYE	24,124,902	-
Withheld taxes	94,395,412	-

36. Corporation Tax

Description	2019/2020 Kes.	2018/2019 Kes.
At beginning of the year	72,680,326	-
Income tax charge for the year (note 22)	1,101,569	76,621,225
Under/(over) provision in prior year/s (note 22)	-	-
Income tax paid during the year	(70,299,288)	(3,940,899)
At end of the year	3,482,607	72,680,326

37. Deferred Income

Description	2019/2020 Kes.	2018/2019 Kes.
Deferred Income - FAO	4,337,676	319,058
Deferred Income - EU	66,445,061	66,431,615
Deferred Income - CDC	-	1,605
Deferred Income - ADB	5,507,233	-
Total Deferred Income	76,289,970	66,752,278

The deferred income movement is as follows:

Description	2019/2020 Kes.	2018/2019 Kes.
Balance brought forward	66,752,278	-
Additions	242,107,079	76,505,171
Transfers to Capital fund	-	-
Transfers to income statement	(732,569,387)	(9,752,893)
Other transfers	-	-
Balance carried forward	76,289,970	66,752,278

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

38. Financial Risk Management

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

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

(i) Credit risk

The Service has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the Directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

	Total amount Kes	Fully performing Kes	Past due Kes	Impaired Kes
At 30 June 2020				
Receivables from exchange transactions	451,346,810	177,594,101	273,752,709	-
Receivables from non-exchange transactions	45,913,860	45,913,860	-	-
Bank balances	664,383,521	664,383,521	-	-
Total	1,161,644,191	887,891,482	273,752,709	0
At 30 June 2019				
Receivables from exchange transactions	355,475,425	95,634,278	259,841,147	-
Receivables from non-exchange transactions	60,367,594	60,367,594	-	-
Bank balances	1,522,246,849	1,522,246,849	-	-
Total	1,938,089,868	1,678,248,721	259,841,147	0



NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management (Continued)

(i) Credit risk (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Service has significant concentration of credit risk on amounts due from government institutions.

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

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Service's Directors, who have built an appropriate liquidity risk management framework for the management of the Service's short, medium and long-term funding and liquidity management requirements. The Service manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Service under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management (Continued)
(ii) Liquidity risk management (Continued)

	Up to 1 month Kes.	1 - 3 Months Kes.	3 + 12 months Kes.	Over 1 year Kes.	Total Kes.
At 30 June 2020					
Financial assets					
Trade receivables	55,195,223	46,627,509	72,185,674	273,752,709	447,761,115
Other receivables and prepayments	49,499,555	-	-	-	49,499,555
Amount due from related parties	-	-	-	-	-
Bank balances and cash deposits	664,383,521	-	-	-	664,383,521
Total financial assets	769,078,299	46,627,509	72,185,674	273,752,709	1,161,644,191
Financial liabilities	(392,798,328)	-	-	-	(392,798,328)
Total financial liabilities	(392,798,328)	-	-	-	(392,798,328)
Net liquidity gap	376,279,971	46,627,509	72,185,674	273,752,709	768,845,863
At 30 June 2019					
Financial assets					
Trade receivables	41,582,465	41,988,612	27,278,987	235,403,960	346,254,024
Other receivables and prepayments	69,588,995	-	-	-	69,588,995
Amount due from related parties	-	-	-	-	-
Bank balances and cash deposits	1,522,958,903	-	-	-	1,522,958,903
Total financial assets	1,634,130,363	41,988,612	27,278,987	235,403,960	1,938,801,922
Financial liabilities	(236,897,534)	(80,939,503)	(5,569,749)	-	(323,406,786)
Total financial liabilities	(236,897,534)	(80,939,503)	(5,569,749)	-	(323,406,786)
Net liquidity gap	1,397,232,829	(38,950,891)	21,709,238	235,403,960	1,615,395,136

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Service's income or the value of its



NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management (Continued)

(iii) Market risk (Continued)

holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

a) Foreign currency risk

The Service has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the Service's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

The Service manages foreign exchange risk from future commercial transactions and recognises assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

	Kenya shilling Kes	Other currencies Kes	Total Kes
At 30 June 2020			
Financial assets			
Investments	-	-	-
Cash	664,383,521	13,547,365	677,930,886
Debtors	497,260,670	-	497,260,670
Total financial assets	1,161,644,191	13,547,365	1,175,191,556
Financial liabilities			
Trade and other payables	(392,798,328)	-	(392,798,328)
Borrowings	-	-	-
Total financial liabilities	(392,798,328)	-	(392,798,328)
Net foreign currency asset/(liability)	768,845,863	13,547,365	782,393,228
At 30 June 2019			
Financial assets			
Investments	-	-	-
Cash	1,522,958,903	10,968,524	1,533,927,427
Debtors	415,843,019	-	415,843,019
Total financial assets	1,938,801,922	10,968,524	1,949,770,446
Financial liabilities			
Trade and other payables	(323,406,786)	-	(323,406,786)
Borrowings	-	-	-
Total financial liabilities	(323,406,786)	-	(323,406,786)
Net foreign currency asset/(liability)	1,615,395,136	10,968,524	1,626,363,660

b) Interest rate risk

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

Management of interest rate risk

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management (Continued)

(iii) Market risk (Continued)

c) Capital Risk Management

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

Description	2019/2020 Kes	2018/2019 Kes
Revenue reserve	(2,029,173,227)	(945,695,977)
Capital reserve	76,202,843,310	69,982,246,960
Total funds	74,173,670,083	69,036,550,983

39. Related Party Balances

Nature of related party relationships

Entities and other parties related to the Service include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the Service, holding 100% of the Kenya Forest Service equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

The Service is related to:

- i) The National Government;
- ii) The Ministry of Environment & Forestry;
- iii) Key management;
- iv) Board of Directors.

Description

a) Grants from the government
Grants from National Government

b) Key management remuneration

Directors' emoluments
Compensation to the CEO
Key management compensation

Description	2019/2020 Kes.	2018/2019 Kes.
a) Grants from the government Grants from National Government	4,605,527,481	4,717,423,887
b) Key management remuneration Directors' emoluments	16,265,882	25,213,932
Compensation to the CEO	6,052,400	1,583,933
Key management compensation	61,685,269	66,210,622
	84,003,551	93,008,486



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

40. Contingent assets and contingent liabilities

There were no contingent assets to be reported as at the end of the financial year. Contingent liabilities include the court cases against the Service which are detailed in Appendix 5.

41. Capital Commitments

Project description	Estimated Cost	Estimated	Source of Funds
		Completion Date	
Construction of ranger's camps	90,281,286	Sep-20	Gok
Construction of tree nurseries	65,985,059	Sep-20	Gok
Procurement of seeds and seedlings	24,876,900	Sep-20	Gok
Total	181,143,245		

42. Events after the reporting period

Subsequent to 30 June 2020, on 25 Jan 2021, the ENCOM/Green Zones Project building at the Service headquarters was completely destroyed by a fire. Since the investigation and analysis of the loss brought about by the fire is still ongoing, the extent of the loss remains unclear at this time.

The subsequent changes in the fair value of the Service assets as a result of the fire are not reflected in the financial statements as of 30 June 2020.

43. Ultimate and Holding Service

The Service is a State Corporation under the Ministry of Environment & Forestry. Its ultimate parent is the Government of Kenya.

44. Currency

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



Appendix 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference Issue / Observations	No. on the from Auditor	external audit Report
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1	Property Plant and Equipment- Exclusion of 188 unvalued parcels of land without title deeds	1
1.1	Illegal encroachments and excisions on forest land in various parts of the country	1.1

Timeframe: (Put a date when you expect the issue to be resolved)	Status: (Resolved / Not Resolved)	Focal Point person to resolve the issue (Name and designation)	Management comments
Continuous	Not Resolved	Mr. Patrick Karuki - Deputy Chief Conservator of Forests - Farm and Dryland Forestry	As previously stated, the Service asked for assistance from the Ministry of Lands for valuation of the Gazetted land and got a response advising against the valuation as the land is not available for sale in the open market. A copy of the correspondence from the Ministry is attached. The Service is also in pursuit of the title deeds with the Ministry of Lands and the process is in different stages for different parcels of land.
Continuous	Titling Not fully Resolved. The rest is resolved	Mr. Julius Kamau - Chief Conservator of Forests	The Service continues to pursue ownership documents of all gazetted land and other parcels of land under its custody. The Service made a request to the Ministry of Lands for help in valuation of land but the Ministry was not able to offer a value. This has resulted in the missing value of land in the financial statements. Forest lands have been secured through gazettelement which provide legal notices. Alteration of forest areas as gazetted can only be sanctioned/approved by the National Assembly as provided for in the Forest Conservation and Management Act 2016. The Service has created security teams in hot spot areas including Mau, Embout and Boni Forests.



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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)
1.2	Unsupported Depreciation and Amortization Expenses	These teams are involved in operations to evict illegal squatters as is currently ongoing in Maasai Mau forest area. There are security rangers in all gazetted forests. The Service has fully supported the depreciation figure and revised the accounts as agreed during the exit meeting. The depreciation schedule was sent as part of the Management Letter response	Mrs. Anastasia Muasya - Manager, Finance and Accounting	Resolved	
2	Heritage Assets - no specification forest blocks recognized as heritage assets	The Service continues to pursue ownership documents of all gazetted land and other parcels of land under its custody and due to the Ministry of Lands not being able to offer a value for the land, there is no available value for land to be included in the financial statements and thus forests cannot be classified as either heritage or not in the Financial Statements.	Mr. Patrick Kariuki - Deputy Chief Conservator of Forests - Farm and Dryland Forestry	Not Resolved	Continuous
3	Cash and Cash Equivalents - Long outstanding receipts in the cash book not in the bank statements	The long outstanding receipts in cashbook not in the bank statements are as a result of a matter that is still pending in court. The un-cleared payments in cashbook are mainly due to payroll deductions that were done end of June 2018 but cleared in July.	Mrs. Anastasia Muasya - Manager, Finance and Accounting	Not Resolved	Court case is not closed.
4.1	Omission of Plantation Land from the Value of Plantations	The Service recognises its plantations as biological asset. The value of the land is not inclusive.	Mrs. Anastasia Muasya - Manager, Finance and Accounting	Resolved	




Reference Issue / Observations	No. on the external audit Report	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeline: (Put a date when you expect the issue to be resolved)
4.2 Impairment of Plantations - Basis of recognition in the statement of financial performance		Kenya Forest Service prepares a forest resource account which provides details of opening stock, losses due to fire, poaching, re-classification, natural calamities. Additions are due to planting, natural regeneration, and growth. This is what informs the value of plantations at the end of the financial year.	Mrs. Zipporah Toroitich - Ag. Deputy Chief Conservator of Forests - Plantations and Enterprise	Resolved	
5 Receivables from Exchange Transaction - Long outstanding debts		Long outstanding debts by government agencies and media houses. The Service has continued to monitor the debt balances and improved on the debt recovery strategies by creating a debts section within finance department. This has had a positive effect on the recovery of debts and as well, the Service continues to make provision for doubtful debt based on their ages.	Mrs. Anastasia Muasya - Manager, Finance and Accounting & Mr. Patrick Karituki - Deputy Chief Conservator of Forests - Farm and Dryland Forestry	Not resolved	Continuous
6.1 Inappropriate Recognition of Revenue from Non-Exchange Transactions - Non - recognition of deferred income for donor receipts with related conditions		The Service has now adopted the recommendation of the audit Report and recognised deferred income on all unutilised donor funds as appearing in Statement of Financial Position	Mrs. Anastasia Muasya - Manager, Finance and Accounting	Resolved	

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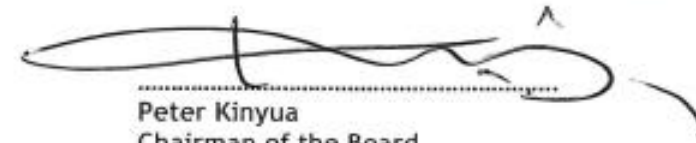
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
6.2	Plantation Revenue and Seeds & Seedlings - Minimal spending in trees seeds and seedlings planting despite earning substantial revenue from the tree sales.	The Service has been underfunded over a long time and has been trying to spend as much as it can afford on plantation establishment. The Service has now prioritized activities that will directly lead to increment in the forest tree cover.	Mr. Julius Kamau - Chief Conservator of Forests	Not resolved	Continuous
6.3	Unsupported Appropriations in Aid (AIA) - variance between AIA reported at KFS and AIA reported at the Ministry, budget for each compartment or acreage and No revenue target reports availed.	The Service reports its AIA from the Oracle system. An amount Kes.4,021,549,302 as at 30 June 2017 and schedules supporting the same was availed to the audit team. The amount reported by the Ministry may have been captured by the end of June when some revenue data may not have been posted in the system. The Service has management plans and felling plans for each compartment and which indicates the amounts expected to be collected. These are available as well as revenue targets per county.	Mrs. Anastasia Muasya - Manager, Finance and Accounting	Resolved	
6.4	Unaccounted for Plantations Harvesting Revenue	On the review of plantation management in Meru Forest, the Service confirms that all of the merchants and compartments quoted have been captured in our system and paid for while the portions not paid for were not harvested by those allocated to and are still standing. This information was provided to the audit team.	Mr. Julius Kamau - Chief Conservator of Forests	Not resolved	Continuous

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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)
9	Board of Directors Meetings - number of instances where the board's business was conducted outside principal place of business without authority		Laura Yego - Corporation Secretary	Not resolved	Continuous
10	Unsupported Special Operations Expenditure - Reports to support special activities on forest protection were not availed.	These reports are available for audit but were not requested for during the audit. Copies of some of the reports were attached to the response to the Draft Report.	Mr. Alex Lemarkoko - Deputy Chief Conservator of Forests - Forest Protection	Resolved	
11	Forest Conservation Committee Chairmen (FCC) Monthly Honoraria rates	The monthly honoraria rates for FCC Chairmen were approved by the State Corporation Advisory Committee (SCAC) during its meeting of 25th June 2009 and advised the Service vide correspondence Ref No. OP/SCAC.1/17/2. This was adopted by the Full Board during its meeting of 13th August 2009	Mr. Patrick Kariuki - Deputy Chief Conservator of Forests - Farm and Dryland Forestry	Resolved	


.....
Julius Kamau
Chief Conservator of Forests

Date..... 15/3/2024


.....
Peter Kinyua
Chairman of the Board

Date..... 15/3/2024



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Appendix 2: PROJECTS IMPLEMENTED BY THE SERVICE

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. WaTER Programme	FED/2016/375-958	European Union (EU)	2016 - 2020	EUR 4,000,000	Yes	Yes
2. Capacity Development for Sustainable Forest Management	5553	JICA	2016 - 2021	Kes. 2,700,000,000	Yes	Yes (GoK component)
3. Forests 2020 Project		UK Space Agency through Ecometrica	2017 - 2020	£ 725,000	Yes	Yes
4. Green Zones Development Support Project - II	P-KE-AAD-005	AfDB & GoK	2020 - 2025	Kes. 5,498,250,000	Yes	Yes

Status of Projects completion

Project	Total project Cost (Kes)	Total expended to date Kes	Completion % to date	2019/2020 Budget Kes	2019/2020 Actual Kes	Sources of funds
1 WaTER Programme	400,000,000	143,966,280	36%		52,238	EU & GoK
2 Capacity Development for Sustainable Forest Management	2,700,000,000	776,273,767	29%	480,000,000	344,691,446	JICA & GoK
3 Forests 2020 Project	90,625,000	61,826,082	68%	39,098,000	28,429,028	UK
4 Green Zones Development Support Project - II	5,498,250,000					ADB & GoK

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DD-54089	25-Oct-19	-	193,750,000.00	193,750,000.00
DD-54105	7-Nov-19	1,059,804,750.00	-	1,059,804,750.00
DD-54166	31-Dec-19	590,192,594.00	-	590,192,594.00
DD-54167	21-Feb-20	1,059,750,000.00	-	1,059,750,000.00
DD-54396	30-Apr-20	-	26,541,418.00	26,541,418.00
DD-52007	29-May-20	352,991,335.00	-	352,991,335.00
DD-54413	8-Jun-20	352,991,335.00	-	352,991,335.00
DD-57758	29-Jun-20	352,991,333.00	-	352,991,333.00
Total		4,238,219,003.00	548,041,418.00	4,786,260,421.00

Thank you.


Annastasia Muasya
Manager Finance & Accounting

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Appendix 4: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the Funds	Date Received (as per bank statement)	Nature: Recurrent/ Development/ Others	Total Amount Kes	Statement of Financial Performance Kes	Capital Fund Kes	Deferred Income Kes	Total Transfers during the Year Kes
Ministry of Environment & Forestry	6 Sep 19	Recurrent	469,497,656	469,497,656			469,497,656
	25 Oct 19	Development	327,750,000	327,750,000			327,750,000
	25 Oct 19	Development	193,750,000	193,750,000			193,750,000
	7 Nov 19	Recurrent	1,059,804,750	1,059,804,750			1,059,804,750
	31 Dec 19	Recurrent	590,192,594	590,192,594			590,192,594
	21 Feb 20	Recurrent	1,059,750,000	1,059,750,000			1,059,750,000
	30 Apr 20	Development	26,541,418	26,541,418			26,541,418
	29 May 20	Recurrent	352,991,335	352,991,335			352,991,335
	8 Jun 20	Recurrent	352,991,335	352,991,335			352,991,335
	29 Jun 20	Recurrent	352,991,335	172,258,395	180,732,940		352,991,335
			4,786,260,423	4,605,527,483	180,732,940	-	4,786,260,423
African Development Bank (ADB)		Donor Funds	228,539,890	228,539,890		5,507,233	234,047,123
			228,539,890	228,539,890	-	5,507,233	234,047,123
Food and Agriculture Organization (FAO)		Donor Funds	4,027,892	4,027,892		4,018,618	8,046,510
			4,027,892	4,027,892	-	4,018,618	8,046,510
Centre for Disease Control (CDC)		Donor Funds	1,605	1,605		(1,605)	-
			1,605	1,605	-	(1,605)	-
UK Space Agency - Ecometrica		Donor Funds	29,817,861	29,817,861			29,817,861
			29,817,861	29,817,861	-	-	29,817,861
Total			5,048,647,671	4,867,914,731	180,732,940	9,524,246	5,058,171,917

Appendix 5: COURT CASES AGAINST THE SERVICE

FILE REF (KFS/LS/)	COURT	CASE PARTICULARS	NATURE OF CASE
KFS/LS/19/08	NAIROBI	NAIROBI HCCC NO.1162 OF 2005 AGRICULTURAL SOCIETY OF KENYA -VS- MERU GOLF COURSE & ANOTHER (CCF)	Application to restrain the Chief Conservator of Forests and another from entering, interfering, licensing on L.R.No.20885 measuring 40.47 Ha (100 acres) on the boundary plan No. 175 347, of Meru (Upper Imeni)
KFS/LS/031/08	NAKURU	NAKURU HCC 25 OF 2006	Application to challenge eviction from south western Mau forest.
KFS/LS/036/08	NAKURU	STEPHEN KIPRUTO TIGERE -VS- ATTORNEY GENERAL NAKURU HCCC NO.67/09	LR NO. 13642 IN KIAMBU FOREST
KFS/LS/037/08	NAIROBI	JAKSON W. KINYUA & 5 OTHERS -VS-KENYA FOREST SERVICE, NAIROBI HCC 848 OF 2003	Plaintiff's without the defendant's authority moved into the State Forest and plundered and have continued to waste the same
KFS/LS/050/08	MALINDI	NAIROBI HCC 848 OF 2003 GEOGLADYS HOLDINGS LTD -VS- ATTORNEY GENERAL, LR 20842 NGONG ROAD FORST MALINDI HCCC M5C APPL NO 25 OF 2005,NAIROBI HC MISC APPL NO 340/07	Gazettement was effected on 23 rd Aug, 2004 for this area as a Forest. The residents protested when asked to vacate. Court issued orders against any eviction until the matter is settled. The matter has been pending for 5 years. Zonal Manager indicates that there is continued destruction by the squatters.
KFS/LS/61/10	NAKURU	NAKURU HIGH COURT PETITION NUMBER 6 OF 2010 KIPSAANG KILELE & 5 OTHERS -VS AG & PRIME MINISTER, NAKURU HCC NO 159 OF 2013 (FORMERLY) NAKURU CMCC NO. 307/10	This is a matter filed by the Gikuk community challenging their eviction from the Mau Forest. Case filed on 21/09/2010.
KFS/LS/71/10	NAKURU	NAKURU HCC NO 159 OF 2013 (FORMERLY) NAKURU CMCC NO. 307/10 GALAXY REALTORS LTD -VS KENYA FOREST SERVICE	The then Provincial Forest Officer in 1998 allotted an unsurveyed plot which was part of forest land to himself, and later on sold it to the plaintiff. The allotment was done before the gazettment which was done in 2001. The case was filed on 18/11/2010
KFS/LS/7/11	KEIYO	ELDORET HCC PETITION NO. 2/11 MARIA SOTI EDUCATIONAL TRUST VS AG	Illegal forest excision in Marakwet Keiyo Zone Kaptagat Forest.
KFS/LS/23/11	NYAHURURU	NAKURU HCC NO. 108 OF 2006 MBURU KIMANI GACII -VS- DFO NYANDARUA	Illegal sale of part of Oldblossat forest for the purpose of settling internally displaced persons.
KFS/LS/24/11	MERU	MERU CIVIL SUIT NO. 64 OF 2011 JOSEPH MWORIA JOHN & 3 OTHERS -VS- LOWER IMENI FORESTER	Land dispute between the applicants and the forester, Lower Imeni over land parcels no.1997 and 685 establishing Kuruu river boundary
KFS/LS/14/12	NAKURU	NAKURU HIGH COURT CIVIL SUIT NO. 102 OF 2012 DANIEL MAINA KIBAGE -VS- KFS	The plaintiff is seeking for a court order to allow him develop the parcel of land L.R./NYANDARUA/MURUAL/926 which he claims to be the lawful owner which was a land settlement.
KFS/LS/17/12	ELDORET	ELDORET CIVIL SUIT NUMBER 81 OF 2012 SQUAREDEAL KENYA LTD -VS- KENYA FOREST SERVICE	The plaintiff is seeking for a court order to allow them develop the said parcel of land. He is the registered owner of the said property and is seeking to evict KFS from the property.
KFS/LS/36/12	ELDORET	ELDORET HCCC NO. 196 OF 2007 FILED ON 2/05/2012	The applicant/plaintiff alleges to be the owner of Eldoret Municipality Block 10/164 and that a certificate of lease was issued to him. The land is part of Eldoret Forest and was leased to the defendant by KFS



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FILE REF (KFS/LS/)	COURT	CASE PARTICULARS	NATURE OF CASE
KFS/LS/40/12	NAKURU	NAKURU CMCC NO. 1206/12 DICKSON MWANGI -VS- WILLIAM CHEPTOO FILED 15/02/2013	The plaintiff is seeking for orders to restrain KFS from interfering with LR No, Laikipia/Nyahururu/4886
KFS/LS/3/13	NAIROBI	NAIROBI HIGH COURT PETITION NUMBER 94 OF 2013 GITARAGA FARM LTD -VS- HON ATTORNEY GENERAL	The plaintiff is claiming that Kenya Forest Service is interfering with his rights in respect to L. R Number 9836 which it claims to have bought in 1993. Last time in court was 28 th October 2016, but Lenaola was not sitting, new dates in court will be communicated.
KFS/LS/5/13	NAIROBI	NAIROBI ELC CIVIL SUIT NUMBER 218 OF 2013-03-05 ANNE WAMBUI MUNA -VS- KENYA FOREST SERVICE FILED ON 2/04/2013	The plaintiff is seeking for permanent injunction restraining Kenya Forest Service from interfering with her parcel of land Ngong Township
KFS/LS/7/13	ELDORET	ELDORET HIGH COURT PETITION NUMBER 6 OF 2013 DAVID KIPTUM YATOR -VS- KFS & HON. ATTORNEY GENERAL filed on 22/03/2013	Eviction from Kapolet Forest and Empotutu Forest. The Sengwer community has sued KFS in this matter claiming ownership of the Embobut Forest. The court has issued an order directing KFS and the other respondents to restrain from interfering with their enjoyment and occupation. Order was the status quo to remain pending hearing and final determination of petition
KFS/LS/15/13	NAKURU	NAKURU ELC SUIT NO. 401 OF 2013 DICKSON MWANGI WANDERI -VS- WILLIAM CHEPTOO & ANOTHER	The applicant alleges that he is the legal owner of L.R NO Laikipia/Nyahururu/4881 and is seeking for orders to restrain KFS from interfering with his quiet possession. Case is related to NAKURU CMCC NO. 1206 OF 2012 Dickson Mwangi -Vs- William Cheptoo See KFS/LS/40B/2012
KFS/LS/28/13	NAIROBI	NAIROBI PETITION NUMBER 556 OF 2013-12-03 YORK WORLDWIDE HOLDING LTD -VS- KENYA FOREST SERVICE & ATTORNEY GENERAL	The Petitioner is seeking for mandatory injunction directing KFS to remove the perimeter fence that was erected on LR. Number 20851, 20852 & 20853 Gigiri claiming that the said plots are duly registered to it.
KFS/LS/29/13	KIAMBU	KIAMBU CIVIL SUIT NO. 187 OF 2013-12-09 LUCY WANJIRU WAINAINA -VS- KENYA FOREST SERVICE	Applicant is seeking for orders restraining KFS from interfering with trees on land parcel number ESCARPMENT/KINARI/BLOCK1503 and or trespassing on the same land
KFS/LS/07/14	NAIROBI	ELC NO.1571 OF 2007 KENYA ANTI-CORRUPTION COMMISSION VS GIGIRI COURT LTD & 3 OTHERS	Plaintiff sued KFS, NLC and The AG over property NAIROBI/BLOCK91/386 which is part of Karura Forest.
KFS/LS/12/14	NAIROBI	NAIROBI ELC NO. 521 OF 2014 JOHN KEEN VS KFS	Plaintiff sued KFS claiming ownership of Land LR NGONG/NGONG/12673 which land forms part of Ngong Hills Forest. KFS is currently in possession of the area. Plaintiff seeking declaration order in his favor as well as damages for trespass and destruction of property. No current update from advocates
KFS/LS/18/14	BUNGOMA	ELC NO. 146 OF 2012 ASHON SIKOLIA WANYONYI & 2 OTHERS VS CHIEF LAND REGISTRAR & 5 OTHERS	KFS sought to be enjoined in this matter where a temporary injunction was issued over parcels of land which form part of Chitambe forest.
KFS/LS/19/14	ELDORET	ELDORET HCC NO. 40 OF 2012 LEAH MAGOMA ONGAI VS HON A.G	Plaintiff sued the Attorney General on behalf of the Ministry of Environment & Natural Resources and KFS alleging KFS encroachment/trespass on the plaintiff's private land. No current update from the Litigation counsel
KFS/LS/24/14	NAIROBI	H.C PETITION 418 OF 2014 JEROME MARK BLOCK VS KFS	The petitioner who is the registered owner of L.R No. 214/432 Muthaiga bordering Karura Forest to the north east, near Getathura river, the petitioner is claiming that the river is situated in his property.
KFS/LS/25/14	NAKURU	H.C ELC NO.282 OF 2014 JOHNSON K. CHERUIYOT & OTHERS VS DIRECTOR, KFS & OTHERS	Applicants sued KFS alleging that KFS Surveyors have encroached onto their community land. They are seeking permanent injunctions against KFS Surveyors demarcating the parcel known as LR. MAASAI MAU TRUST LAND

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FILE REF (KFS/LS/)	COURT	CASE PARTICULARS	NATURE OF CASE
KFS/LS/26/14	MERU	MERU HIGH COURT PET. NO. 42 OF 2014 PETER KINOTI MIKWA & OTHERS VS. KFS	This Case is in regards to Lower Incent Forest Station and some community members claiming that KFS & KWS encroached on their farms during the erection of solar fence in 2006/2007 On 5/10/2015 court allowed KFS to have a cartographer in the presence of parties' surveyors to mark out the boundary between forest and the petitioners' parcels of land. KFS surveyors to liaise with the advocate, survey department has coordinated the marking of the boundary 23 rd May 2016 in Meru MIGORI CMCC NO. 316 OF 2015 JUDITH ANDISI MISANGA VS DIRECTOR KFS & KFS
KFS/LS/8/15	ELDORET	ELC NO. 185 OF 2015 SAMUEL KOIMA & 52 OTHERS VS KFS & ANO	53 plaintiffs who have illegally encroached on to Kipkabus Forest land (Ex-Kandie Farm) claiming to be the registered owners of the land have sued KFS for attempting to unlawfully evict them from their rightful property. They seek a declaration as to ownership and a permanent injunction against KFS. Plot dispute at Garissa township.
KFS/LS/12/15	NAIROBI	NAIROBI ELC NO. 1015 OF 2015 YASSIN MUKHTARI HAJI BARRE VS KFS	
KFS/LS/14/15	ELDORET	ELDORET ELC PET. NO 15 OF 2015 BUNDOITICH KIMUGUL & 29 OTHERS VS KFS	the claimant claims to be owners of a forest land in Kipkabus Forest Station
KFS/LS/20/15	KISII	KISII HC ELC NO 527 OF 2015 CHARLES OYANGO MENYA VS KFS	The claimant's land borders the forest land and there is a border dispute in Suna East. The claimant indicates that KFS trespassed into his land.
KFS/LS/22/15	MERU	MERU HC ELC NO 44 OF 2015 DAVID KELI KIILU & OTHERS VS COUNTY GOVERNMENT OF MERU	The claimants suing as trustees of (ASK) claim they are registered owners of the said land which is Forest land. Upper Incent forest Same as KFS/LS/19/12 - cases consolidated & the KFS/LS/19/12 takes lead
KFS/LS/08/16	WEBUYE	WEBUYE PMCC NO 148 OF 2016 PATRICK MANDU CHELOTI VS THE COUNTY GOVERNMENT OF BUNGOMA & KENYA FOREST SERVICE	The plaintiff sued the service claiming ownership of land NDIVISHI/MICHI/6838 and he is claiming of our officers harassment restraining him from harvesting Eucalyptus trees in his farm, he obtained a court order dated 2 nd September 2016, our EC Bungoma was issued with an order for contempt, court has given KFS time to file reply,
KFS/LS/09/16	KITALE	KITALE HC ELC NO 126 OF 2016 COUNTY GOVERNMENT OF WEST POKOT VS KFS	County government of West Pokot has sued KFS alleging to be the owner of Kamatira forest block situated within West Pokot county, plaintiff is seeking an injunction restraining KFS from any dealings or harvesting timber in Kamatira Forest. However, despite the forest being on trust land, KFS has been managing the said forest and has since invested in planting the existing tree plantations.
KFS/LS/05/17	NAIROBI	MILIMANI ELC NO 1 OF 2017 ANKHAN HOLDING LTD -VS- KENYA FOREST SERVICE	The petitioner claims to be the owner of LR No 18486 situated in Ngong road
KFS/LS/06/17	BUNGOMA	BUNGOMA ELC NO 1 OF 2017 PETER & OTHERS -VS- KENYA FOREST SERVICE	The petitioner has gone to court to stop their eviction from Mt. Eigon forest
KFS/LS/07/17	MOMBASA	MOMBASA ELC NO 125 OF 2017 TATA TAVETA HUMAN RIGHTS WATCH -VS- COUNTY GOVT OF TATA TAVETA & OTHERS	The petitioners are opposing the relocation of Voi Girls Centre to Ore urban forest
KFS/LS/10/17	NAKURU	NAKURU ELC NO 305 OF 2012 DICKSON K YATICH & OTHERS VS OBADIAH KIPKORIR & OTHERS	The applicant claims that the land Kericho/Municipality L.R. No.631/1570 belongs to him having purchased the land from another individual. The EC confirmed that the area is currently used as the Kericho Sub County offices "Kericho REAS Office"



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FILE REF (KFS/LS/)	COURT	CASE PARTICULARS	NATURE OF CASE
KFS/LS/11A/17	KERICHO	KERICHO ELC NO 6 OF 2017 JOSEPH KENY -VS- KFS & OTHERS KERICHO HC ELC NO. 5 OF 2017 OGIEK INDEPENDENT COUNCIL OF SOUTH WEST MAU FOREST -V- KFA & OTHERS	Petitioner claims to have been evicted from their parcels of land in the south west of Mau upon alleged degazettment.
KFS/LS/11B/17	KERICHO	KERICHO ELC NO 6 OF 2017 JOSEPH KENY -VS- KFS & OTHERS KERICHO HC ELC NO. 5 OF 2017 OGIEK INDEPENDENT COUNCIL OF SOUTH WEST MAU FOREST -V- KFA & OTHERS	The petitioners allege to have been evicted from Mau forest in 2009 and were never resettled or compensated. They want an order to re-occupy their land or compensation at market value.
KFS/LS/12/17	NAIROBI	NAIROBI HC PETITION NO 277 OF 2017 COUNCIL OF GOVERNORS -VS- KFS & OTHERS	The Council of Governors filed the suit against KFS, AG, and other 15 government agencies claiming that the national government through its agencies has failed to devolve its functions as per the Constitution. On KFS part, the petitioner alleges that the Service has failed to involve the county governments in the implementation of national government policies on water and forest conservation hence violating the Constitution.
KFS/LS/15/17	KITALE	KITALE PETITION NO. 4 OF 2017 CHORLIM MULTI-PURPOSE -VS- KFS & OTHERS	Land dispute - The petitioners claim to be owners of a piece of land situated in Makunga forest. Having been squatters on the land and subsequently being issued with allotment letters.
KFS/LS/17/17	ARUSHA TANZANIA	IN THE AFRICAN COURT ON HUMAN & PEOPLE'S RIGHTS APPLICATION NO. 006 OF 2012 AFRICAN COMMISSION ON HUMAN & PEOPLES' RIGHTS -VS- REPUBLIC OF KENYA	The Ogiek community against eviction from their ancestral land within the forest
KFS/LS/18/17	ELDORET	ELDORET CIVIL APPEAL NO.15 OF 2017 FANIKIWA LTD -VS- SIRIKWA SQUATTERS GROUP AND 10 OTHERS.	The petitioners claim that their right to property and/or settlement have been or is about to be violated if the respondents do not carry out the registration and settlement of the petitioners. They also want the respondents to be given orders against selling, transferring, mortgaging, charging the land and intermeddling with it. The petitioners seek to get intervention and directions to enable them enjoy what has been allocated to them.
KFS/LS/20/17	THIKA	THIKA ELC NO 771 OF 2017 CHRISTOPHER KAMAU & OTHERS -VS- KFS	The petitioners claim ownership of parcels of land in Kamiti/Animer forest and sought orders to stop KFS from evicting them or interfering with their property
KFS/LS/21/17	NAIROBI	MILIMANI ELC JR NO. 39 OF 2017 REPUBLIC -VS- KFS & ANOTHER EX- PARTE: PETER NJORO WAKABA	The applicant instituted JR to prohibit respondents from implementing the Notice to vacate Kamiti Forest issued on 28 th September 2017. The land in question forms part of Kamiti Forest Reserve, which is a gazetted state forest pursuant to Legal Notice No. 174 of 1964. The area has never been degazetted and has therefore never been available for alienation.
KFS/LS/28/17	MIGORI	MIGORI ELC NO. 240 OF 17 JAMES ODHIAMBO OGUTA & OTHERS -V- KENYA FOREST SERVICE & OTHERS	The plaintiffs claim that KFS has redrawn its boundaries and encroached into their land by planting trees making it impossible for them to use their portions of land.
KFS/LS/02/18	ELDORET	ELDORET PETITION NO. 3 OF 2018 ELIAS KIBIWOTT & 20 OTHERS -VS- KFS	The petitioners are seeking injunction orders against KFS restraining KFS from interfering with their settlement in Embobut forest
KFS/LS/03/18	KIAMBU	KIAMBU CMCC ELC NO 9 OF 2018 AGROPACK LTD VS KFS & JOAN SKUKBERRY	The applicant is seeking for an injunction restraining KFS from interfering with his alleged property LR No. 20009 within Kiambu forest
KFS/LS/06/18	MIGORI	MIGORI ELC NO 22 OF 2018 KENNEDY OCHIENG OTIENO -VS- KFS & AG	The plaintiff claims to be the owner of a parcel of land called Suna East/Wasweta 1/12108 and claims KFS & Ag have trespassed to his land

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FILE REF (KFS/LS/)	COURT	CASE PARTICULARS	NATURE OF CASE
KFS/LS/26/18	ELDORET	ELDORET ELC NO 114 OF 2018 SAMUEL KIPWOMBOK & OTHERS VS EC UASIN GISHU COUNTY 1 (Khorimat)	The Applicants are seeking injunctive orders to prevent their eviction from Tarakwa/Lingwal/Block 1 (Khorimat)
KFS/LS/27/18	NAKURU	NAKURU ELC NO. PET. NO 22 OF 2018 ISAAC RUTOH & OTHERS -VS- KFS OTHERS	The members of Omuch Self Help Group claim to have an interest on Parcel No. 09457 Mariashoni/Nakuru where they allege to have planted cypress trees.
KFS/LS/32/18	KERUGOYA	KERUGOYA HCC NO 6 OF 2018 POLINE WANGARI -VS- DPP & OTHERS	The DPP wrote a letter instructing the commencement of investigations on a possible collusion and/or conspiracy to defraud between service officials and saw millers in respect of the 1.3 Billion accumulated debts.
KFS/LS/33/18	ELDORET	ELDORET ELC NO. 120 OF 2018 SILVESTER K. KAITANY -VS- TEA ZONES DEVELOPMENT & OTHERS	Land dispute IR 82519 in Elgeyo Marakwet. The plaintiff claims that Nyayo tea zone encroached into 30 acres of land and a further 13 acres, planted tea and is unlawfully on his land to date.
KFS/LS/02/19	MALINDI	MALINDI ELC NO 1 OF 2019 CHRISTOPHER RUMWA NZAI -VS- KFS & ANOTHER	Land in Kilifi LR No. 5054/1328 measuring 0.5 Ha housing the KFS staff.
KFS/LS/15/19	MILIMANI	THIKA ELC PET NO 13 OF 2019 (FORMERLY MILIMANI ELC PETITION NO 44 OF 2019) KENYA FOREST SERVICE -VS- NLC & AG	KFS requested for an advisory opinion based on gazette notice No. 1995, based on NLC decision requiring KFS to degazette mentioned forests reserves unlike the stipulated procedure in the forest conservation and management act, 2016.
KFS/LS/19/19	NAIROBI	PUBLIC PROCUREMENT & REVIEW BOARD APPLICATION NO 98 OF 2019 GA INSURANCE LTD -VS- CHIEF CONSERVATOR OF KENYA FOREST SERVICE	The Applicant is petitioning the tribunal to review the decision of KFS to award the group medical insurance to M/S Jubilee Insurance Company despite the applicants offering a lower price for the same services.
KFS/LS/23/19	NAKURU	NAKURU ELC NO 314 OF 2019 GEORGE KIMANI KARUKI -VS- AG & KFS	The plaintiff instituted this case claiming to be the legal owner of Nakuru Municipality block 8/92. He claims that on or about the year 2007 the service trespassed and took possession of the plaintiff's property.
KFS/LS/25/19	NAIROBI	NAIROBI ELC NO 91 OF 2018 JADIN ALBAHI NATHOO & ANOR -VS- KFS & OTHERS	Petitioners enjoined KFS as an interested party, alleging that they purchased land from Umakant Manekal Khamar. The petition is against the direction by the chairman of NLC to revoke the petitioner's titles.