

REPUBLIC OF KENYA

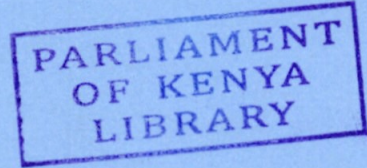


OFFICE OF THE AUDITOR-GENERAL  
Enhancing Accountability



# REPORT

OF



# THE AUDITOR-GENERAL

ON

# KENYA FOREST SERVICE

# FOR THE YEAR ENDED

30 JUNE, 2025

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 11 MAR 2026	DAY: WED
TABLED BY:	DEPT. MAJORITY PHAN WONG
CLERK-AT THE-TABLE:	OBIERO

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## KENYA FOREST SERVICE

### ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30<sup>TH</sup> JUNE 2025

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

**Kenya Forest Service**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2025**

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## 1. ACRONYMS AND DEFINITION OF KEY TERMS

### Acronyms

ADB	African Development Bank
AIA	Appropriations in Aid
ASALs	Arid and Semi-Arid Lands
BETA	Bottom-up Economic Transformation Agenda
CCF	Chief Conservator of Forests
CFA	Community Forest Association
CEO	Chief Executive Officer
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CSR	Corporate Social Responsibility
FAO	Food and Agriculture Organization
FCMA	Forest Conservation and Management Act, 2016
GOK	Government of Kenya
GZDSP	Green Zones Development Support Project
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KFC	Kenya Forestry College
KFS	Kenya Forest Service
MDAs	Ministries, Departments, Agencies
OAG	Office of the Auditor General
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations

### Definition of Key Terms

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

**Comparative Year-** Means the prior period

## **2. KEY SERVICE INFORMATION AND MANAGEMENT**

### **(a) Background Information**

Kenya Forest Service is a State Corporation in the Ministry of Environment, Climate Change and Forestry established in 2007 through the Forests Act, 2005 (repealed) as the successor of the Forest Department and derives her mandate from the Forest Conservation and Management Act (FCMA) 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 county forest conservation offices in all the 47 counties. These offices are critical in the co-ordination of forest conservation, management and surveillance.

### **(b) 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;

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- 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.

**Vision Statement**

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

**Mission Statement**

Conservation, management, development and sustainable utilisation of forests and allied resources for current and future generations

**Strategic Goal**

Sustainably manage all forests and build resilient forest ecosystems

**Core Values**

The following core values form the foundation of how we conduct ourselves when carrying out our duties: -

- **Teamwork:** The Service will embrace mutual support and respect, active participation, and collective responsibility, open communication, information sharing and mentoring.
- **Results Oriented.** The Service will pursue timely attainment of targeted results at all levels.
- **Integrity:** The Service and staff shall ascribe to high standards of personal ethics, integrity, transparency together with individual and corporate and accountability in the conduct of business.
- **Scientific principles and professionalism:** Decision making, and practice will be based on current scientific knowledge and best practice.
- **Creativity and Innovation:** The Service will encourage and reward creativity and innovativeness in work performance among staff.

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**(c) 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

**(d) 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 2025 and who had direct fiduciary responsibility were:

No.	Name	Designation
1.	Alex Lemarkoko	- Chief Conservator of Forests (CCF)
2.	Charity Munyasya*	- Senior Deputy CCF - Directorate of Strategy, Partnerships & Resource Mobilization
3.	Lucy Kiboi	- Senior Manager, Corporate Services
4.	Mohammed Momammed	- Commandant
5.	Stephen Mugi	- Head, Internal Audit
6.	Dr. Clement Ngoriareng	- Ag. Senior Deputy CCF - Directorate of Forest Conservation and Management
7.	Zipporah Toroitich	- Ag. Senior Deputy CCF - Directorate of Strategy, Partnerships & Resource Mobilization
8.	Elizabeth Wambugu**	- Principal, Kenya Forestry College (KFC)
9.	Francis Musyimi	- Ag. Principal, Kenya Forestry College (KFC)
10.	Beatrice Mbula	- Deputy CCF, Natural Forest Conservation
11.	Andrew Soi***	- Deputy CCF, Plantation & Enterprises
12.	Dr. Benjamin Kinyili****	- Deputy CCF, Forest Information Management
13.	Noor Mohammed	- Ag. Deputy CCF, Partnerships and Resource Mobilisation
14.	Jane Ndeti	- Ag. Deputy CCF, Dryland & Private Forest Development Coordination
15.	Anthony Musyoka	- Ag. Deputy CCF, Plantation & Enterprises
16.	Evans Kegode	- Ag. Deputy CCF, Forest Information Management
17.	Anastasia Muasya	- Manager, Finance & Accounting
18.	Juliana Ochieng	- Manager, Planning, Monitoring and Evaluation
19.	Esther Keige	- Manager, Legal Services
20.	Isaac Wekesa	- Ag. Manager Administration & Infrastructure Development
21.	Anne Muthamia	- Ag. Manager Corporate Communications

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No.	Name	Designation
22.	Victor Kobia	- Ag. Manager Supply Chain Management
23.	Stephen Cheboi	- Ag. Manager ICT
24.	Patrick Tialal	- Ag. Manager, Human Resource Management
25.	Laura Yego	- Principal Legal Officer

\* Charity Munyasya retired from the Service in April 2025

\*\*Elizabeth Wambugu retired from the Service in June 2025

\*\*\*Andrew Soi retired from the service in May 2025

\*\*\*\*Benjamin Kinyili retired from the Service in March 2025

**(e) Fiduciary Oversight Arrangements**

The current Board was appointed in March 2023. The Board of Directors has four Committees with specific delegated authorities. These are the

- Audit and Risk Compliance Committee,
- Human Resource and Administration Committee,
- Finance and Resource Mobilization Committee, and
- Technical, Planning, Development and Kenya Forestry College Committee.

**i) Audit and Risk Compliance Committee**

The Audit and Risk Compliance 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.	Dr. Doris Mutta	Chairperson
2.	FA. CPA. Isabella Kogei	Member
3.	Mr. Evans Mutari, MBS	Member
4.	Mr. Abdallah Komesha	Member
5.	Mr. Abraham Barsosio	Member

**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.	Mr. Ahmed Mohamed	Chairperson
2.	Mr. Kunal Chowdhari	Member
3.	Ms. Jane Simita	Member
4.	Mr. Abdallah Komesha	Member
5.	Mr. Evans Mutari, MBS	Member
6.	Mr. Alexander Lemarkoko	Member

**iii) Finance and Resource Mobilization Committee**

The Finance and Resource Mobilization 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.	Mr. Kunal Chowdhari	Chairperson
2.	FA. CPA. Isabella Kogei	Member
3.	Dr. George Muthike	Member
4.	Mr. Evans Mutari, MBS	Member
5.	Mr. Abraham Barsosio	Member
6.	Mr. Alexander Lemarkoko	Member

**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.	Dr. George Muthike	Chairperson
2.	Dr. Doris Mutta	Member
3.	Mr. Ahmed Mohamed	Member
4.	Ms. Jane Simita	Member
5.	Mr. Alexander Lemarkoko	Member

**(f) Headquarters**

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

**(g) Contacts**

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

**(h) Bankers**

Kenya Commercial Bank  
P.O. Box 14959  
Tel: +254-20-3747576  
Fax: +254-20-3747576  
E-mail: [info@kcb.co.ke](mailto:info@kcb.co.ke)  
Website: [www.kcb.co.ke](http://www.kcb.co.ke)

Co-operative Bank of Kenya  
P.O. Box 48231-00100,  
Tel: +254-20-3276000  
Fax: +254-20-219821  
E-mail:  
[customerservice@co-pbank.co.ke](mailto:customerservice@co-pbank.co.ke)  
Website: [www.co-opbank.co.ke](http://www.co-opbank.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](mailto:corporateaffairs@nationalbank.co.ke)

NCBA Bank  
P.O. Box 44599-00100, GPO,  
Tel: + 254-20-2884444  
Fax: + 254-20-2888505  
E-mail:  
[customercare@ncbagroup.com](mailto:customercare@ncbagroup.com)  
Website: [www.ncbagroup.com](http://www.ncbagroup.com)

Equity Bank  
P.O. Box 75102-00200-Nairobi  
Tel: +254-20-2262000  
Fax: +254-20-2737276  
E-mail: [info@equitybank.co.ke](mailto:info@equitybank.co.ke)  
Website: [www.equitybank.co.ke](http://www.equitybank.co.ke)

**(i) Independent Auditor**

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

**(j) Principal Legal Adviser**

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

### 3. THE BOARD OF DIRECTORS



**Mr. Titus Korir - Chairman**  
*Born 1949*

Mr. Korir holds a Honorary Doctorate Degree in Humanities and a Bachelor of Arts degree. He is a corporate Affairs, Management and Governance expert.



**Mr. Kunal Chowdhari - Vice Chairperson - Representative of the Forest Industry (Independent)**  
*Born 1983*

Mr. Chowdhari holds a Bachelor of Science (IT) degree. He is the Chairman of the Finance Committee of the board. His area of expertise is Business Development.



**Mr. Evans Mutari, MBS - Alternate to Principal Secretary, Environment and Forestry**  
*Born 1967*

Mr. Mutari holds a Masters in Business Management. His area of expertise is Business Management.



**Mr. Ahmed Mohamed - Representative of the Council of Governors (Independent)**  
*Born 1969*

Mr. Mohamed holds a Masters degree in International Relations. He is the chairman of the Human Resource and Administration Committee. His area of expertise is Policy and Governance.



**Mr. Abdallah Komesha - Alternate to Inspector General of National Police Service**

*Born 1966*

Mr. Komesha holds a Bachelor of Arts degree. He specialises in Criminal Investigations.



**Dr. Doris N. Mutta - Representative of the Forestry Society of Kenya (Independent)**

*Born 1964*

Dr. Mutta is a Programme Officer by profession. She holds a Ph.D in Forestry and Environmental Studies. She is the Chairperson of the Audit Risk and Compliance Committee.



**Dr. George Muthike - Alternate to the Director KEFRI**

*Born 1964*

Dr. George Muthike holds a BSc. in Wood Science and Technology, MPhil. in Wood Science and Technology (Timber Engineering), both from Moi University, Kenya, and a PhD. in Biomechanical and Environmental Engineering (Timber Processing) from Jomo Kenyatta University of Agriculture and Technology, Kenya. He also holds a Diploma in Transformational Leadership from Pan African University, Kenya. Dr. Muthike currently serves as the Deputy Director, Forest Products Development (FPD) in KEFRI. He has Optimized one Technology (Framed Chain Sawing) for On-farm timber sawing. He chairs the Technical Committee on Timber Standards and a member of Bamboo, and Wood Composites Technical Committees of the Kenya Bureau of Standards. He is a full member of Forest Society of Kenya.

**FA, CPA. Isabella Kogei - Alternate to PS, National Treasury**

*Born 1983*



FA, CPA Isabella Kogei is a Deputy Director in Charge of Parliamentary Business at the National Treasury. She holds a Bachelor of Commerce (Accounting) and Master of Science (Finance) Degrees from Kenyatta University; she is currently pursuing a Doctor of Philosophy (Finance) Degree from the same University. Professionally, CPA Isabella Kogei is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Certified Investments and Financial Analysts (ICIFA) and the Institute of Internal Auditors (IIA). FA, CPA Isabella has vast experience of 15 years in finance and accounting in both public and private sectors. She has performed roles in finance and administration and contributed to organizational resource planning, financial reporting and management at strategic level having been recognized by ICPAK with an Award of Commendation for her exemplary Service in Public Finance and Accountancy.



**Jane Simita - Representative of Community Forest Associations (Independent)**

*Born 1967*

Ms. Simita is an expert in leadership and community mobilisation.



**Alexander Lemarkoko, EBS, 'ndc'(K) - Chief Conservator of Forests**

*Born 1967*

Mr. Lemarkoko took over as Chief Conservator of Forests in July 2023. Mr. Lemarkoko has over thirty-three (33) years' experience in forest management and protection. He holds a Master of Arts degree in International Studies. He is a graduate of the National Defence College and a Full Member of the Forestry Society of Kenya.



**Ms. Laura Yego - Principal Legal Officer**  
*Born 1981*

Ms Yego is the Principal Legal Officer. 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 a Certified Secretary (CS - K). She is an Advocate of the High Court of over 18 years' experience, a Commissioner for Oaths and a Notary Public. She is a member of the Institute of Certified Secretaries, the Law Society of Kenya and the East Africa Law Society in good standing.

#### 4. KEY MANAGEMENT TEAM



#### **Alexander Lemarkoko, EBS, 'ndc'(K) - Chief Conservator of Forests**

Mr. Lemarkoko took over as the Chief Conservator of Forests in July 2023. Mr. Lemarkoko has over thirty-three (33) years' experience in forest management and protection. He holds a Master of Arts degree in International Studies. He is a graduate of the National Defence College and a Full Member of the Forestry Society of Kenya.



#### **Charity Munyasya - Principal Senior Deputy CCF (Directorate of Strategy, Partnerships & Resource Mobilization) - Retired in April 2025**

Ms. Munyasya was in charge of the Directorate of Strategy, Partnerships & Resource Mobilization. Ms. Munyasya has over thirty-three (33) 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.



#### **Dr. Clement Ngoriareng - Ag. Senior Deputy CCF, Directorate of Forest Conservation and Management**

Dr. Ngoriareng holds a PhD in Environmental applied Biological Sciences from University of Eldoret, a Master of Philosophy Degree in Environmental Planning and Management from Moi University and a Bachelor of Science (BSc) degree in Forestry and Wildlife Management from Moi University.

He has over 27 years of experience in the environment and forest sectors. He was a research scientist with international centre of research in insect physiology and ecology (ICIPE) where he conducted research in wild silk worm in the Arid areas of North Rift Region.



**Zipporah Toroitich - Ag. Senior Deputy CCF - Directorate of Strategy, Partnerships & Resource Mobilization**

Mrs. Toroitich 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 Helsinki University, and a Certificate in Strategic Environmental Assessment (SEA). Mrs. Toroitich has over thirty-two (32) years' experience in the forestry sector. She is a full member of the Forest Society of Kenya.



**CPA Lucy Kiboi - Senior Manager, Corporate Services**

CPA 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 thirty-four (34) 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).



**Mohammed Adan Mohammed 'ndc' (K) - Commandant**

Mr Mohammed is the Senior Deputy Chief Conservator of Forests -Directorate of Forest Protection and Security. (Commandant). He holds Bachelor of science in Natural Resource Management from Egerton University, Master's of Arts-Project Management and Community development (Egerton), Master of Arts in international studies (UON) is undertaking a Doctor of Philosophy in Climate Change and Adaptation at the University of Nairobi.



### **CPA Stephen Mugi - Ag. Head, Internal Audit**

CPA Mugi is in charge of Internal Audit and has over sixteen (16) 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).



### **Dr. Elizabeth Wambugu - Principal Kenya Forestry College (KFC) *Retired in June 2025***

Dr. Wambugu was the Principal of the Kenya Forestry College. She holds a Ph.D in Natural resource Managements, a Master of Science in Forest Science, Bachelor of Science in Forest Science (Honours), Bachelor of Science in Forestry, Diploma in Designing sustainable forest landscape: Ecosystem Services for Future. She is a member of Forestry Society of Kenya (FSK) and the National Vice Secretary and a member of the National Executive Committee of the Kenya Professional Association of Women in Environment and Agriculture (KEPAWAE).

She has 36 years of experience in the forestry sector.



### **Mr. Francis Musyimi - Ag. Principal Kenya Forestry College (KFC)**

Mr. Musyimi is in charge of the Kenya Forestry College. He holds a Master of Science in Forestry (Tropical Forest Biology and Silviculture), Bachelor of Science in Forestry, Diploma in Forestry. He is a member of Forestry Society of Kenya (FSK).

He has 32 years of experience in the forestry sector.



### **Mr. Francis Kariuki - Ag. Deputy CCF, Conservancy Co-ordination**

Mr. Kariuki is in charge of Regional Conservancy Areas Coordination, where he oversees the management and conservation of forests across multiple regions. Francis holds a degree in Forestry and a Master's in Community Development.

With over 30 years of hands-on experience, his areas of expertise include forest protection, dryland and farm forestry development, participatory forest management, community development, forest planning, project management, and Environmental Impact Assessments (EIA). He is also actively involved in capacity building for natural resource management teams across Kenya. His technical knowledge, leadership, and collaborative approach continue to shape effective forest conservation efforts nationwide.



### **Jane N. Ndeti - Ag. Deputy CCF, Dryland and Private Forests**

Ms. Jane Ndeti is in charge of Dryland and Private Forests Development and Coordination. She holds a Masters in Philosophy in Environmental Studies (Environmental Biological Sciences), a Bachelor of Science (BSc) Degree in Forestry, both from Moi University. She has certificates in Strategic Leadership Development Programme and Senior Management Course from Kenya School of Government, Environmental Impact Assessment, Entrepreneurship Development, International Master trainer in RuralInvest and Farmer Field School methodologies. She has undergone senior officers' paramilitary course at the Administration Police Senior Staff College - Emali. She is a full member of the Forestry Society of Kenya (FSK). She has 27 years' experience in forestry and environment sectors



**Beatrice Mbula -Deputy CCF, Natural Forests Conservation**

Ms. Mbula is in charge of Natural Forest Conservation. She holds a Bsc. Degree in Forestry (Moi University) and a Master of Philosophy in Environmental Studies (Environmental Planning and Management) - Moi University. She has certificate in Strategic Leadership Development and Senior Management from Kenya School of Government. She has also undergone a basic paramilitary training at the National Youth Service and senior officers' paramilitary course at the Administration Police Senior Staff College - Emali. She is a full member of the Forestry Society of Kenya.



**Andrew Soi - Deputy CCF, Plantation and Enterprise** *Retired in May 2025*

Mr. Soi holds a MA international relation from the University of Nairobi and MA project planning and management in natural resources from JOOUST University. He also holds BSC Forestry Management from Moi University and is a graduate of NDC Kenya. He holds other certificates in GIS, Forestry, community forest participation and Bamboo propagation among others. He has over 36 years of experience.



**Anthony K Musyoka - Ag. Deputy CCF, Plantation and Enterprise**

Mr. Musyoka oversees Forest Plantation and Inventory. He holds a Bachelor of Science (In Forestry) degree from Moi University. He has over 29 years of experience through serving in different positions in Kenya Forest Service and the former Forest Department.



**Dr. Benjamin Kinyili, PhD., 'ndc'(K) - Ag. Manager: Forest Survey & Information Management.** *Retired in March 2025*

Dr. Kinyili holds a PhD and Master's Degree in Environmental Science, and a Bachelor of Science with honors, from Kenyatta University. He also holds Master's Degree of Arts in Diplomacy and International Studies from University of Nairobi (UoN) and is a graduate of NDC Kenya. He holds other Diplomas and Certificates in Forestry, Strategic Security Studies, Community & Participatory Forest Management Planning, Senior Management & Strategic Leadership Development Courses from KSG, among others. He has over 35 years of experience in forest sector.



**Mr. Evans Kegode - Ag. Manager, Forest Survey & Information Management**

Mr. Kegode holds a Bachelor of Philosophy in Technology (Geoinformation Technology), Diploma in Participatory Geographical Information Systems (PGIS) in Development Studies and a Higher Diploma in Cartography. He is a member of Institute of Surveyors of Kenya (ISK).



**CPA Anastasia Muasya - Manager - Finance & Accounting**

CPA Muasya is in charge of Finance & 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-seven (37) years' experience, Other Skills include development courses undertaken such as Strategic Leadership Development Programme and Senior Management Courses. She is a member of the Institute of Certified Public Accountants (ICPAK).



**Juliana Ochieng - Manager Planning, Monitoring and Evaluation**

Mrs. Ochieng 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 thirty (30) years' experience in human resource management.



**Esther Keige - Manger - Legal Services**

Ms. Keige is in charge of Legal Services. She holds a Master's degree in Environmental Law, a Bachelor's Degree in Law (LLB), and a Post Graduate Diploma in Law.

She is an Advocate of the High Court of Kenya, a commissioner of oaths and a Certified Secretary. She is a member of the Law Society of Kenya (LSK) and the Institute of Certified Public Sectaries of Kenya (ICPSK), with over twenty-seven (27) years' experience as an advocate.



### **Isaac Wekesa - Ag. Manager Administration & Infrastructure Development**

Mr. Wekesa is in charge of Administration and Infrastructure. He has 20 years of experience in the Administration and Management field. He holds a Master's Degree in Public Administration from the University of Nairobi, a Degree in Education from Kenyatta University, Higher Diploma in Human Resource Management and a Diploma in Public Administration. He has taken Senior Management and Strategic Leadership and Development Course from Kenya School of Government. He is a Certified Secretary and an active member of the Institute of Certified Secretaries of Kenya.



### **Anne Muthamia - Ag. Manager Corporate Communications**

Ms. Muthamia is in charge of Corporate Communications Department with over 21 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).



### **Victor Kobia - Ag. Manager Supply Chain Management**

Mr. Kobia oversees Supply Chain Management. He has over twenty-one (21) years' experience in Supply Chain Management in the public sector. He holds a Master's Degree in Procurement and Logistics and is a Full Member of Kenya Institute of Supplies Management (KISM).



### **Stephen Cheboi - Ag. Manager ICT**

Mr. Cheboi is the Head of Information and Communication Technology (ICT) Department. He has previously worked both in the private and public sectors. He has over 26 years' experience in ICT. He holds a Bsc. in Maths & Computer Science (Hons.) and a Master of Science in Information Systems and is a member of the Computer Society of Kenya.



### **Patrick Tialal - Ag. Manager, Human Resource Management**

Mr. Tialal is in charge of Human Resource Management from. He is a holder of a **Master's degree** in Business Administration, a Degree in Human Resource Management, and a post-graduate Diploma in Human Resource Management with over 20 years' experience. He has also undertaken a Senior Management Course at Kenya School of Government as well as Transformational Leadership course. He is a full member of the Institute of Human Resource management (IHRM).



### **Ms. Laura Yego - Principal Legal Officer**

Ms Yego is the Principal Legal Officer. 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 a Certified Secretary (CS - K). She is an Advocate of the High Court of over 17 years' experience, a Commissioner for Oaths and a Notary Public. She is a member of the Institute of Certified Secretaries, the Law Society of Kenya and the East Africa Law Society in good standing.

## 5. CHAIRMAN'S STATEMENT



*Titus Korir - Chairman, KFS Board of Directors*

On behalf of the Board of directors, I am pleased to present Kenya Forest Service Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2025.

In the fiscal reporting period 2024-2025, the Service had a total budget on Government funding of Kes 7.642 billion on recurrent but received Kes 3.468 billion from the exchequer and collected Kshs.3.822 billion as appropriation in aid. Funding from development partners had a budget of Kes 2.548 billion but released

Kes. 2.619 billion to the Service

The Service has taken appropriate measures and focused its policies towards complying with the requirements of the Constitution of Kenya, Vision 2030, Bottoms -Up Economic Transformation Agenda (BETA), and the Presidential Directive to achieve 30% tree cover by 2032. Towards this, the Service is implementing the 30% tree cover strategy whereby the Service targets to grow 300 million trees annually for the next ten years. This will contribute to the national target of 1.5 billion trees grown annually by various Government agencies and private entities.

The Service is also implementing various policies, legislations and strategies to achieve its mandate. These include the Forest Conservation and Management Act (FCMA 2016); and the National Forest Programme (2016-2030). The inaugural Forest Status Report 2024 - Kenya was launched, providing a valuable resource for policy makers, researchers, practitioners and the public alike. The Service remains compliant to various multilateral and bilateral agreements and protocols. The financial resources were therefore utilized in implementing the approved strategies and projects to contribute towards the Services' mandate.

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During the period under review, and with support from Government and Development Partners, the Service rehabilitated a total of 23,073.73 Ha of degraded natural forest areas mainly within the five water towers through enrichment planting. A total area of 42,524.1 Ha was planted through National tree planting campaigns with stakeholders. The Service facilitated the production of over 644 million seedlings in KFS nurseries and working with stakeholders. The national tree growing targets were greatly boosted through the National Mazingira Day, Western Regime rainfall tree growing launch, Eastern Regime rainfall tree growing launch, International Day of Forests among others.

Despite the various milestones detailed above, the Service faced some challenges that include inadequate funding (funds disbursed against the budget), inadequate staffing levels due to natural attrition, climate change leading to unreliable weather patterns that hampers planning of forest activities such as planting of trees and low survival rate of tree seedlings. Litigations and slow uptake in disposal of mature and over -mature plantation forests has also impacted revenue projections.

However, my Board and I remain committed to steering the Service towards achievement of its mandate for the benefit of all and I look forward to continued collaboration from various stakeholders to boost sustainable development



**MR TITUS K KORIR,**  
**Chairman, Kenya Forest Service**

## 6. REPORT OF THE CHIEF CONSERVATOR OF FORESTS



*Alexander Lemarkoko, EBS 'ndc' (K) - Chief Conservator of Forests*

Kenya Forest Service has accomplished another successful year and I am pleased to present this Financial Report to all partners and stakeholders. The Service mandate is guided by the Strategic Planning cycles that allow for prioritization and delivery of strategic objectives. Within the reporting period, the Service undertook implementation of the 2022- 2027 Strategic Plan. In addition, the Service implemented the relevant Presidential Directives

and aligned its activities towards attainment of National goals. Spearheaded by His Excellency the President Hon William Ruto, the Service is implementing the Strategy for achievement of 30 percent tree cover by 2032.

During the 2024/2025 financial year, the combined financial absorption of the Service was Kes. 10.203 Billion out of an allocation of Kes. 10.190 billion translating into 100% absorption rate.

The Service raised a total of Kes. 3,790,742,126 as Appropriation in Aid (AIA) mainly from the sale of commercial fuel wood, movement permits, grazing fees, sale of seedlings, annual licenses, land rents, finance income etc. This translates to 105% increase in AiA collection. This is mainly attributed to commencement of harvesting of mature and over-mature forest plantations.

In the FY 2024-2025, the Service absorbed -100% of externally mobilized resources amounting to Kes 2,548 million against the approved budget of Kes 2,548 million

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During the review period, the Service raised a total of Kes.3,545,917,061 mainly from the sales of commercial fuelwood, movement permits, grazing fees, sale of seedlings, annual licenses and land rents. The Service allocated Kes 146,559,587 being 30% of the non-specialized goods & services procurement budget to Youth, Women and Persons with Disabilities Empowerment (AGPO).

The main challenges to effective implementation of the Strategic Plan included inadequate funding, high rate of staff retirement and no replacements. 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 practice in management.

I thank the Ministry of Environment, Climate Change and Forestry and Kenya Forest Service Board for their steadfast support in implementation of the KFS mandate.

I also appreciate the Management team and the entire staff of the Kenya Forest Service for continued commitment to excellence in service delivery.

  
**Mr. Alex Lemarkoko, EBS, 'ndc' (K)**  
**Chief Conservator of Forests**

**7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FY 2024/2025**

Kenya Forest Service has four (4) Key Result Areas and objectives within the current Strategic Plan for the FY 2024/2025. These Key Result Areas are as follows:

- KRA 1: Forest and tree cover expansion for climate mitigation and adaptation
- KRA 2: Conservation and protection of forests for climate change resilience
- KRA 3: Economic development and livelihood improvement
- KRA 4: Organizational capacity building and collaboration

The Service develops its annual work plans based on the above Key Result Areas. **Assessment of the Board’s performance against its annual work plan is done on a quarterly basis.** The Service achieved its performance targets set for the FY 2024/2025 period for its 4 strategic pillars, as indicated in the table below

Key Result Area	Objective	Key Performance Indicators	Activities	Achievements
KRA 1: Forest and tree cover expansion for climate mitigation and adaptation	To increase the National Tree Cover from 12.13% to 21.03% in the 5-year period towards attainment of 30% tree cover by 2032	No. of tree campaigns conducted	Conducting national tree campaigns in both County and National	138 County levels tree growing campaigns, conducted during the 2024 short rains and 2025 long rains tree growing campaigns, and 2025 international Day of Forests (IDF) celebrations
		No. of IDF celebrated	Conduct IDF national celebrations	47 IDF celebrated.
		Area of Ha. of bamboo established	Support establishment	Established 1,339.98Ha of Bamboo forests

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Key Result Area	Objective	Key Performance Indicators	Activities	Achievements
			of bamboo on farms.	
		Area in Ha of woodlots established	Support establishment of woodlots	Promoted 4493Ha commercial bamboo growing on private land by Green Pot
		Area in Ha. of commercial established	Support establishment of commercial forest on farms and drylands	235.65Ha achieved through tree growing activities.
		Area Ha of degraded landscapes in the ASAL area	Rehabilitation of degraded landscapes in the ASALs areas	78.55 Ha achieved through tree growing activities
		Area in Ha of agroforests established	Support establishment of agroforest on farms	40,900.94 Ha was achieved through tree growing activities in collaboration with projects/programmes within the service and other stakeholders
		No. of trees planted	Supporting planting of 60 million tree seedlings through public campaigns.	<p>1.65,185,966 trees (42,524.1 Ha) were planted during the FY through the national tree growing campaigns.</p> <ul style="list-style-type: none"> <li>• 32,070,255 trees was planted towards rehabilitation of</li> </ul>

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Key Result Area	Objective	Key Performance Indicators	Activities	Achievements
				<p>11,953.6 Ha of degraded public natural forest areas</p> <ul style="list-style-type: none"> <li>• 25,985,569 trees for restoration of 25,704.9 Ha of degraded landscapes outside gazetted public forests; and</li> <li>• 7,397,487 trees for establishment of 5,135.1 Ha of industrial public forest plantations.</li> </ul>
	To increase the National Forest Cover from 8.83% to 10% in the 5 years plan period towards attainment of the National target of 10% forest cover by 2030	Area in Ha Mapped	Degraded landscapes identified and mapped	Mapped out 46,191.25 Ha of degraded natural forest area into adoptable forest reserve blocks
Area of degraded public land rehabilitated		Rehabilitate degraded public forest lands	Rehabilitating 23,073.73 Ha of degraded natural forest areas in ten Regional Forest Conservancy	
Area 2,000 Ha of plantations in gazetted forest reserves		Establishing of plantations in gazetted forests	Established 4,382.2Ha of plantations	

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Key Result Area	Objective	Key Performance Indicators	Activities	Achievements
		No. of nurseries established	Establishment of tree nurseries	3 new model KFS trees nurseries established in Nakuru (Dandori), Baringo (Narasha), and Nyandarua (South Kinangop)
		No. of nurseries refurbished	Refurbishing existing tree nurseries	18 KFS Tree Nurseries refurbished (with the support of GZDP II and the NTGRP) in; Baringo (2), Bomet, Kericho (2), Meru, Nyeri, Kiambu, Kirinyaga, Machakos, Nakuru, Nyandarua, Marsabit, Mandera (2), Wajir (2), and Garissa
		No. of seedlings produced	Production of high quality in tree seedling in KFS nurseries	The Service produced 82,157,045. 50,976,518 seedlings were the available stock as at 30th June 2025, while 31,180,527 seedlings were planted out from KFS Tree Nurseries
		No. of seedlings produced	Facilitate MDAs and partners to produce seedlings for planting	561,697,667 seedlings were produced and reported by various stakeholders including MDAs and the private sector during the FY, through various platforms including "Jaza Miti" App, KFS reporting portal, and

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Key Result Area	Objective	Key Performance Indicators	Activities	Achievements
				National Association of Tree Nurseries (NATNs).
		Area in Ha mapped	Mapping of degraded areas	Mapped out 46,191.25 Ha of degraded natural forest area into adoptable forest reserve blocks
KRA 2: Conservation and protection of forests for climate change resilience	Strengthen enforcement capacity in forest protection and secure corporate assets.	No. of technologies deployed	Modernization of security services & equipment, surveillance, construction of watch towers, and purchase of firefighting equipment	<p>Modernization of security in forest protection.</p> <p>Purchase of six (6) drones for surveillance.</p> <p>Construction of 23 fire watch towers to enhance protection</p> <p>Purchase of eight (8) firefighting equipment to enhance conservation</p> <p>Purchase 308 portable radio to enhance communication</p> <p>Training 60 officers on fire fighting</p> <p>Purchase of one (1) dozer for forest roads within fire prone areas.</p> <p>6 troop carrier enhance fire response</p> <p>Mapped out hotspots in Nkareta area of Mau forest, Arabuko, Kwale, Mombasa</p>

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Key Result Area	Objective	Key Performance Indicators	Activities	Achievements
				,Boni,Garissa, Mandera -Muringato, Ndaragwa - Participated in CSIC and Court users at -Firefighting training in Chuka
		No. of KM	Construction of fencing to enhance protection	The construction of the electric fence with an achievement of 61.6 Km in Mukutani (3.5), Menengai (16) Ngong (20) and Chepalungu (22.1).
	Improve governance for sustainable forest management	Development, review, implementation of PFMPs	No. of PFMPs	14 PFMPs are actively being implemented with clear governance structures. 16 PFMPs have contributed to reforestation and forest regeneration efforts.
		Auditing of CFAs on forest governance	No. of CFAs audited	<b>11.20 CFAs audited.</b>
	Reverse degradation of Mangrove ecosystems for enhanced mitigation against climate change.	Area in Ha rehabilitated	Rehabilitation of mangrove ecosystems	Rehabilitated 4,696 Ha of degraded mangroves forest ecosystem sites in the Counties of Lamu, Kilifi, Mombasa and Kwale.

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Key Result Area	Objective	Key Performance Indicators	Activities	Achievements
KRA 3: Economic development and livelihood improvement	Strengthen nature-based enterprises for improvement of livelihoods and climate change resilience	No of CFAs engaged in NBEs	Engage Community Forest Associations (CFAs) to adopt suitable Nature-Based Enterprises (NBEs)	III.48 established in various conservancies. NBEs assessed was based on local economies, environmental conservation, and community livelihood
			Capacity buildings for nature-based enterprises	IV.100 CFAs were capacity on NBEs value chains
	Strengthen development of commercial forest plantations in public, community and private lands	Area in Ha established	Establishment of commercial plantations established in public lands	V.235.65Ha achieved through tree growing activities in collaboration with VI.projects/programmes within the service and other stakeholders.
KRA 4: Organizational capacity building	Promote institutional operational efficiency and effectiveness			

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<b>Key Result Area</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
and collaborat ion	to deliver on mandate			
	Strengthen partnerships and increase capacity for resource mobilization.	No. of concepts developed	Development of project concepts	5 Develop Project concepts and proposals
		No. of donor meetings	Engaged with the Service on forest conservation projects	<b>4 round table meeting held</b>
	No. of Resource mobilization strategy developed	Resources Mobilization Strategy developed and implemented	Resource mobilization strategy developed	

## 8. 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	Membership	Full Board	TPD & KFC Committee	HR & A Committee	Finance Committee	Audit Committee
		6	8	9	4	4
Mr. Titus K. Korir	Chairman	✓				
	Attendance	6/6				
Mr. Kunal Chowdhari	Vice Chair	✓		✓	✓	
	Attendance	6/6		9/9	4/4	
Dr. George Muthike	Member	✓	✓	✓	✓	
	Attendance	6/6	8/8	3/9	4/4	
Mr. Ahmed Mohamed	Member	✓	✓	✓		
	Attendance	5/6	8/8	8/9		
FA. CPA, Isabella Kogei	Member	✓			✓	✓
	Attendance	3/6			2/4	2/4

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Director	Membership	Full Board	TPD & KFC Committee	HR & A Committee	Finance Committee	Audit Committee
		6	8	9	4	4
Dr. Doris Mutta	Member	✓	✓			✓
	Attendance	5/6	7/8			4/4
Mr. Abdalla Komesha	Member	✓		✓		✓
	Attendance	5/6		9/9		3/4
Mr. Evans Mutari, MBS	Member	✓		✓	✓	✓
	Attendance	5/6		9/9	4/4	3/4
Ms. Jane Simita	Member	✓	✓	✓		
	Attendance	6/6	8/8	7/9		
Ms. Elizabeth Wamae	Rep - SCAC	✓		✓	✓	✓
	Attendance	3/6		4/9	1/4	2/4
Mr. Abraham Barsosio	Member	✓			✓	✓
	Attendance	3/6			2/4	2/4
Mr. Alex Lemarkoko, EBS	CCF	✓	✓	✓	✓	
	Attendance	6/6	8/8	9/9	4/4	
Ms. Laura Yego	Corporation Secretary	✓	✓	✓	✓	
	Attendance	6/6	8/8	9/9	4/4	

### 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.

### Process of appointment and removal of Directors

1. The Service 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.
4. The Chief Conservator of Forests is a Board member with no voting rights.

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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-days 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**

The Board undertakes annual Performance evaluation and file a report thereof with the Ministry of Environment and Forestry and SCAC. The State Corporations Advisory Committee facilitated the Board performance evaluation.

### **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 Secretaries (ICS) 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.

## 9. MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Kenya Forest Service (KFS) continues to pursue its strategic mandate of conserving, managing, and sustainably utilizing forest resources for national development. This report summarizes the operational and financial performance of the Service in the implementation of its mandate during 2024/2025 Financial Year focusing on operational results, financial trends, statutory compliance, emerging risks, and future strategic directions.

### Key Operational Performance Highlights

During FY 2024/25, the Kenya Forest Service implemented a broad range of activities across its core mandate pillars, delivering tangible outcomes in afforestation, forest protection, environmental restoration, and stakeholder engagement. These achievements are part of the national drive toward 30% tree cover by 2032, restoration of 10.6 million hectares of degraded land, and strengthened climate resilience. Below are the key operational areas with notable highlights:

#### Forest Plantation Establishment and Management

The Service continued to scale up commercial forest plantations in gazetted public forests, exceeding annual targets by significant margins. A total of **4,382.2 hectares** of industrial forest plantations were established, more than double the planned target of 2,000 hectares. These plantations are critical for supplying sustainable wood products, reducing pressure on natural forests, and supporting the economy.

To improve stand quality and timber value, **2,904 hectares** of young plantations were pruned and **2,370 hectares** thinned—important silvicultural operations that help regulate tree density and promote healthy growth. Additionally, **6,173.8 hectares** of mature forest plantations were tendered for harvesting to generate income and facilitate replanting.

#### Bamboo Development

KFS made impressive strides in promoting bamboo as a sustainable and fast-growing forest resource. Over the year, **1,339.98 hectares** of bamboo were established within public forests, while **4,493 hectares** were promoted on private land in collaboration with Green Pot Enterprises. This initiative aligns with Kenya's commitment to diversify forest products and promote green enterprise, given bamboo's role in soil stabilization, carbon sequestration, and rural livelihoods. KFS also submitted regular progress reports to the Vision 2030 Secretariat and commemorated World Bamboo Day with national stakeholders.

#### Seedling Production and Tree Growing Campaigns

The Service recorded exceptional performance in seedling production, generating **82.2 million seedlings** in its 301 nurseries—surpassing the 50 million annual target by 65%. At the close of the financial year, **50.9 million seedlings** remained in stock, and **31.2 million**

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were planted. In addition, three new model nurseries were established in Nakuru (Dandori), Baringo (Narasha), and Nyandarua (South Kinangop) under the GZDSP II programme.

As part of the national tree-growing initiative, KFS facilitated the planting of **65.2 million trees** across 42,524 hectares during the long and short rain seasons and commemorative events like the International Day of Forests. Of these, 49% targeted rehabilitation of degraded natural forests, 40% were for landscape restoration outside gazetted forests, and 11% for plantation establishment. The Service also supported stakeholders—including MDAs, private entities, and communities—who collectively produced **561.7 million seedlings**, representing 80% of the national tree production target.

### **Restoration of Degraded Ecosystems**

Significant progress was made in the rehabilitation of natural forests and drylands. KFS rehabilitated a total of **23,073.73 hectares** of degraded forest areas across the 10 Regional Forest Conservancies (RFCs), far exceeding the 2,000-hectare target for enrichment planting. This included areas previously affected by overharvesting, encroachment, or forest fires.

The Service also reclaimed over **2,000 hectares** of land infested by invasive species, fenced **300 hectares** to protect regenerating forest blocks, and mapped **46,191 hectares** into adoptable blocks for targeted conservation interventions.

In ASAL regions, **5,813.22 hectares** of degraded landscapes were rehabilitated, while **13,426 hectares** of commercial forest plantations were established on public, private, and community lands—providing a critical boost to local economies and environmental resilience.

### **Mangrove Restoration and Coastal Conservation**

In line with its mandate to conserve coastal ecosystems, KFS rehabilitated **4,038.63 hectares** of degraded mangrove forests across Lamu, Kilifi, Mombasa, and Kwale counties—well above the annual target of 3,000 hectares. Restoration activities were guided by newly developed **Mangrove Restoration Guidelines**, and awareness was heightened through the commemoration of the International Day for Mangrove Ecosystem Conservation.

These efforts are central to coastal protection, fisheries productivity, and climate adaptation, especially in vulnerable shoreline communities.

### **Forest Protection, Fire Management, and Surveillance**

The Service continued to enforce protection of Kenya's **2.6 million hectares** of public gazetted forests through sustained patrols, fencing, aerial surveillance, and multi-agency

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operations. Special attention was given to hotspot areas such as Mau, Kirisia, Boni, and Arabuko-Sokoke forests.

To enhance physical protection, **80 kilometers of fencing** were completed in Menengai, Chepalungu, Ngong Road, and Mukutani forest reserves. Forest fire preparedness was strengthened through the implementation of the **Forest Fire and Disaster Response Action Plan**, including mock drills in Menengai and firefighting training in Chuka and Isiolo.

Community forest scouts were engaged to support natural regeneration efforts in over **80,000 hectares** of degraded forest areas. These initiatives helped reduce illegal activities and enhanced surveillance through community ownership.

#### **Nature-Based Enterprises and Community Engagement**

KFS promoted **248 Nature-Based Enterprises (NBEs)** across the ten conservancies, supporting local communities in sustainable livelihoods such as bee-keeping, herbal product development, and ecotourism. Training was provided to **100 Community Forest Associations (CFAs)** to enhance their capacity in managing nature-based value chains.

The Service also supported **200 households** in Tharaka Nithi, Embu, Kitui, and Kericho counties with revolving loans worth **Kshs. 15 million** to invest in farm forestry and related enterprises. Additionally, **153 youth and women nursery groups** were registered on KFS's voluntary portal, producing 15 million seedlings valued at over Kshs. 750 million.

#### **Institutional Development and Capacity Building**

KFS invested in human capital development through the training of **600 students** at the Kenya Forestry College and **570 officers** in paramilitary command courses. Curricula on **wood technology and environmental management** were developed, and a new **Strategic Plan** for the College was finalized. A comprehensive **Skills Gap Analysis** and **Training Needs Assessment** were also conducted, ensuring alignment between training and operational needs.

#### **Digitization, Governance, and Public Service Delivery**

The Service achieved full compliance with citizen service charter implementation by prominently displaying charters in English and Kiswahili at all entry points, translating them into Braille, providing sign language support, and uploading them online. Staff were sensitized, and compliance monitoring was institutionalized.

Digitization efforts accelerated, with all key citizen-facing services digitized and onboarded to the **eCitizen** platform, including import/export permits via **KenTrade**. KFS also operationalized the **Oracle system** for forest material disposal and trained field officers accordingly.

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Through these efforts, KFS ensured transparent, efficient, and accessible service delivery to stakeholders and citizens nationwide.

**Implementation Of Presidential Directives**

**National Tree Growing and Restoration Campaign**

The National Strategy for Achievement of 30% Tree Cover By 2032 is a special Presidential Forestry and Rangeland Restoration Programme. The programme aims to accelerate actions towards the achievement of 30% national tree cover by 2032 in order to enhance climate reliant national economic growth and development goals. This will conduct within the context of the Vision 2030 and contribute toward Kenya's commitments to regional and global conventions.

For the next 10 years, the programme seeks to grow 15.9 billion trees covering an estimated area of 10.6 million hectares. The programme is implemented by all the MDAs in government in collaboration with stakeholders and with the coordination and stewardship of the Ministry of Environment, Climate Change and Forestry. Within the programme, the Kenya Forest Service has an overall commitment to produce and grow 1.5 billion trees seedlings in five years or 3.15 billion tree seedlings in the next 10 years.

**Financial Performance Analysis**

	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
<b>Revenue</b>	Kshs. '000'				
Transfers from other governments entities	4,625,952	4,557,518	5,290,961	6,647,548	3,467,682
Public contributions and donations	433,802	499,464	481,159	829,430	1,319,864
AIA Income	670,290	648,206	1,011,165	1,862,899	3,790,743
<b>Total revenue</b>	<b>5,730,044</b>	<b>5,705,188</b>	<b>6,783,285</b>	<b>9,339,877</b>	<b>8,578,289</b>
<b>Expenses</b>					
Employee costs	(4,358,632)	(4,331,803)	(4,319,742)	(5,686,606)	(6,349,782)
Depreciation and amortization expense	(233,976)	(235,940)	(239,268)	(233,590)	(248,686)
Other expenses	(1,567,760)	(1,225,788)	(4,085,320)	(3,532,953)	(2,988,714)
<b>Total expenses</b>	<b>(6,160,368)</b>	<b>(5,793,531)</b>	<b>(8,644,330)</b>	<b>(9,453,149)</b>	<b>(9,587,182)</b>
Other income	520	8,412	1,385	1,987	1,384
Taxation	(10,212)	(5,232)	(11,726)	(11,677)	(7,677)
<b>Surplus/(Deficit)</b>	<b>(440,016)</b>	<b>(85,163)</b>	<b>(1,871,386)</b>	<b>(122,962)</b>	<b>(1,015,186)</b>

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Over the review period, the Service demonstrated growing capacity in internal revenue generation, notably from sales of forest products and services, against a backdrop of fluctuating government transfers. Total revenue peaked in FY 2023/24 at Kshs. 9.34 billion, while FY 2024/25 marked a slight dip to Kshs. 8.61 billion although AIA income increased to Kshs. 3.79 billion a 103.5% growth over prior year.

Despite enhanced revenue mobilization, KFS experienced persistent budget deficits driven by rising operational costs—particularly the wage bill and rehabilitation expenditures.

**Major Risk facing the Service**

The major challenges encountered during the year include;

- Exchequer Release Delays:** Late disbursement of GoK funds continued to delay project implementation.
- Zero Development Vote:** Lack of GoK capital allocations limited investment in infrastructure and innovation.
- Budget Cuts:** Recurrent budget reductions mid-year impacted procurement, field operations, and hiring plans.
- Climate Risks:** Prolonged droughts and floods disrupted reforestation activities.
- Illegal Activities:** Encroachment, charcoal burning, and logging pose persistent threats.

**Compliance with statutory requirements**

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 as well as adherence to the Public Finance Management Act (2012) and National Treasury guidelines.

The Service, however, a legacy tax liability of Kshs. 1.19 billion remains outstanding—well above the 1% pending bills threshold. A structured payment plan was agreed upon and the Service has been compliant to it.

**Material arrears in statutory and other financial obligations**

Creditor	Amount owed Kshs.	Comments
Kenya Revenue Authority	1,187,742,937	Outstanding VAT amount. The Service has agreed on a payment with the Kenya Revenue Authority(KRA) which it is honoring.
National Industrial Training Authority (NITA)	39,410,010	Interest and penalties. The Service has paid the principal Kshs.19,368,600 and has written to NITA for waiver of the accrued interest and penalties.
<b>TOTAL</b>	<b>1,227,152,947</b>	



## Risks and Challenges

### Sector and Economic Review

The forestry sector remains critical to Kenya's climate action agenda, water security, biodiversity conservation, and rural livelihoods. Forest sector contributed approximately 3.6% to national GDP in 2024, with growing interest in nature-based financing and carbon credit schemes.

Nationally, FY 2024/25 was marked by fiscal consolidation efforts and inflationary pressures, although agricultural recovery supported economic resilience. The sector is poised to play a greater role in job creation and sustainable land use transformation under Vision 2030 and the Bottom-Up Economic Transformation Agenda (BETA).

### Future Outlook

KFS will prioritize the following actions in FY 2025/26 and beyond:

- Digital transformation:** Deploy remote sensing, forest inventory, and surveillance tools (e.g., drones).
- Nursery modernization:** Expand regional seed centers and roll out climate-smart nurseries.
- Private sector engagement:** Accelerate commercial forestry, bamboo, and woodfuel plantations.
- Carbon Finance:** Leverage voluntary and compliance carbon markets for forest restoration.
- County Partnerships:** Collaborate to meet the 30% national tree cover target by 2032.

### Conclusion

Despite resource constraints and environmental challenges, the Service delivered high-impact results across its core mandate areas. Through a combination of institutional efficiency, community engagement, and donor support, KFS continues to advance the national climate and green development agenda. Sustained investment, policy support, and innovation will be critical in scaling up forest conservation and economic resilience in the years ahead.

## **10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The Kenya Forest Service exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

### **Sustainability strategy and profile**

The Kenya Forest Service (KFS) aligns its sustainability strategy with global and regional frameworks such as the Sustainable Development Goals (SDGs), the United Nations Decade on Ecosystem Restoration (2021-2030), the Paris Agreement on Climate Change, and Kenya's Vision 2030. These frameworks influence the Service's sustainability priorities, which focus on climate action, life on land, gender equality, decent work, and responsible consumption. KFS has institutionalized a National Tree Growing and Restoration Campaign targeting the restoration of 10.6 million hectares by 2032 and the realization of 30% tree cover nationally.

### **Environmental performance**

KFS implements its activities with environmental sustainability in mind, which mandates sustainable forest management, biodiversity protection, and pollution prevention. In FY 2024/25, the Service prioritized biodiversity restoration, and rehabilitated wetlands and drylands. Waste segregation bins were deployed at headquarters and regional centers. KFS also reduced plastic bottle usage in official meetings.

The Service operates a vehicle maintenance programme to reduce emissions and has installed solar lighting in some facilities. Initiatives like use of drought-resistant species, construction of open plan and green-designed nurseries, and promotion of fuel-efficient operations were also implemented to address climate change adaptation.

In order to deal with environmental factors, the Service has policy directions that guide infrastructural developments within public forests. These are contained in the ISO procedure manuals as well as Board of Directors resolutions. The Board has given direction on no other new development of water dams within gazetted forests. The FCMA 2016 provides for the protection and conservation of biodiversity making it mandatory that any development within public forests must not impact biodiversity negatively.

In addition, in Section 73 it entrenches multilateral agreements and international conventions in the implementation of the Act such as the Convention on Biological Diversity, Nagoya Protocol and CITES, among others that deal with biodiversity. The Service enforced the ban on use of plastics within public forests and there is a guideline on plastics. The environmental impact of the Service activities are quite minimal and in

fact have an overall positive impact through enhancing forest/tree cover leading to increased carbon sequestration.

### **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. This ensures equitable representation of gender, youth, and persons with disabilities. Recruitments consider national diversity and merit. 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 to assist all who may be infected or affected. The Service has institutionalized annual performance appraisals, tied to reward and promotion systems. Occupational Safety and Health (OSHA, 2007) compliance is monitored through routine inspections and fire drills. No major work-related injuries were reported, and a Workplace Safety Committee oversees the implementation of safety protocols.

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. Staff training was enhanced through strategic leadership development, corporate governance pre-retirement training and customer service training and paramilitary training for 570 officers. A Training Needs Assessment and Skills Gap Analysis informed the FY 2024/25 training plan.

### **Marketplace 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. Responsible competition practice**

KFS enforces fair and open tendering processes under the Public Procurement and Asset Disposal Act. All tenders are published through the eProcurement system to promote transparency. The Service has an active anti-corruption policy and channels for whistleblowing and public feedback, as well as a corruption reporting desk.

KFS adheres to responsible procurement practices. Suppliers are selected competitively and contracts honored promptly, subject to exchequer releases. AGPO suppliers are encouraged and sensitized during procurement forums.

**ii. Responsible supply chain and supplier relations**

- KFS use a holistic approach to supply chain management, where the Service actively source and procure products and services in an ethical, environmentally and socially conscious way. The Service engages suppliers fairly and provides feedback on performance, fostering long-term partnerships.
  
- In the FY 2024-2025, the Service therefore allocated Kshs. 146,559,587 of the procurement budget for the non- specialized goods and services to Youth, Women and Persons with Disabilities. In addition, Kshs. 7,648,062.73 of the budget was reserved for AGPO and PWDs. To facilitate the achievement of this target, Kenya Forest Service built the capacity of the Youth, Women and PWDs through training on government procurement procedures, requirements for accessing government procurement opportunities and on the specific opportunities available in the Service. In addition, Kenya Forest Service conducted pre-qualification of the registered groups and submitted to PPRA a summary of the procurement opportunities allocated to the target groups in the format provided in the PPRA website: [www.tenders.go.ke](http://www.tenders.go.ke).
  
- The Service also facilitated quick processing of payments to its suppliers.

**iii. Responsible engagement with the citizens**

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.

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.

- Undertook capacity buildings of 100 CFAs on nature- based value chains.
- 20 CFAs audited. The activities carried out were sponsored by donors Plan International and Green Zones.
- Sensitizing 50 CFAs on Forest Conservation and Management Act, 2016.

The Service uses ethical and factual communication. Public awareness campaigns are conducted through local radio, community barazas, and national events like the International Day of Forests. Information is also shared through the KFS website and social media platforms. Communication avoids exaggerated claims and reflects diversity and respect.

**iv. Product stewardship**

KFS ensures that service users are provided with accurate and timely information. The eCitizen portal, KFS website, and field offices provide guidance on services such as permits, licensing, and forest access. Stakeholders are engaged in decision-making forums, especially on forest user rights and participatory forest management. The Service is committed to consumer and citizen rights, including data privacy and access to information.

## **Community Engagements**

Kenya Forest Service is committed to CSR initiatives that support sustainable forest conservation and management, particularly with a focus on vulnerable groups and forest-adjacent communities. These activities aim to:

- Promote education and awareness on forestry conservation and management.
- Enhance the socio-economic well-being of communities.
- Ensure sustainability in all undertaken projects.

### **Recent CSR Activities:**

**i. November 2024**

- **Activity:** Donation of firewood.
- **Beneficiary:** Lenana School.
- **Location:** Nairobi County.
- **Objective:** Donation through the Nairobi County Forest Conservator support energy needs in learning institutions and promote awareness of sustainable wood energy.

**ii. December 2024**

- **Activity:** Charity visits and donations.
- **Beneficiaries:** Children's Homes in Mombasa and Kilifi Counties.
- **Donations:** Foodstuffs, sanitary items, and in-kind contributions.
- **Objective:** Spread holiday cheer and support the welfare of children in need through KFS Choir outreach.

**iii. March 2025**

- **Activity:** Distribution of Iftar food packages.
- **Beneficiaries:** Masjids, widows, and orphans.
- **Location:** Msambweni Sub-County, Kwale County.
- **Objective:** Support community members during the Eid celebrations and promote interfaith harmony.

**iv. May 2025**

- **Activity:** Donation of firewood.
- **Beneficiaries:** Karura Primary School and Huruma Home for the Aged.
- **Location:** Nairobi County.

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- **Objective:** Donation through the Nairobi County Forest Conservator aid energy needs for learning and elderly care institutions, highlighting the importance of renewable resources.

KFS continues to play a vital role in community development through impactful CSR activities. These initiatives not only enhance the lives of marginalized groups but also strengthen the agency's mandate of promoting environmental stewardship and sustainable resource use.

## **11. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the Kenya Forest Service affairs.

### **Principal activities**

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

### **Results**

The results of the Service for the year ended June 30, 2025, are set out on page 1 to 63.

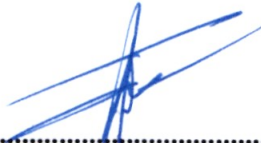
### **Directors**

The members of the Board of Directors who served during the year are shown on pages ix-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, 2025.

### **By Order of the Board**



.....  
**Alexander Lemarkoko, EBS, 'ndc' (K)  
Secretary to the Board  
Nairobi**

Date: 27-Aug-2025

## **12. 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, 2025.

This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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, 2025, 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.

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.

**Kenya Forest Service  
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**Approval of the financial statements**

The Kenya Forest Service financial statements were approved on .....27-Aug-.....  
2025 and signed on its behalf by:



**Titus Korir  
Chairman, Board of Directors**



**Alexander Lemarkoko, EBS, 'ndc' (K)  
Chief Conservator of Forests**

# REPUBLIC OF KENYA

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## REPORT OF THE AUDITOR-GENERAL ON KENYA FOREST SERVICE FOR THE YEAR ENDED 30 JUNE, 2025

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kenya Forest Service set out on pages 1 to 55, which comprise of the statement of financial position as at 30 June, 2025, 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, in all material respects, the financial position of Kenya Forest Service as at 30 June, 2025, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Forest Conservation and Management Act, 2016 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Lack of Aircraft Insurance Valuation Reports**

The statement of financial performance reflects use of goods and services amount of Kshs.2,543,276,962 as disclosed in Note 12 to the financial statements. The amount includes aircraft insurance expenditure amount of Kshs.23,732,576 paid to an insurance company for comprehensive insurance of two (2) aircrafts owned by the Service. However, Management did not provide for audit, aircraft valuation reports and insurance policy.

In the circumstances, the accuracy and completeness of the aircraft insurance expenditure of Kshs.23,732,576 could not be confirmed.

#### **2. Non-Collection of Revenue from Friends of Karura Community Forest Association**

The statement of financial performance reflects public contributions and donations amount of Kshs.1,319,863,619 as disclosed in Note 7 to the financial statements. However, review of the ledgers provided for audit revealed that no income was declared from Friends of Karura Community Forest Association (FKCFA).

The Office is planning to undertake a special audit in this area.

Further, the following anomalies were noted in the agreement between FKCFA and the Kenya Forest Service.

- i. No financial statements were received from the Friends of Karura Community Association to confirm revenue collected despite a clause in the Forest Management Agreement dated 21 April, 2021 stating that the two parties shall open a joint account where all revenue collected was to be deposited.
- ii. For all the previous years, the FKCFA has not submitted certified accounts for review by an external auditor.

The FKCFA was awarded twenty-five (25) years contrary to Participatory Forest Management Plan (PFMPs) that was for five (5) years.

- iii. Income generated from the forest is public funds and any associated expenditure should comply with Public Finance Management Act, 2012, Public Procurement and Asset Disposal Act, 2015 and all other government circulars. However, this could not be confirmed without records from FKCFCA.

In the circumstances, the accuracy and completeness of revenue from public contributions and donations of Kshs.1,319,863,619 could not be confirmed.

### **3. Long Outstanding Receivables from Exchange Transactions**

The statement of financial position reflects trade and other receivables from exchange transactions balance of Kshs.513,792,508 as disclosed in Note 23 to the financial statements. Included in the receivables from exchange transactions are debts that had been outstanding for more than three (3) years as at 30 June, 2025 amounting to Kshs.300,248,409. Although review of the debtor's files showed efforts of recovery by Management through demand letters to the clients, the efforts have not yielded positive results to date. No further actions, including any legal procedures have been taken to recover the debts. Further, no provision for bad and doubtful debts was provided in the financial statements.

In the circumstances, the accuracy, completeness and recoverability of the receivables from exchange transactions balance of Kshs.513,792,508 could not be confirmed.

### **4. Anomalies in Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment balance of Kshs.2,939,074,501 as disclosed in Note 26 to the financial statements. However, the following anomalies were noted in the balance:

- (i) As previously reported, the financial statements reflect property, plant and equipment balance of Kshs.2,939,074,501 out of which a balance of Kshs.656,321,043 relates to the value of buildings owned by the Service in various locations. However, the amount excludes unspecified value of rangers' houses that were constructed and donated to the Service by a Chinese Company. Further, contrary to the requirements of IPSAS 17, the land on which these buildings are erected had not been valued and disclosed separately in the last nine (9) years.
- (ii) The Service acquired all the assets of the former Forest Department including land vide legal notice No.151 of 2008 published in the Kenya Gazette Supplement No. 28 of 28 November, 2008. However, out of the two hundred and sixty-five (265) gazetted forest blocks owned by Kenya Forest Service with an acreage of 2,585,526.44 hectares, only seventy-seven (77) blocks have title deeds while the rest lacked title deeds.
- (iii) Included in the acreage of land of 2,585,526.44 hectares is land of an undetermined acreage with ongoing ownership 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 had unlicensed operational installations while other parcels of land though licensed remain unpaid by five (5) institutions namely: Ministry of Energy, Kenya Airports Authority, Nabkoi Water Project, Kapsaret Water Project and County Cemetery.

- (v) The Service has not revalued its assets as required by IPSAS 17 Section 31 which requires 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.

In the circumstances, the accuracy, valuation, ownership and completeness of the property, plant and equipment balance of Kshs.2,939,074,501 could not be confirmed.

## **5. Cash and Cash Equivalents**

The statement of financial position reflects cash and cash equivalents balance of Kshs.375,249,778 as disclosed in Note 21 to the financial statements. Review of the bank reconciliation statements in support of the amount revealed the following anomalies

### **5.1 Dormant Accounts**

The Service continued to maintain three (3) bank accounts in two Commercial banks which were dormant. However, the Service continues to incur bank charges which could be avoided.

### **5.2 Long-Outstanding Receipts in Cash Book Not Reflected in Bank Statement**

Review of the bank reconciliation statement for the A.I.A Collection Account for the month of June, 2025 revealed receipts totalling Kshs.10,833,086 recorded in the cashbook but not reflected in the bank statement. These items date back to the years 2014, 2015 and 2016, with no evidence that the discrepancies were investigated and reconciled.

### **5.3 Outstanding Reconciling Items**

- Review of the bank statement for the Building account revealed cash withdrawals amounting to Kshs.744,113 for the year under review which were not recorded in the cashbook.
- Review of the bank reconciliation statements for the month of June, 2025 for KFS College Londiani revealed that receipts amounting to Kshs.473,732 for December, 2022 were recorded in the cash book but not reflected in the bank statement.

### **5.4 Delay in Updating the Cashbook**

Review of the bank reconciliation statement for RFC North Eastern account revealed payments in bank statement not recorded in the cashbook amounting to Kshs.1,801,100 between August, 2024 and April, 2025 resulting not undue delays in posting cashbooks.

### **5.5 Unremitted Funds from eCitizen**

Review of eCitizen cashbook revealed that an amount of Kshs.43,156,891 remained unremitted as at 30 June, 2025.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.375,249,778 could not be confirmed.

## **6. Material Uncertainty Related to Going Concern**

The statement of financial position indicates that the Service had current liabilities of Kshs.3,750,515,963 against current assets of Kshs.2,054,284,033 thus resulting to a negative working capital of Kshs.1,696,231,930. The Service is therefore technically insolvent and may not be able to meet its short-term obligations as and when they arise. This is despite a disclosure in the financial statements under the statement of compliance and basis of preparation - IPSAS 1 that the Institution will be in existence for the next one year and will meet its short-term obligations. Further, the Service continued existence as is mainly dependent on financial support from the Government and its creditors.

In the circumstances, these events or conditions indicate that a material uncertainty exists that may cast significant doubt about the Service's ability to continue as a going concern.

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

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual receipts on comparable basis of Kshs.10,190,000,000 and Kshs.9,815,055,855 respectively resulting in an under-funding of Kshs.374,944,145 or 4% of the budget. Similarly, the Service spent Kshs.10,203,519,663 against actual receipts of Kshs.9,815,055,855 resulting to an over-expenditure of Kshs.388,463,808 of the actual receipts and which approval was not provided for audit review.

The under-funding may have affected the planned activities and impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

### **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. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

## Other Matter

### Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance.

Review of the status during audit of the Kenya Forest Service in 2024/2025 revealed that the following matters remained unresolved.

	<b>Financial Year</b>	<b>Audit Issue</b>
1	2023/2024	Long Outstanding Receivables
2	2023/2024	Outstanding VAT Liabilities
3	2023/2024	Anomalies in Property, Plant and Equipment
4	2023/2024	Non-reconciliation of Revenue Collection
5	2023/2024	Unsupported Cash and Cash Equivalents
6	2023/2024	Undisclosed Payables
7	2023/2024	Delay in Rollout of Financial Management Services
8	2023/2024	Unfair Dismissal of Staff
9	2023/2024	Unsustainable High Wage Bill
10	2023/2024	Long Outstanding Legal Cases
11	2023/2024	Irregular Expenditure of Legal Expenses
12	2023/2024	Understaffing of the Service

### Other Information

The Management is responsible for the Other Information set out on page iii to liii which comprise of Key Entity Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and the Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

# REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

## **Conclusion**

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

## **Basis for Conclusion**

### **1. Employee Costs**

The statement of financial performance reflects employee costs amount of Kshs.6,349,782,472 as disclosed in Note 13 to the financial statements. However, the following anomalies were noted;

#### **1.1 Non-Compliance with Mandatory Retirement Age**

Review of personnel records revealed that Management retained one officer in service beyond the mandatory retirement age of sixty (60) years. In the year ended 30 June, 2025, the officer earned a consolidated gross salary of Kshs.2,708,159. The date of birth on the national identity card is indicated as 01 January, 1958, which implies that the officer should have retired on 01 January, 2018.

No plausible explanation was provided for the retention of staff beyond the mandatory retirement age and there was no evidence of certificate for persons living with disabilities.

#### **1.2 Engagement of Temporary Employees Beyond Three Months**

During the year under review, the Service incurred expenditure totalling Kshs.68,400,431 for temporary employees. Review of the supporting records revealed that the casual workers had been engaged continuously for a period exceeding three (3) months, without formal conversion to fixed-term or permanent employment contracts as required by Section 37 (1)(b) of Employment Act, 2007.

#### **1.3 Payments Made Outside Payroll System**

The Service recruited five hundred and seventy-five (575) employees in September 2023, who were formally appointed upon successful completion of on-the-job training in November 2024. However, as at the time of the audit in September 2025, three hundred and five (305) of these employees had not yet been onboarded into the Integrated Payroll and Personnel Database (IPPD) or an equivalent authorized payroll system.

The delay was attributed to failure to upload, review, and approve essential mandatory documents such as both sides of national identity cards, KRA PIN certificates, birth certificates, and passport-size photographs. As a result, the affected employees' monthly salaries were processed and paid outside the official payroll system, contrary to

Regulation 121 of the Public Finance Management (National Government) Regulations, 2015 on payroll certification.

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

## **2. Inconsistencies in Leases**

Review of Community Forest Association leases for Kieni Community Forest Association, Meru Forest Environmental Conservation and Protection Association, Ngong Hills Metro Community Forest Association, Friends of Karura Forest Association, Maragoli Hill Community Forest Association and Dzombo Adjacent Community Forest Association revealed that lease period was for more than the five (5) years contrary to the Participatory Forest Management Plan (PFMPs) which provides for a maximum of five (5) years leases.

In the circumstances, Management was in breach of the lease period set by Participatory Forest Management Plan (PFMPs).

## **3. Irregular Operations within the Gazetted Forests**

Review of entities operating in the gazette forests revealed the following;

- i) A registered trust fund has some offices within Karura Forest and conducts sale of seedlings business generating their own income contrary to The National Treasury Circular No. 2 of 2024 that stipulates all government revenue should be generated through eCitizen.
- ii) A Restaurant and Karura Forest Environmental Education Trust (KFEET) are currently operating in Karura Forest without a valid KFS license.
- iii) The Friends of Karura Community Forest Association (FKFCFA) operates within Karura Forest and collects undetermined revenue which is not remitted to the Service.
- iv) As at June, 2025 there were five hundred and six (506) unlicensed facilities which comprised three hundred and three (303) schools, one hundred and two (102) churches, thirty-four (34) dispensaries and health centers twenty-four (24) other government agencies and thirty-nine (39) Telecommunication masts. Management did not provide measures that are being taken to ensure the regularization of generating revenues from these entities.
- v) As per licenses records provided for audit, as at 30 June, 2025, one hundred and twenty-four (124) facilities had expired licenses.
- vi) The Board through a full board meeting held on 21<sup>st</sup> January, 2025 approved a request by a limited Company for five (5) acres of land in Ngong Road Forest Sanctuary, Nairobi County for the development of a Lodge and Wellness Retreat Centre. It was further noted that the list for licenses provided indicated that the license was for twenty-five (25) years. However, Management did not provide details on the process of identification of the lodge and retreat, basis of the 5% of the gross turnover net of taxes and payment of performance bond amounting to Kshs.1 million as per the clauses in the special use license Number (LIC118/2024 dated 12

February, 2025. In addition, no evidence of architectural plans and structural drawings and Environment Impact Assessment (EIA) report as per clause 4(a) of the license, was provided for audit.

In this circumstance, the regularity of the leases and value for money on the operations of the gazetted forest could not be confirmed.

#### **4. Grounded Motor Vehicles**

Field inspection of selected Kenya Forest Service field stations revealed that nine (9) motor vehicles had not been maintained and were in a dilapidated or non-operational condition. This was contrary to Regulation 166 (4) on asset management of the Public Procurement and Asset Disposal Regulations, 2020 which states that an Accounting Officer of a procuring entity shall take full responsibility of the management or control of inventory and assets and shall ensure that preventive measures and assets movement are tracked.

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

#### **5. Lack of a Training and Development Plan**

The statement of financial performance and Note 12 to the financial statements reflects an amount of Kshs.2,543,276,962 which relates to use of goods and services. Included in the amount is Kshs.145,707,808 which was incurred in respect to training expenses. However, Management did not provide for audit, training and development plan approved by the Human Resource Training and Development Advisory Committee (HRTDAC) as required by paragraph 9.14 of the Service Human Resource Policy and Procedure Manual, 2020.

In the circumstances, Management was in breach of the Human Resource Policy and Procedure Manual, 2020.

#### **6. Failure to Implement Public Procurement Capacity Building Levy Order, 2023**

The Service engaged various suppliers to supply goods and services, however, it was noted that the procuring entity did not deduct nor remit the 0.03% capacity levy as required in the Public Procurement Regulations and Disposal Act Circular No. 01/2024, REF: PPRDA/6/5 VOL.II (224) dated 30<sup>th</sup> August, 2024.

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

#### **7. Long Outstanding Legal Cases**

As reported previously, Note 12 to the financial statements reflects use of goods and services amount of Kshs.2,543,276,962 which includes legal dues, arbitration and compensation packages amount of Kshs.6,822,447. In the year under review, a total of two hundred and eighteen (218) legal cases were reported. However, some of the cases date far back to year 2008 with ten (10) cases which are sixteen (16) years old are still unresolved. The cases range from evictions from forest land, unauthorized settlement on forest land, irregular gazettement of community land, sale of land marked as forest area, court orders and injunctions, accidents involving the Service vehicles among others.

In the prevailing circumstances, the legal department of the Service has not clearly outlined policies, approaches and ways of countering some of the cases with the intention of getting them cleared fast enough to enable the operations of the Service to be carried on without much interference.

Further, fees paid to the external counsel amounting to Kshs.6,822,447, were not approved and authorized by the Attorney General contrary to requirements of Circular number AG/Circular/2018 dated 1 March, 2018.

In the circumstances, the regularity of the long outstanding legal cases, arbitration and compensation packages of Kshs.6,822,447 could not be confirmed.

## **8. Long Outstanding Payables**

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.396,924,279 as disclosed in Note 28 to the financial statements. However, ageing analysis of the supporting schedule revealed that payables amounting to Kshs.215,850,983 have remained outstanding for a period of more than sixty (60) days. Further, Kshs.89,890,376 or (41%) had been outstanding for more than one hundred and eighty (180) days and were yet to be paid. This was contrary to Kenya Forest Service credit terms and prudent financial management practice. Further, no demand notes for the payments were provided for audit.

In the circumstance, Management was in breach of the credit policy.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Lack of an Approved Housing Policy**

The Service has a staff housing policy in place which was drafted in February 2022 and was due for review in February 2025. However, as at the time of audit in November 2025, the policy had not been approved.

In the circumstances, the existence of effective internal controls, risk management and governance structure in the service's staff houses could not be confirmed.

## **2. Weak Internal Controls in Information and Communication Technology Department**

Review of the Information and Communication Technology (ICT) documents of the Service revealed the following omissions: -

- (a) The Service does not have an updated information Technology (IT) Policy. The policy in place was due for review in 2021 resulting to lack of clear direction to maintain information security across KFS due to an IT policy that is not updated.
- (b) Lack of approved IT strategic plan. The non-establishment of an IT strategic plan could result in IT goals not contributing to the Service's strategic objectives and related costs and Risks.
- (c) Lack of an approved IT continuity plan and Disaster Recovery. In case of a disaster, the Service might not be able to recover from such disaster due to lack of disaster recovery plan.
- (d) There exist an IT steering committee that has not held meetings since its appointment in January 2025. Inadequate oversight in IT activities. An IT steering committee is important in performing the oversight function and formulation of policies to ensure that IT department functions properly to assist in efficient achievement of organizational objectives

In the circumstances, effective systems of ICT and IT internal control and the measures taken to ensure that they are effective could not be confirmed.

## **3. Irregular Transfers of Staff**

The statement of financial performance reflects employee costs of Kshs.6,349,782,472 as disclosed in Note 13 to the financial statements. The amount includes an expenditure of Kshs.83,041,711 in respect of transfer allowances. However, an analysis of the payroll revealed instances where certain staff members were transferred multiple times within the year. Further, according to the Minutes of the 56<sup>th</sup> Human Resource and Administration Board Committee Meeting, held on 28 August, 2024, it was noted that the Service lacked a transfer and posting policy, which leads to negative impact on team productivity and operational efficiencies.

In these circumstances, team productivity and value for money on transfer allowances could not be confirmed.

## **4. Poor Standards of Housing for Forest Rangers**

Field inspection conducted in the month of June, 2025 revealed that forest rangers were residing in dilapidated and substandard housing units. The structures lacked essential amenities such as clean water supply, proper sanitation, electricity, and adequate space. In Nyeri, Nyandarua and Kericho stations, rangers were forced to share overcrowded single-room units.

In the circumstances, the rangers' morale and effectiveness in executing duties such as patrols, forest protection, and response to threats could not be confirmed.

## **9. Poor Integration Between eCitizen Platform and the Oracle Financial System**

Review of the Oracle financial system with the eCitizen revenue collections revealed that the Service has not fully integrated its collection system. The total collection as at 30 June, 2025 was Kshs.9,911,030,347. However, not all collections made through eCitizen were automatically or timely reflected in the system because the system used is not connected to eCitizen in real time. Some revenue transactions had to be manually uploaded or reconciled, increasing the risk of delays, errors, or omissions in revenue reporting. This greatly affected the submission and audit of revenue components.

In the circumstances, the efficiency and integrity of the revenue system could not be confirmed.

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

### **Responsibilities of the Management and 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

The Board of Directors is responsible for overseeing the Service's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

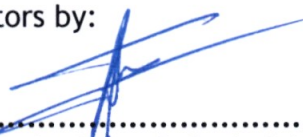
**18 December, 2025**

**Kenya Forest Service**  
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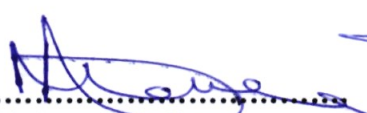
**14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2025**

	Note	2024/2025	2023/2024
		Kshs.	Kshs.
<b>Revenue from non-exchange transactions</b>			
Transfers from other government entities	6	3,467,682,444	6,647,547,735
Public contributions and donations	7	1,319,863,619	829,429,829
Fines, penalties and levies	8	3,691,581	2,625,643
		<b>4,791,237,644</b>	<b>7,479,603,207</b>
<b>Revenue from exchange transactions</b>			
Sale of goods & services	9	3,545,917,061	1,718,914,195
Licenses and permits	10	215,543,267	102,433,921
Finance income - external investments	11	25,590,217	38,924,666
		<b>3,787,050,545</b>	<b>1,860,272,782</b>
<b>Total revenue</b>		<b>8,578,288,189</b>	<b>9,339,875,989</b>
<b>Expenses</b>			
Use of goods and services	12	(2,543,276,962)	(3,077,687,944)
Employee costs	13	(6,349,782,472)	(5,686,606,439)
Remuneration of Directors	14	(15,636,750)	(19,320,763)
Depreciation and amortization expense	26, 27	(248,686,029)	(233,590,429)
Repairs and maintenance	15	(373,698,820)	(355,334,844)
Contracted services	16	(49,129,140)	(72,973,679)
Grants and subsidies	17	(6,972,210)	(7,635,247)
<b>Total expenses</b>		<b>(9,587,182,383)</b>	<b>(9,453,149,345)</b>
<b>Other gains/(losses)</b>			
Gain/Loss on foreign exchange transactions	18	(181,645)	(33,847)
Gain on disposal of assets	19	1,565,471	2,021,180
<b>Surplus/(Deficit) before tax</b>		<b>(1,007,510,368)</b>	<b>(111,286,023)</b>
Income tax expense	20	(7,677,065)	(11,677,400)
<b>Surplus/(Deficit) for the period</b>		<b>(1,015,187,433)</b>	<b>(122,963,423)</b>
Remission to National Treasury		-	-
<b>Net Surplus for the year</b>		<b>(1,015,187,433)</b>	<b>(122,963,423)</b>
Attributable to:			
Surplus/(deficit) attributable to minority interest			
Surplus attributable to owners of the controlling Entity		(1,015,187,433)	(122,963,423)
		<b>(1,015,187,433)</b>	<b>(122,963,423)</b>


The notes set out on pages 6 to 45 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:

  
 .....  
**Alexander Lemarkoko 'ndc' (K)**  
 Chief Conservator of Forests

Date: 27-Aug-2025

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

Date: 27-Aug-2025

  
 .....  
**Titus Korir**  
 Chairman of the Board

Date: 27-Aug-2025

Kenya Forest Service  
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**15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025**

	Note	2024/2025	2023/2024
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	21	375,249,778	806,525,220
Prepayments	22	1,162,542,041	1,325,637,471
Receivables from exchange transactions	23	513,792,508	671,278,315
Receivables from non-exchange transactions	24	2,699,706	87,315,934
		<b>2,054,284,033</b>	<b>2,890,756,940</b>
<b>Non-current assets</b>			
Biological assets	25	100,616,106,233	96,675,401,617
Property, plant and equipment	26	2,939,074,501	1,893,893,769
Intangible assets	27	6,133,635	6,145,099
		<b>103,561,314,369</b>	<b>98,575,440,485</b>
<b>Total Assets (A)</b>		<b>105,615,598,402</b>	<b>101,466,197,425</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	28	396,924,279	462,072,146
Refundable deposits from customers	29	254,405,295	53,883,283
Provisions	30	229,243,201	196,336,589
Employee benefit obligation	31	56,895,160	66,287,386
Payments received in advance	32	-	243,053
Withheld Taxes	33	1,570,698,654	1,742,245,763
Corporation Tax	34	2,204,202	2,186,443
Deferred Income Liability	35	1,240,145,172	1,297,497,327
		<b>3,750,515,963</b>	<b>3,820,751,990</b>
<b>Non-current liabilities</b>			
Deferred Income Liability	35	100,616,106,233	96,675,401,617
		<b>100,616,106,233</b>	<b>96,675,401,617</b>
<b>Total Liabilities (B)</b>		<b>104,366,622,196</b>	<b>100,496,153,607</b>
<b>Net Assets (A-B)</b>		<b>1,248,976,206</b>	<b>970,043,818</b>
<b>Represented by:</b>			
Capital funds		2,972,583,441	1,927,149,649
Accumulated surplus/(deficit)		(1,723,607,235)	(957,105,831)
<b>Net Assets</b>		<b>1,248,976,206</b>	<b>970,043,818</b>

The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:

.....  
**Alexander Lemarkoko 'ndc' (K)**  
Chief Conservator of Forests

Date...27-Aug-2025.....

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

Date...27-Aug-2025.....

.....  
**Titus Korir**  
Chairman of the Board

Date...27-Aug-2025.....

**Kenya Forest Service**  
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**16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2025**

Description	Capital Funds	Revenue Reserves	Total
	Kshs	Kshs	Kshs
<b>As at 1 July 2023</b>	<b>1,669,016,700</b>	<b>(1,095,834,076)</b>	<b>573,182,624</b>
Surplus/(deficit) for the year	-	(122,963,423)	(122,963,423)
Capital/development grants received during the year	491,723,378		491,723,378
Transfer of depreciation/amortisation from capital fund to retained earnings	(233,590,429)	233,590,429	-
Adjustment for the year		28,101,239	28,101,239
<b>As at 30 Jun 2024</b>	<b>1,927,149,649</b>	<b>(957,105,831)</b>	<b>970,043,818</b>
<b>As at 1 July 2024</b>	<b>1,927,149,649</b>	<b>(957,105,831)</b>	<b>970,043,818</b>
Surplus/(deficit) for the year	-	(1,015,187,433)	(1,015,187,433)
Capital/development grants received during the year	1,294,119,821		1,294,119,821
Transfer of depreciation/amortisation from capital fund to retained earnings	(248,686,029)	248,686,029	-
Adjustment for the year		-	-
<b>As at 30 Jun 2025</b>	<b>2,972,583,441</b>	<b>(1,723,607,235)</b>	<b>1,248,976,206</b>

*\*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.*

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**17. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2025**

	Note	2024/2025 Kshs.	2023/2024. Kshs.
<b>Cash Flows from operating activities</b>			
Net operating Surplus		(1,015,187,433)	(122,963,400)
<b>Adjustment</b>			
Depreciation	26	248,674,565	233,582,849
Amortization of Intangible Assets	27	11,464	7,580
Net book value Retired	19	264,529	1,754,460
Proceeds from disposal of assets	19	(1,830,000)	(3,775,640)
Increase in Provision for Audit Fees	30	-	(5,266,897)
Increase in Provision for doubtful debts	30	32,906,612	
<b>Net Cash generated from operating activities before Changes in working Capital</b>		<b>(735,160,263)</b>	<b>103,338,929</b>
<b>Changes in Working Capital</b>			
Increase in Trade and other receivables and prepayments	22, 23, 24	405,197,461	(297,437,869)
Increase in trade and other payables	28,29,30, 31,32,33, 34,35	(103,142,639)	91,195,143
<b>Net Cash generated from operating activities</b>		<b>(433,105,441)</b>	<b>(102,903,797)</b>
<b>Cash Flows from investing activities</b>			
Purchase of property, plant & equipment	26	(1,294,119,821)	(491,687,171)
Purchase of intangible items	27	-	(36,207)
Proceeds from disposal of property, plant & equipment	19	1,830,000	3,775,640
<b>Net cash used in investing activities</b>		<b>(1,292,289,821)</b>	<b>(487,947,738)</b>
<b>Cash Flows from Financing activities</b>			
Capital Grants Received	6(b) & 7(b)	1,294,119,821	491,723,378
<b>Net cash used in Financing activities</b>		<b>1,294,119,821</b>	<b>491,723,378</b>
<b>Net increase in cash &amp; cash equivalents</b>		<b>(431,275,441)</b>	<b>(99,128,157)</b>
Cash & cash equivalents at the beginning of the period		806,525,220	905,653,376
<b>Cash &amp; cash equivalents at the end of the period</b>		<b>375,249,779</b>	<b>806,525,220</b>

The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:

.....  
**Alexander Lemarkoko 'ndc' (K)**  
Chief Conservator of Forests

Date...27-Aug-2025.....

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

Date...27-Aug-2025.....

.....  
**Titus Korir**  
Chairman of the Board

Date...27-Aug-2025.....

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18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c*100
<b>Revenue</b>						
Transfers from other governments entities (Exchequer) <sup>1</sup>	2,968,000,000	500,000,000	3,468,000,000	3,468,000,000	-	100%
Public contributions and donations (Donor Funds) <sup>2</sup>	2,548,000,000		2,548,000,000	2,556,313,729	8,313,729	100%
Appropriations in aid (AIA)	4,474,000,000	(300,000,000)	4,174,000,000	3,790,742,126	(383,257,874)	91%
<b>Total income</b>	<b>9,990,000,000</b>	<b>200,000,000</b>	<b>10,190,000,000</b>	<b>9,815,055,855</b>	<b>(374,944,145)</b>	<b>96%</b>
<b>Expenses</b>						
Compensation of employees	6,226,000,000	115,000,000	6,341,000,000	6,349,782,472	8,782,472	100%
Board Expenses	30,000,000		30,000,000	15,636,750	(14,363,250)	52%
Goods and services <sup>4</sup>	2,090,000,000	90,000,000	2,090,000,000	2,114,180,450	24,180,450	101%
Repairs and maintenance	376,000,000		376,000,000	373,698,820	(2,301,180)	99%
Contracted services	55,000,000	(5,000,000)	50,000,000	49,129,140	(870,860)	98%
Grants and subsidies	8,000,000		8,000,000	6,972,210	(1,027,790)	87%
Acquisition of Assets <sup>3</sup>	1,295,000,000	-	1,295,000,000	1,294,119,821	(880,179)	100%
<b>Total expenditure</b>	<b>9,990,000,000</b>	<b>200,000,000</b>	<b>10,190,000,000</b>	<b>10,203,519,663</b>	<b>13,519,663</b>	<b>100%</b>
<b>Surplus/(Deficit) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(388,463,808)</b>	<b>(388,463,808)</b>	
<b>Reconciliation with operating surplus</b>						
<sup>1</sup> Less: Deferred income recognized from transfers from other governments				57,352,155		
<sup>2</sup> Less: Grants received for financing activities				(1,294,119,821)		
<sup>3</sup> Add: Acquisition of assets				1,294,119,821		
<sup>4</sup> Add: Partners donations expenses				(396,189,900)		
<sup>4</sup> Less: Bad debts expense				(32,906,612)		
Less: Depreciation & amortization expense				(248,686,029)		
Add: Gain on foreign exchange transactions				(181,645)		
Add: Gain on sale of assets				1,565,471		
Less: Income tax expense				(7,677,065)		
<b>Surplus/(Deficit) in statement of financial performance</b>				<b>(1,015,187,433)</b>		

**Budget notes**

1. Appropriation in aid had a negative variation of Kshs.383 million equivalent to 9%. This was mainly due to challenges experienced in uptake of plantations.
2. Board expenses had a negative variation of Kshs.14 million (48%).
3. The budget adjustment is as a result of the supplementary budget approved by the National Treasury.

## 19. 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. New and amended standards and interpretations in issue effective in the year ended 30 June 2025

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

**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 2025

STANDARD	EFFECTIVE DATE AND IMPACT:
<p><b>IPSAS 43:</b> Leases</p>	<p><b>Applicable: 1<sup>st</sup> January 2025</b> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p><b>IPSAS 44:</b> Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><b>Applicable: 1<sup>st</sup> January 2025</b> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
<p><b>IPSAS 45-</b> Property Plant and Equipment</p>	<p><b>Applicable: 1<sup>st</sup> January 2025</b> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p><b>IPSAS 46</b> Measurement</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b> The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p><b>IPSAS 47:</b></p>	<p><b>Applicable 1st January 2026</b></p>

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STANDARD	EFFECTIVE DATE AND IMPACT:
Revenue	This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	<b>Applicable 1<sup>st</sup> January 2026</b> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<b>Applicable 1<sup>st</sup> January 2026</b> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<b>Applicable 1<sup>st</sup> January 2027</b> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the <b>entity's financial statements arising from the exploration</b> for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li> </ul>

iii. Early adoption of standards

The Service did not early-adopt any new or amended standards in year 2024/2025.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Revenue recognition

##### i) Revenue from non-exchange transactions

##### **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. 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.

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.

##### **Public Contributions and Donations**

The Service recognizes revenues from the donors 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.

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.

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.

**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 2024-2025 was approved by the National Assembly in June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Service upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Service recorded increased appropriations of Kshs. 200,000,000 on the 2024-2025 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. These changes have been recognised as deferred income.

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) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Service does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Service financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### k) Financial assets

#### Classification of financial assets

The Service classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments

**Subsequent measurement**

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

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

### Impairment

The Service assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Service recognizes a loss allowance for such losses at each reporting date.

### l) Financial liabilities

#### Classification

The Service classifies its financial its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

### m) 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.

### n) 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.

### o) 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)**

**p) 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.

**q) 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.

**r) 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.

**s) 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**t) 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.

**u) Service concession arrangements**

The Service analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Service recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise - any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Service also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**v) 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.

**w) Comparative figures**

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

**x) Subsequent events**

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

## 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 <sup>1</sup> / <sub>3</sub> %
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 <sup>1</sup> / <sub>3</sub> %

Depreciation is charged from the date of asset recognition and ceases when the asset is fully depreciated or disposed.

**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 30.

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 Other Government Entities**

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	2024/2025	2023/2024
	Kshs.	Kshs.
GOK Subventions - Recurrent	3,468,000,000	6,567,500,245
GOK Subventions - Development	-	138,125,000
Less: Grants received for financing activities	(317,556)	(58,077,510)
<b>Total transfers from other government entities</b>	<b>3,467,682,444</b>	<b>6,647,547,735</b>

**6(b) Transfers from Ministries, Departments and Agencies**

Name of the Entity Sending the Grant	Amount Recognized to Statement of Financial Performance	Amount Deferred Under Deferred Income	Amount Recognised in Capital Fund.	Total transfers 2024/2025	Total Grant Income During the Year 2023/2024
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Ministry of Environment, Climate Change & Forestry	3,467,682,444	-	317,556	3,468,000,000	6,705,625,245
<b>Total</b>	<b>3,467,682,444</b>	<b>-</b>	<b>317,556</b>	<b>3,468,000,000</b>	<b>6,705,625,245</b>

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**7. Public Contributions and Donations**

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.

- **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 is 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.

Description	2024/2025	2023/2024
	Kshs.	Kshs.
African Development Bank (ADB)	1,051,860,988	738,763,811
French Government Project Direct Payments	63,602,800	-
Partners Donations	155,991,060	75,386,492
Food and Agriculture Organisation (FAO)	48,408,771	11,770,126
Nature Kenya	-	3,509,400
<b>Total public contributions and donations</b>	<b>1,319,863,619</b>	<b>829,429,829</b>

**7 (b) Public Contributions and Donations**

Name of the Entity Sending the Grant/Loan	Amount Recognized to Statement of Financial Performance	Amount Deferred Under Deferred Income	Amount Recognised in Capital Fund.	Total Grant/Loan Income During the Year 2024/2025	Total Grant/Loan Income During the Year 2023/2024
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
African Development Bank (ADB)	1,051,860,988	32,228,357	368,396,483	1,452,485,828	734,510,166
Partners Donations	155,991,060		16,368,659	172,359,719	75,386,492
French Government	63,602,800	(35,598,383)	899,879,037	927,883,454	291,991,772
Food and Agriculture Organisation (FAO)	48,408,771	(53,982,129)	9,158,086	3,584,728	114,845,757
Nature Kenya	-	-	-	-	3,509,400
<b>Total</b>	<b>1,319,863,619</b>	<b>(57,352,155)</b>	<b>1,293,802,265</b>	<b>2,556,313,729</b>	<b>1,220,243,587</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8. Fines penalties and levies**

These are penalties levied to employees on disciplinary cases.

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Fines and Surcharges	3,691,581	2,625,643
<b>Total fines, penalties and levies</b>	<b>3,691,581</b>	<b>2,625,643</b>

**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;

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Plantations	2,956,244,251	1,148,083,910
Mangrove	403,997	3,107,779
Small Poles	211,091	112,916
Bamboo Stems	65,319	57,672
Compensation for tree stems	5,192,977	54,294,511
Professional fees	3,160,881	1,472,286
Tuition Fees	32,305,151	31,724,865
Boardwalk Fees	52,214	8,225
Water easement charges	8,375,624	5,327,798
Aircraft Usage	873,600	2,294,936
Conservation Fees	23,156,462	30,356,471
Fuel wood	4,561,063	1,634,167
Quarrying, Soil, Sand	25,555,978	9,111,478
Resin	68,478	52,834
Ecotourism sites	594,525	247,278
Filming Fees	410,000	-
Grazing Fees	32,022,587	19,489,812
Other Forest Incomes	51,148,113	83,912,411
Recreation	58,772,463	38,953,779
Grass	1,195,282	570,115
Withies	1,396,059	512,480
Assessment Fees	726,576	183,745
Parking Fees	1,473,829	1,042,871
Research Permits	438,388	163,364
Application Fees	61,500	355,892
Exam Fees	8,646,909	4,716,178
Students ID	183,776	163,315
Accommodation	269,293	1,389,643
Farm Produce	20,651	29,897
Tours and Excursions fee	9,309,372	6,003,350
ICT Services	5,473,289	1,586,308
Library fee	2,147,356	1,472,299
Activity fee	3,264,879	1,785,653

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**9. Sale of Goods & Services (Continued)**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Medical fee	1,077,400	1,064,267
GPA cover fee	299,780	329,255
Students' Association membership fee	726,379	169,265
Graduation fees	177,050	-
College Registration fees	352,352	238,103
KFC Conference and Seminars(Revenue)	387,931	
Staff Quarters	7,397,824	1,595,362
Hire of Service Buildings	10,000	
Leases	88,399,813	75,550,628
Land Rent	163,811,138	162,198,711
PELIS/Shamba Rent/Land Rent	11,879,350	8,075,839
Ground Rent	833,782	338,264
Bonded Items	1,961,636	-
Court Fines	50,000	233,793
Seedlings & Cuttings	17,667,919	11,022,159
Third Party Commissions	10,334,774	7,880,311
Training Levy	2,768,000	-
<b>Total revenue from the sale of goods and services</b>	<b>3,545,917,061</b>	<b>1,718,914,195</b>

**10. Licenses & Permits**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Movement Permits	196,371,025	95,358,661
Monthly Fuel Licenses	11,739,482	5,380,317
Saw millers Licenses	7,432,760	1,694,943
<b>Total licenses and permits</b>	<b>215,543,267</b>	<b>102,433,921</b>

**11. Finance Income - External Investments**

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

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Interest on Current Account - KCB	19,768,562	19,514,132
Interest on Current Account - Equity	2,251,370	8,542,371
Interest on Current Account - Coop	3,398,383	10,656,853
Interest on Current Account - NCBA	171,902	211,310
<b>Total finance income - external investments</b>	<b>25,590,217</b>	<b>38,924,666</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12. Use of Goods and Services**

This comprises of administrative costs as set out below:

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Electricity	19,466,190	22,563,555
Water and Sewerage Charges	8,716,484	10,693,924
Casual Labour	268,753,116	285,245,382
Staff Welfare Costs	9,627,775	10,208,505
Telephone, Telex, Facsimile, Computer	4,309,394	8,226,301
Courier and Postal Services	4,124,831	4,131,035
Leased Communication Lines	875,415	941,624
Supplies of Accessories for Computers & Printers	10,193,548	13,623,215
Travel Costs (airlines, bus, railway, mileage)	19,401,980	18,225,597
Accommodation - Domestic Travel	-	876,407
Daily Subsistence Allowance	441,638,502	527,311,655
Field Operational Allowance	1,575,450	2,291,840
Travel Cost-International (Overseas)	4,891,044	7,691,815
Publishing and Printing Services	5,702,509	10,519,697
Newspapers, Magazines and Periodicals	1,146,671	457,291
Advertising, Awareness and Publicity Campaigns	6,198,405	9,745,520
Training	145,707,808	74,778,571
Hire of Training Facilities and Equipment	-	183,324
College Students' Expenses	19,027,966	9,904,482
Buildings Insurance	4,906,186	4,218,792
Plant, Equipment and Machinery Insurance	-	1,160,238
Motor Vehicle Insurance	23,732,576	24,201,710
Aircraft Insurance	23,799,842	23,797,842
Fungicides, Insecticides and Sprays	188,000	155,810
Workshop Tools, Spares and Small Equipment	1,962,810	165,517
Paramilitary Small Equipment and Supplies	60,007,133	89,492,871
Laboratory Materials and Supplies	-	735,400
Animal Welfare Expenses	449,300	732,362
General Office Supplies (papers, pencils etc.)	14,169,869	23,201,856
Cleaning Materials, Supplies and Services	5,941,118	7,168,022
Catering services	7,405,997	9,079,477
Refined Fuels and Lubricants for Transport	223,927,669	241,993,094
Forest Fire Suppression	3,148,633	2,061,884
Bank Service Commission and Charges	3,580,246	3,969,423
Contracted Guards and Cleaning Services	4,915,738	3,633,621
Membership Fees, Dues and Subscriptions	1,714,144	2,546,558
Forest Conservation Committee Expenses	541,957	3,112,050

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12. Use of Goods and Services (Continued)**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Legal dues, Arbitration and Compensation Packages	6,822,447	24,037,056
Special Operations	71,102,158	69,889,792
Provision for Bad Debts	32,906,612	-
Food and Rations	85,131,759	205,731,110
Events and Celebrations	136,093,205	107,068,696
Tree seeds and seedlings.	78,389,615	289,661,467
Supplies for production	336,691,552	381,755,357
Rounding off Difference Account	(12)	4
Partner Donation Expenses	99,011,073	58,336,504
Seminars and Conferences	53,656,051	24,558,695
Tree Planting	239,026,195	249,246,054
Land Levies	920,732	47,450
Office Rent Expense	-	1,582,383
Aircraft Operating Costs	3,709,497	-
Staff Uniforms and Clothing	11,795,703	42,924,713
Trainees Uniforms and Clothing	32,478,966	161,483,086
Audit Fee	3,793,103	2,319,310
<b>Total use of goods &amp; services</b>	<b>2,543,276,962</b>	<b>3,077,687,944</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**13. 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	2024/2025	2023/2024
<b>Number of Employees</b>	<b>6,015</b>	<b>6,853</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Basic Salaries	3,908,416,911	3,543,606,228
Temporary Employees	69,085,569	35,364,554
Acting Allowance	14,468,973	6,614,821
Overtime	1,807,460	4,436,717
Transfer Allowance	83,041,711	66,215,800
Commuting Allowance	359,110,674	310,997,473
Hardship Allowance	136,073,606	105,245,220
Special Duty Allowance	1,117,646	2,308,285
Leave Allowance	98,145,176	88,751,090
Extraneous Allowance	5,274,996	4,107,812
Telephone Allowance	5,648,505	5,345,355
Refund of Medical Expenses - Outpatient	71,350	-
Medical Expenses - Ex-Gratia	8,212,347	560,853
Staff Medical Insurance	408,267,199	381,437,526
House Allowance	464,778,357	427,099,393
Non-Practice Allowance	720,000	720,000
Entertainment Allowance	693,667	529,355
Instructor's Allowance	24,335,168	21,821,934
GPA/GLA	46,648,702	73,321,346
Risk Allowance	46,200	46,200
Recruits' Allowance	-	24,084,000
Disability Guide Allowance	660,000	600,000
Aircraft Engineering Allowance	495,250	
Contributions to National Social Security	85,415,351	78,285,160
Staff Pension- KFS Contributions	540,360,226	425,791,294
Staff Gratuity	11,467,653	10,382,302
Housing Levy Fund - Employer's Contribution	75,091,875	68,933,721
NITA Employer Contribution	327,900	
<b>Total employee costs</b>	<b>6,349,782,472</b>	<b>5,686,606,439</b>

**14. Remuneration of Directors**

Description	2024/2025	2023/2024
	<b>Kshs.</b>	<b>Kshs.</b>
Board Sitting Allowance	7,618,000	9,520,000
Board Accommodation Allowance	5,825,145	7,298,000
Board Transport Allowance	1,173,605	1,770,666
Board Chairman Honoraria	1,020,000	732,097
<b>Total remuneration of Directors</b>	<b>15,636,750</b>	<b>19,320,763</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**15. Repairs & Maintenance**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Maintenance of Motor Vehicles	120,372,017	77,814,379
Maintenance of Plant, Machinery and Equipment	1,971,823	2,114,595
Maintenance of Office Furniture and Equipment	615,316	1,677,976
Maintenance of Medical and Dental Equipment	-	261,103
Maintenance of Buildings - Residential	5,363,257	24,651,283
Maintenance of Buildings and Stations - Non-Residential	9,759,731	71,247,540
Maintenance of Civil Works	115,712,006	44,885,581
Maintenance of Roads	21,784,367	87,741,869
Minor Alterations to Buildings and Civil Works	494,457	-
Maintenance of Computers, Software, Network	23,535,639	23,388,639
Maintenance of Aircraft	74,090,207	21,551,879
<b>Total repairs and maintenance</b>	<b>373,698,820</b>	<b>355,334,844</b>

**16. Contracted Services**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Contracted Professional Services	5,395,546	34,322,256
Contracted Technical Services	43,733,594	38,651,423
<b>Total contracted services</b>	<b>49,129,140</b>	<b>72,973,679</b>

**17. Grants and subsidies**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Grants, subsidies and transfers.	6,972,210	5,557,066
Capital Transfers Non-Profit Organization	-	2,078,181
<b>Total grants and subsidies</b>	<b>6,972,210</b>	<b>7,635,247</b>

**18. Foreign Exchange gain/(loss)**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Foreign Exchange Gain	8,408	9,469
Foreign Exchange Loss	(190,053)	(43,316)
<b>Total foreign exchange gains/(loss)</b>	<b>(181,645)</b>	<b>(33,847)</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**19. Gain on sale of assets**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Proceeds from Disposal of Assets	1,830,000	3,775,640
Net Book Value Retired	(264,529)	(1,754,460)
<b>Total gain on sale of assets</b>	<b>1,565,471</b>	<b>2,021,180</b>

**20. 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	2024/2025	2023/2024
	Kshs.	Kshs.
Current Income tax charge	-	-
Tax charged on rental income		
Tax charged on interest income	7,677,065	11,677,400
<b>Income tax expense reported in the statement of financial performance</b>	<b>7,677,065</b>	<b>11,677,400</b>

**21. Cash and Cash Equivalent**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Cash at bank	332,092,887	738,794,820
Others - E-citizen unremitted funds	43,156,891	67,730,400
<b>Total cash and cash equivalents</b>	<b>375,249,778</b>	<b>806,525,220</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**21(a). Detailed Analysis of the Cash and Cash Equivalents**

Financial Institution	Account Number	2024/2025	2023/2024
		Kshs.	Kshs.
<b>(i) Current Account</b>			
<b>Co-operative Bank</b>			
KFS National Tree Planting Campaign Programme	01141532868700	3,852,914	25,151,157
KFS Forest Investment Facility - Holding Account	01141532868701	40,598,064	52,233,674
Forest Irrigation Climate & Green Energy	01141532868704	5,100	1,667,477
GZDSP II GOK A/C	01141532868705	162,479	1,052,724
GZDSP II Donor A/C	01141756225800	32,881,809	653,453
KFS HOC Central Main A/C	01141032576000	2,151	180,472
KFS HOC Western Main A/C	01141165517400	1,388	2,867,514
KFS ENCOM Nyeri Base Main A/C	01141032570000	613	2,129
KFS EC Mombasa Main A/C	01120097444400	103	204,077
KFS CFC Murang'a Main A/C	00001108578454	1,890	
KFS CFC Murang'a GZDSP Donor A/C	01141756225817	69,444	
KFS CFC Murang'a GZDSP GOK A/C	01141532868723	-	
		<b>77,575,955</b>	<b>84,012,677</b>
<b>Equity Bank</b>			
KFS Forest Investment Facility - Revolving Fund	0810298871018	40,809,047	38,895,383
KFS Forest Investment Facility - Operating Account	1340261075747	2,386,936	810,792
KFS FAO Capacity Building	1340261075761	-	99,970
		<b>43,195,983</b>	<b>39,806,145</b>
<b>Kenya Commercial Bank</b>			
KFS Main Operating - KCB	1106928652	820,988	104,335,000
KFS AIA Collection	1106770021	17,956,747	322,981,988
KFS Main Development	1116447347	64,188,704	189,327
KFS Gratuity A/C	1139669249	17,473,696	21,900,974
KFS Dollar A/C	1122198353	188,077	188,077
KFS FAO Forest & Farm Facility Programme	1172165084	748,026	-
KFS Water Towers Euro Ac	1181839513	143,673	143,673
KFS HOC Nairobi Main A/C	1126065072	99	1,090,662
KFS HOC North Rift Main A/C	1118416090	2,059	20,993
KFS HOC Mau Main A/C	1101720352	18,403	131,703
KFS HOC Nyanza Main A/C	1113097930	3,815	1,942
KFS HOC Coast Main A/C	1113012625	400	936,081
KFS HOC Eastern Main A/C	1112985204	479	138,230
KFS HOC Ewaso North Main A/C	1113191996	2,143	280,899
KFS HOC North Eastern Main A/C	1112841903	70,595	103,226
Kenya Forestry College - Operations A/C	1103633562	285,461	1,821,579
Kenya Forestry College - Tuition A/C	1112223479	37,710,536	25,976,825
KFS EC Nairobi Main A/C	1136317759	10,125,320	2,657,658
KFS EC Garissa Main A/C	1107854903	245,260	26,082
KFS LONDIANI BASE (FoLEA) Main A/C	1117567915	250,694	2,570,592
KFS ENCOM Embu Base Main A/C	1135768846	82	109
KFS RC MAU Main A/C	1117674258	110,035	27,535
KFS Building Unit Main A/c	1197741011	3,523,368	3,534,556
KFS CFC Kisumu Main A/c	1103889281	3,451	4,525

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Financial Institution	Account Number	2024/2025	2023/2024
		Kshs.	Kshs.
KFS CFC Isiolo Main A/c	1107755468	84,491	26,223
KFS Integrated Landscape Mgt for Conservation	1320025803	55,122,287	109,741,702
KFS Kaptagat Restoration and Livelihoods Program Account	1330240774	1,494,000	
		<b>210,572,889</b>	<b>598,830,161</b>
<b>National Bank</b>			
KFS Airwing A/C	01020069730800	293,560	394,628
		<b>293,560</b>	<b>394,628</b>
<b>NCBA Bank</b>			
KFS Airwing Sinking Fund A/C	1004667472	454,500	15,751,211
		<b>454,500</b>	<b>15,751,211</b>
<b>Total bank balance</b>		<b>332,092,887</b>	<b>738,794,822</b>
<b>(ii) Others</b>			
E-Citizen Unremitted Collections	KFS	43,156,891	67,730,398
		<b>43,156,891</b>	<b>67,730,398</b>
<b>Grand total</b>		<b>375,249,778</b>	<b>806,525,220</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**22. Prepayments**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Suppliers Prepayments*	1,161,955,841	1,325,051,271
General Deposits with Suppliers	586,200	586,200
<b>Total prepayments</b>	<b>1,162,542,041</b>	<b>1,325,637,471</b>

*Note: The Supplier Prepayments balance includes Kshs. 1,151,393,050 relating to the Capacity Development project for Technologies in Forest Fire Management in Kenya funded by the French Government that required an advance direct payment by the Donor to the supplier.*

**23. Receivables from Exchange Transactions**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Receivables	513,792,508	671,278,315
<b>Total receivables from exchange transactions</b>	<b>513,792,508</b>	<b>671,278,315</b>

Description	2024/2025		2023/2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	70,524,401	14%	298,924,933	45%
Between 1- 2 years	85,677,623	17%	54,814,898	8%
Between 2-3 years	57,306,075	11%	29,417,340	4%
Over 3 years	300,284,409	58%	288,121,144	43%
<b>Total (a+b)</b>	<b>513,792,508</b>	<b>100%</b>	<b>671,278,315</b>	<b>100%</b>

**24. Receivables from Non-Exchange Transactions**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Zonal Control Account - Development	-	36,760,733
Zonal Control Account Recurrent	-	27,226,029
Temporary Imprest	-	18,742,232
Salary Advances	2,699,706	4,586,940
<b>Total receivables from non - exchange transactions</b>	<b>2,699,706</b>	<b>87,315,934</b>

*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.*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**25. 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 2025 is as under:

**i. Forest Plantations Area Account**

This section presents species composition of forest plantations, area per species and un-stocked areas. The un-stocked area was caused by clear-cut of standing stock and forest fires. Un-stocked area declined from 6,440.33 Ha to 4,7880.21 during the report period. This is attributed to planting of 5,810.23 Ha comprising of 134.8 Ha of Eucalyptus, 4,783.0825 Ha of cypress species, 865.85 Ha of Pines and 26.5 Ha of other species.

	2024/2025	2023/2024
Species	Area (Ha)	Area (Ha)
Pines	31,344.13	30,608.81
Cypress	83,950.67	83,268.28
Gravelia	534.90	534.90
Eucalyptus	17,615.57	17,572.53
Others	14,564.52	14,365.15
Unstocked	4,780.21	6,440.33
<b>Total Plantation Land Area</b>	<b>152,790.00</b>	<b>152,790.00</b>

**ii. Forest Plantations Monetary Account**

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

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Carrying Amount as at 1 July	96,675,401,617	90,917,526,961
<b>Changes in the carrying amount:</b>		
Decrease due to sales and harvest <sup>1</sup>	(2,966,209,383)	(1,204,125,504)
Increase due to purchases and development of new stands <sup>2</sup>	175,312,800	232,409,200
Increase in value due to growth <sup>3</sup>	6,733,185,202	6,730,531,460
Less impairment due to poaching, forest fires and diseases <sup>4</sup>	(1,584,003)	(940,500)
<b>Total Changes in the carrying amount:</b>	<b>3,940,704,616</b>	<b>5,757,874,656</b>
<b>Carrying Amount as at 30 June</b>	<b>100,616,106,233</b>	<b>96,675,401,617</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Biological Assets (Continued)**

**<sup>1</sup> Decrease of Value of Plantations Attributed to Harvest/ Removals**

During the report period, the Service sold timber, poles and fuel wood valued at **Kshs.2,966,209,383**.

**<sup>2</sup> Increase due to New Planting**

The Service established a total of 4,382.82 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 Kshs.40,000. The total value of the new plantation is **Kshs.175,312,800**.

**<sup>3</sup> Increase of Plantation Value Attributed to Growth (Mean Annual Increment)**

Mean annual increment of Pine, Cypress, Eucalyptus and Mixed species was taken at 17.1m<sup>3</sup>/ha/year, 14.25m<sup>3</sup>/ha/ year, 23.75m<sup>3</sup>/ha/year and 6.65m<sup>3</sup>/ha/year respectively in the reporting period. This increased the value of plantations by **Kshs.6,733,185,202**.

Species	Area (Ha)	Mean Annual Increment (%)	Volume (M <sup>3</sup> )	Value per M <sup>3</sup>	Increase Due to Growth (Kshs.)
Cypress	77,136.87	14.25	1,099,200.40	3,000	3,297,601,193
Pine	29,730.18	17.1	508,386.08	3,000	1,525,158,234
Eucalyptus	17,065.26	23.75	405,299.93	3,000	1,215,899,775
Mixed Species	14,920.00	6.65	99,218.00	7,000	694,526,000
	<b>138,852.31</b>				<b>6,733,185,202</b>

**<sup>4</sup> 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 2024/2025, the decrease was as follows;

- In the reporting period there were no significant forest fire incidents which caused a decrease in value of the existing plantation. This was due to a well spread rains that was experienced in many parts of the country in the reporting period.
- 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 no defect allowance was granted.
- There was an estimated loss in planation value of **Kshs.1,584,003** due to poaching during the reporting period.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Biological Assets (Continued)**

**iii. Value of Forest Land**

In most jurisdictions, the value of forest land is not included in forest accounts. This is due to the following:

- Forest land is usually set aside for forest development only and is not available for other land use options.
- Transactions of forest land are infrequent because forest land is only set aside for forestry purposes.
- Forests land may hold unique characteristics which has no clear market value.

Significant assumptions made in the estimation of the fair value of the trees in 2024/2025 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 **Kshs.3,940,704,616** has been adjusted in the statement of financial position under deferred income.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Property, Plant and Equipment

	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
Depreciation Rate	5%	10%		25%	33.33%	20%	20%	100%	12.50%	7.50%	
Cost	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Cost As at 01 July 2023	1,414,404,224	338,543,343	230,263,675	1,396,862,849	305,163,239	189,135,575	101,099,883	124,522,387	166,300,419	571,042,572	4,837,338,16
Additions (cost)	87,055,996	28,601,285	252,754,468	67,701,505	30,917,614	10,303,579	4,746,810	-	9,605,914	-	491,687,17
Disposal				(4,790,605)							(4,790,605)
Transfers/Adjustment											
Revaluation adjustments											
As at 30 June 2024	1,501,460,220	367,144,628	483,018,143	1,459,773,749	336,080,853	199,439,154	105,846,693	124,522,387	175,906,333	571,042,572	5,324,234,73
Additions (cost)	-	97,616,587	981,956,068	201,187,870	5,635,120	2,245,723	1,030,380	3,272,673	1,175,400	-	1,294,119,82
Disposal				(5,290,573)							(5,290,573)
Transfers/Adjustment											
Revaluation adjustments											
As at 30 June 2025	1,501,460,220	464,761,215	1,464,974,211	1,655,671,046	341,715,973	201,684,877	106,877,073	127,795,060	177,081,733	571,042,572	6,613,063,98
Depreciation And Impairment											
At 1 July 2023	699,403,388	245,106,557	-	1,125,349,280	264,396,584	171,830,827	80,786,957	117,257,686	115,876,530	379,786,449	3,199,794,25
Depreciation	72,032,889	10,496,056	-	79,962,970	15,867,629	3,256,167	4,753,187	633,189	8,606,432	37,974,331	233,582,85
Impairment											
Transfers/Adjustment				(3,036,145)							(3,036,145)
As at 30 June 2024	771,436,277	255,602,613	-	1,202,276,105	280,264,213	175,086,994	85,540,144	117,890,875	124,482,962	417,760,780	3,430,340,96
Charge for the year	74,702,900	19,841,077	-	75,745,824	19,890,694	4,637,459	5,252,864	1,266,400	9,343,015	37,974,331	248,674,56
Impairment											
Transfers/Adjustment				(5,026,048)							(5,026,048)
As at 30 June 2025	846,139,177	275,443,690	-	1,272,995,881	300,154,907	179,724,453	90,793,008	119,177,275	133,825,977	455,735,111	3,673,989,47
Net Book Values											
NBV 30 June 2024	730,023,943	111,542,015	483,018,143	257,497,644	55,816,640	24,352,160	20,306,549	6,631,512	51,423,371	153,281,792	1,893,893,76
NBV 30 June 2025	655,321,043	189,317,525	1,464,974,211	382,675,165	41,561,066	21,960,424	16,084,065	8,617,785	43,255,756	115,307,461	2,939,074,50

**26(b) 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 28<sup>th</sup> November 2008, with effect from 1<sup>st</sup> February 2007. The Service has three hundred and seventy-five (375) parcels of land that are gazetted measuring 2,605,170 Ha. Out of these 375 parcels of land, fifty-six (56) parcels of land have title deeds even though the area under legal notice in some cases is higher than the area that is in the title deeds. Twenty-one (21) parcels of land that belong to Kenya Forest Service but are not gazetted have title deeds.

The Service has recognised the Gazette notices as the sure way of securing forest land. Ownership of forest land is also documented by proclamations which at Independence were declared as central forests via Legal Notice No. 174 of 20<sup>th</sup> May 1964.

Government land is not available in the open market for sale and thus cannot be valued. Due to this it has not been recognised as part of property, plant and equipment.

**27. Intangible Assets**

Description	2024/2025	2023/2024
Cost	Kshs.	Kshs.
At beginning of the year	121,429,147	121,392,940
Additions	-	36,207
<b>At end of the year</b>	<b>121,429,147</b>	<b>121,429,147</b>
Additions-internal development	-	-
<b>At end of the year</b>	<b>121,429,147</b>	<b>121,429,147</b>
<b>Amortization and impairment</b>		
At beginning of the year	(115,284,048)	(115,276,468)
Amortization	(11,464)	(7,580)
<b>At end of the year</b>	<b>(115,295,512)</b>	<b>(115,284,048)</b>
Impairment Loss	-	-
<b>At end of the year</b>	<b>(115,295,512)</b>	<b>(115,284,048)</b>
<b>Net Book Value (NBV)</b>	<b>6,133,635</b>	<b>6,145,099</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**28. Trade and other payables from exchange transactions**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Employee Liability Account	3,168,547	24,263,167
Expense AP Accrual Account	-	22,745,596
Receipts In Advance	22,439,993	18,786,208
Kenya Universities and Colleges Central Placement	-	368,414
Suppliers Liability Account	315,426,130	367,370,516
Intercompany Transactions	-	831,442
Retention - General Contractors	55,889,609	27,706,803
<b>Total trade and other payables from exchange transactions</b>	<b>396,924,279</b>	<b>462,072,146</b>

**29. Refundable deposits from customer**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Customer Refundable Deposits	81,172,112	40,493,078
Caution Money	2,121,512	1,622,559
Inter Company Project Advance Liability	159,344,025	-
Performance Bonds	11,767,646	11,767,646
<b>Total refundable deposits from customers</b>	<b>254,405,295</b>	<b>53,883,283</b>

**30. Provisions**

Description	Provision for Audit Fee	Provision for Bad Debts	Total
Balance as at 1 July 2024	3,793,103	192,543,486	196,336,590
Additional provisions	3,793,103	32,906,612	36,699,715
Provision utilized	(3,793,103)	-	(3,793,103)
<b>Total provisions as at 30 Jun 2025</b>	<b>3,793,104</b>	<b>225,450,098</b>	<b>229,243,202</b>

**31. Employee Benefits Obligations**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
House Rent Utility Charges	-	5,730,211
Staff Insurance Compensation Liability	39,421,257	38,656,201
Staff Gratuity	17,473,903	21,900,974
<b>Total employee benefits obligations</b>	<b>56,895,160</b>	<b>66,287,386</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**32. Payments Received in Advance**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Imprest Clearing Account	-	243,053
<b>Total advance receipts</b>	<b>-</b>	<b>243,053</b>

**33. Withheld Taxes**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Withholding VAT	4,778,354	4,657,705
Withholding Income Tax	2,646,390	1,496,397
VAT Liability	1,563,273,910	1,735,049,616
Pay Master General-PAYE	-	1,042,045
<b>Total Withheld taxes</b>	<b>1,570,698,654</b>	<b>1,742,245,763</b>

**34. Corporation Tax**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
At beginning of the year	2,186,443	-
Income tax charge for the year (note 20)	7,677,065	11,677,400
Under/(over) provision in prior year/s (note 22)	-	-
Income tax paid during the year	(7,659,306)	(9,490,957)
<b>At end of the year</b>	<b>2,204,202</b>	<b>2,186,443</b>

**35. Deferred Income**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
<b>Current Deferred income</b>		
Deferred Income - FAO	55,870,313	109,852,442
Deferred Income - ADB	32,881,809	653,452
Deferred Income - French Project	1,151,393,050	1,186,991,433
<b>Total Current Deferred Income</b>	<b>1,240,145,172</b>	<b>1,297,497,327</b>
<b>Non-current Deferred income</b>		
Deferred Income - Biological Assets	100,616,106,233	96,675,401,617
<b>Total Non-current Deferred Income</b>	<b>100,616,106,233</b>	<b>96,675,401,617</b>
<b>Total Deferred Income</b>	<b>101,856,251,405</b>	<b>97,972,898,944</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

The deferred income movement is as follows:

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Balance brought forward	97,972,898,944	91,829,330,907
Additions	2,556,313,729	1,653,889,455
Transfers to Capital fund	(1,293,802,265)	(433,645,869)
Transfers to income statement	(1,319,863,619)	(829,429,829)
Other transfers	3,940,704,616	5,752,754,280
<b>Balance carried forward</b>	<b>101,856,251,405</b>	<b>97,972,898,944</b>

**36. 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:

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Financial Risk Management (Continued)**

**(i) Credit risk (Continued)**

	Total amount	Fully performing	Past due	Impaired
	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 30 June 2025</b>				
Receivables from exchange transactions	513,792,508	70,524,401	443,268,107	-
Receivables from non-exchange transactions	2,699,706	2,699,706	-	-
Bank balances	375,249,778	375,249,778	-	-
<b>Total</b>	<b>891,741,992</b>	<b>448,473,885</b>	<b>443,268,107</b>	<b>0</b>
<b>At 30 June 2024</b>				
Receivables from exchange transactions	671,278,315	298,924,932	372,353,383	-
Receivables from non-exchange transactions	87,315,934	87,315,934	-	-
Bank balances	806,525,220	806,525,220	-	-
<b>Total</b>	<b>1,565,119,469</b>	<b>1,192,766,086</b>	<b>372,353,383</b>	<b>0</b>

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 Service 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.

The Service has entered into a payment plan with the Kenya Revenue Authority on the VAT obligation of Kshs.2,045,657,733 that is spread over 5 years to mitigate against liquidity risk.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Financial Risk Management (Continued)**

**(ii) Liquidity risk management (Continued)**

	Up to	1 - 3	4 - 12	Over	Total
	1 month	Months	months	1 year	
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 30 June 2025</b>					
<b>Financial assets</b>					
Trade receivables	11,170,488	31,285,964	28,067,949	443,268,107	513,792,508
Other receivables and prepayments	2,699,706	-	-	-	2,699,706
Amount due from related parties	-	-	-	-	-
Bank balances and cash deposits	375,249,778	-	-	-	375,249,778
<b>Total financial assets</b>	<b>389,119,972</b>	<b>31,285,964</b>	<b>28,067,949</b>	<b>443,268,107</b>	<b>891,741,992</b>
Financial liabilities	(3,521,272,762)				(3,521,272,762)
<b>Total financial liabilities</b>	<b>(3,521,272,762)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,521,272,762)</b>
<b>Net liquidity gap</b>	<b>(3,132,152,790)</b>	<b>31,285,964</b>	<b>28,067,949</b>	<b>443,268,107</b>	<b>(2,629,530,770)</b>
<b>At 30 June 2024</b>					
<b>Financial assets</b>					
Trade receivables	-	227,340,834	71,584,099	372,353,383	671,278,315
Other receivables and prepayments	1,325,051,271	-	-	-	1,325,051,271
Amount due from related parties	-	-	-	-	-
Bank balances and cash deposits	806,525,220	-	-	-	806,525,220
<b>Total financial assets</b>	<b>355,242,822</b>	<b>60,865,602</b>	<b>146,802,674</b>	<b>293,155,257</b>	<b>856,066,355</b>
Financial liabilities	(3,624,415,401)	(107,228,699)	(321,686,097)	(1,715,659,185)	(5,768,989,382)
<b>Total financial liabilities</b>	<b>(3,624,415,401)</b>	<b>(107,228,699)</b>	<b>(321,686,097)</b>	<b>(1,715,659,185)</b>	<b>(5,768,989,382)</b>
<b>Net liquidity gap</b>	<b>(3,269,172,579)</b>	<b>(46,363,097)</b>	<b>(174,883,423)</b>	<b>(1,422,503,928)</b>	<b>(4,912,923,027)</b>

**(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 Internal Audit 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. Due to the current volatility of the exchange rates, this risk has significantly increased.

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.

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:

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Financial Risk Management (Continued)**

**(iii) Market risk (Continued)**

**a) Foreign currency risk (Continued)**

	Kenya shilling	Other currencies	Total
	Kshs.	Kshs.	Kshs.
<b>At 30 June 2025</b>			
<b>Financial assets</b>			
Investments	-	-	-
Cash	375,249,778	331,750	375,581,528
Debtors	516,492,214	-	516,492,214
<b>Total financial assets</b>	<b>891,741,992</b>	<b>331,750</b>	<b>892,073,742</b>
<b>Financial liabilities</b>			
Trade and other payables	(3,521,272,762)	-	(3,521,272,762)
Borrowings	-	-	-
<b>Total financial liabilities</b>	<b>(3,521,272,762)</b>	<b>-</b>	<b>(3,521,272,762)</b>
<b>Net foreign currency asset/(liability)</b>	<b>(2,629,530,770)</b>	<b>331,750</b>	<b>(2,629,199,020)</b>
<b>At 30 June 2024</b>			
<b>Financial assets</b>			
Investments	-	-	-
Cash	806,525,220	331,750	806,856,970
Debtors	758,594,249	-	758,594,249
<b>Total financial assets</b>	<b>1,565,119,469</b>	<b>331,750</b>	<b>1,565,451,219</b>
<b>Financial liabilities</b>			
Trade and other payables	(3,624,415,401)	-	(3,624,415,401)
Borrowings	-	-	-
<b>Total financial liabilities</b>	<b>(3,624,415,401)</b>	<b>-</b>	<b>(3,624,415,401)</b>
<b>Net foreign currency asset/(liability)</b>	<b>(2,059,295,932)</b>	<b>331,750</b>	<b>(2,058,964,182)</b>

**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 Service interest rate risk arises from bank deposits. This exposes the Service 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 and has negotiated fixed interest rates on its bank account balances.

**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	2024/2025	2023/2024
	Kshs.	Kshs.
Revenue reserve	(1,723,607,235)	(957,105,831)
Capital reserve	2,972,583,441	1,927,149,649
<b>Total funds</b>	<b>1,248,976,206</b>	<b>970,043,818</b>

**37. 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, Climate Change & Forestry;
- iii) Key management;
- iv) Board of Directors.

Description	2024/2025	2023/2024
	Kshs.	Kshs.
<b>a) Grants from the government</b>		
Grants from National Government	3,467,682,444	6,647,547,735
	<b>3,467,682,444</b>	<b>6,647,547,735</b>
<b>b) Key management remuneration</b>		
Directors' emoluments	15,636,750	19,320,763
Compensation to the CEO	6,680,000	6,335,477
Key management compensation	180,008,798	102,112,723
	<b>202,325,548</b>	<b>127,768,963</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**38. 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 3 court cases against the Service that have been appealed but may result in payment of an amount of. Kshs. 67,200,000, as well as a pending payment to the National Youth Service that is still under negotiation but may result in payment of Kshs. 191,943,612.

**39. Capital Commitments**

There were no capital commitments to be reported as at the end of the financial year.

**40. Events after the reporting period**

There were no material adjusting and non- adjusting events after the reporting period.

**41. Ultimate and Holding Service**

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

**42. Currency**

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

20. APPENDICES

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 No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
1	<b>Property Plant and Equipment</b>				
(i)	As previously reported, the financial statements reflect property, plant and equipment balance of Kshs.1,632,319,276 out of which Kshs.890,201,139 relates to the value of buildings owned by the Service in various locations. However, the amount excludes <b>unspecified value of rangers' houses</b> that were constructed and donated to the Service by China Roads and Bridges Company. Further, contrary to the requirements of IPSAS 17, the land on which these buildings are erected had not been valued and disclosed separately in the last seven years.	The Service recognizes the role played by donors and partners in forest protection <b>and conservation. The rangers' houses that were constructed and donated to the Service by China Roads and Bridges Company are yet to be recognized by the Service since the partner, China Roads and Bridges Company has not furnished the Service with the necessary documents that would indicate the value of the rangers' houses.</b> In the absence of such a value from the partner, the Service would need to engage a professional valuer and this process has not started. The Service is in contact with China Roads and Bridges Company for the documentation to be provided. 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 as explained in the letter Ref no. VAL. 1447/2. Government land is not available in the open market for sale and	Ms. Charity Munyasya - Head, Directorate of Partnerships and Resource Mobilisation	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	Status	Timeframe
		thus cannot be valued. This has resulted in the missing value of land in the financial statements.			
(ii)	Kenya Forest Service acquired all the assets of the former Forest Department including land vide legal notice No.151 of 2008 published in the Kenya Gazette Supplement No. 28 of 28 November 2008. However, out of the two hundred and sixty-five (265) gazetted forest blocks owned by Kenya Forest Service with an acreage of 2,585,526.44 hectares, only seventy-seven (77) blocks have title deeds while twenty-five (25) lacked title deeds.	<p>The Service continues to pursue ownership documents of all gazetted land and other parcels of land under its custody. As at May 2023, the Service has three hundred and seventy-five (375) parcels of land that are gazetted measuring 2,605,170 Ha (Annex 2).</p> <p>Out of these 375 parcels of land, fifty six (56) parcels of land have title deeds even though the area under legal notice in some cases is higher than the area that is in the title deeds. Twenty one (21) parcels of land that belong to Kenya Forest Service but are not gazetted have title deeds. Due to these discrepancies, the Service has maintained that the Gazette notice is the sure way of securing Forest Land and has won cases on this basis. (Annex 3). Ownership of forest land is documented by proclamations which at Independence were declared as central forests via Legal Notice No. 174 of 20th May 1964. The process of processing Title deeds relinquishes ownership status where the National Land Commission (NLC) has to allocate the very</p>	Ms. Charity Munyasya - Head, Directorate of Partnerships and Resource Mobilisation	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	Status	Timeframe
		land gazetted and owned by Kenya Forest Service to the Service or any other Party which would be against the law of the land. The NLC in July 2017 published in the Kenya Gazette (Gazette Notice No. 6862), a list of 154 revoked tile deeds, mainly in Karura Forest Block, that had been allocated to individuals and upheld the supremacy of the Proclamation No 44 of 1932 and the Legal Notices vesting the land in the Kenya Forest Service.			
(iii)	Included in the acreage of 2,585,526.44 hectares is land of an undetermined acreage with ongoing ownership court cases between the Kenya Forest Service and private parties.	The Service is currently involved in many cases relating to ownership of forest land and is pursuing a favourable determination.	Ms. Esther Keige - Head, Legal Services	Not resolved	Continuous
(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 had unlicensed operational installations while other parcels of land though licensed remain unpaid by five institutions namely: Ministry of Energy, Kenya Airports Authority, Nabkoi Water	Forest land continues to be under threat across the country and grabbing of Forest land continues to happen from time to time. The Service has prosecuted land grabbing cases and has won on the basis of Gazettement. Some cases are still on going and management is looking forward to a favorable determination. Part of the outstanding balances from government agencies and the media houses are as a result of historical installations in gazetted forests that happened before the	Mr. Mohammed - Commandant	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	Status	Timeframe
	Project, Kapsaret Water Project and County Cemetry.	operationalization of the Service without any formal engagements with those institutions. Towards settling this matter, the Service carried out an inventory of all installations in the public forests and determined any unlicensed occupancy. The Service then invoiced these institutions based on the inventory report to pursue these debts. These government agencies, however, have written back contesting the billing and claiming ownership of parcels of land they occupy. The Service has continued to engage these agencies both at the institution level and also through the parent Ministries, but this process has not yielded much progress.			
(v)	The Service has not valued its assets as required by IPSAS 17 Section 31 which requires 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 revaluation exercise is a very expensive affair, and the Service is in the process of tagging all its assets with a view to get the full complement of the all the assets. Subsequently a valuer will be engaged subject to availability of funds.	Mr. Isaac Wekesa - Ag. Manager, Administration & Infrastructure	Not resolved	Continuous
2	<b>Inaccuracies in the Statement of Changes in Net Assets.</b>  The statement of changes in net assets reflect capital fund balance of	The Service management has made a disclosure in Note 4 (Summary of Significant	CPA Annastasia	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	Status	Timeframe
	<p>Kshs.86,390,193,425. The addition in the capital is an increase of Kshs.6,538,885,800 which is the total changes in carrying amount of biological assets contrary to the provisions of IPSAS 27 paragraph 30 which requires changes in the carrying amount of biological assets to be reported in the statement of financial performance. Further, the capital additions of Kshs.290,908,449 includes Kshs.10,010,725 for assets procured in the year 2020/2021 and prior years which has been erroneously included as additional capital during the year under review.</p> <p>In the circumstances, the accuracy of the capital funds balance of Kshs.86,390,193,425 could not be confirmed.</p>	<p>Accounting policies) paragraph (f), noting the exclusion of the gains and losses from the statement of financial performance so as not to distort the real surplus/ deficit reported.</p> <p>The gains/losses from the changes in value of biological assets are so huge on a yearly basis and average close to the annual budget of the Service. These gains are not realized on an annual basis and would depict an impression that the Service is making super normal profits/losses.</p> <p>These assets amounting to Kshs.10,010,725.60 related to assets that were not recognized in the 2019/2020 and 2020/2021 and were added to the Fixed assets register in the year under review. This was after an internal reconciliation between the register and the account schedules, and the assets are now fully and rightly recognized. This amount was being carried in a control account Expense AP and Inventory AP accounts during the financial year 2020/2021.</p>	Muasya - Manager, Finance and Accounting		
3.	<b>Unsupported Receivables from Exchange Transactions</b>				

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
	<p>The statement of financial position and Note 21 to the financial statements reflects receivables from exchange transactions balance of Kshs.605,449,477 which includes long outstanding debts balance of Kshs.75,024,727 which are owed by Government Agencies and Media houses whose transmitters are located within the Service's land. However, the license charges had not been paid as the license fee is said to have been paid to the Government owned Kenya Broadcasting Corporation (KBC).</p> <p>Further, the balance excludes amounts receivable from the defunct Ministry of Sports and Kenya National Highways Authority of Kshs.10,000,000 and Kshs.77,666,204 respectively. However, both KENHA and defunct Sports Ministry have not recognised the receivables as payables in their respective financial statements.</p> <p>In addition, as previously reported, the statement of financial position reflects</p>	<p>The Service in the course of its operations bills its customers on annual licenses and leases for installations or occupation of forest land. These bills are usually paid within the year. Part of the outstanding balances from government agencies and the media houses are as a result of historical installations in gazetted forests that happened before the operationalization of the Service without any formal engagements with those institutions. Some of these government agencies include; Kenya Broadcasting Corporation (KBC), National Police Service, Kenya Defence Forces, National Intelligence Service, Kenya Wildlife Service (KWS) etc. Within the forest land occupied by KBC, the Service established that there are installation owned by other media houses who claim to have a contractual arrangement with KBC and thus cannot engage the Service.</p> <p>Towards settling this matter, the Service carried out an inventory of all installations in the public forests and determined any unlicensed occupancy. The Service then invoiced these institutions based on the inventory report to pursue these debts.</p>	Ms. Beatrice Mbula - Deputy CCF, Natural Forests Conservation	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	Status	Timeframe
	<p>plantation balance of Kshs.1,221,251,092 as debt on harvested forest plantation which has not been disclosed in the financial statements thus understating the receivables from exchange transactions.</p> <p>In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.605,499,477 could not be confirmed.</p>	<p>These government agencies, however, have written back contesting the billing and claiming ownership of parcels of land they occupy. The Service has continued to engage these agencies both at the institution level and also through the parent Ministries, but this process has not yielded much progress.</p> <p>On the Outstanding debt by Ministry of Sports Culture and Heritage, a proforma invoice for Kshs. 10,595,035.16 (VAT Inclusive) was issued on 13th Oct 2021 for assessed materials to be removed from Ngong road forest by Ministry of Sports, Culture and Heritage. The proforma invoice was to be converted into final invoice upon receipt of payment. Follow-up of payment was done and is still being done but the Ministry delayed in processing to date. Payment of the materials has not been received.</p> <p>The outstanding amount of Kshs.77,666,204.90 from KENHA remains unenforceable. A special Use Licence was prepared for the Mau Mau road and sent to KENHA for signing. KENHA were to sign the SUL and return for the Chief Conservator of</p>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
		<p>Forest to sign and make it executable. To date KENHA have not signed the SUL hence the Service is not able to prepare an Invoice so as to create the debt. Once KENHA signs and returns the SUL, an invoice shall be prepared.</p> <p>The management did not incorporate the figure of Kshs.1,221,251,092 debt on harvested forest plantation in the financial reports since the figures are still being reconciled and investigations were ongoing. However, a disclosure had been incorporated in the financial statements under the note on Receivables from exchange transactions</p>			
4.	<p><b>Inaccuracies in Cash and Cash Equivalents.</b></p> <p>The statement of financial position and as disclosed in Note 20 reflects cash and cash equivalents balance of Kshs.330,519,562 held in various banks. However, certificate of bank balance, reconciliation statements and cashbooks presented for audit revealed amounts of Kshs.1,096,425, Kshs.5,120,264 and Kshs.2,521 in respect of KFS Water</p>	<p>The project financial statements are prepared on cash basis. Water towers project donor does not allow foreign exchange loss recognized as expenses and thus the reason for the difference. The correct balances as per bank reconciliation statements for the accounts does not show any variances with the amounts in the financial statements.</p>	<p>CPA Annastasia Muasya - Manager, Finance and Accounting</p>	<p>Not resolved</p>	<p>June 2023</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
	<p>Tower Donor Account, KFS Water Tower Euro Account An KFS JICA-Cadep Account respectively which differed significantly with the amounts reflected in the respective projects' account balances of Kshs. Nil, Kshs.4,554,065 and Kshs.52,256, respectively.</p> <p>Further, two bank accounts held by the Service reflect over drawn balances of Kshs.1,145,662 and Kshs.204,091 respectively contrary to Regulation 82(7) of the Public Finance Management (National Government) Regulations, 2015.</p> <p>In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.330,519,562 could not be confirmed.</p>	<p>The accounts are not actually overdrawn but the issue was due to differences in currency revaluations in Oracle ERP which has since been sorted in the current financial year</p>			
5.	<p><b>Unsupported Expenditure on Drilling of Boreholes</b></p> <p>The statement of financial position as disclosed in Note 25 to the financial statements reflects property, plant and equipment balance of Kshs.1,680,267,343 which includes</p>	<p>The Service entered into a partnership with Kenya Defence Forces (KDF) on 21 June 2022 to drill 7 boreholes. The boreholes were to be drilled in three Counties at an estimated cost of Kshs.25,283,348. KDF was to provide</p>	<p>Project Manager - National Tree Planting Campaign</p>	<p>Not resolved</p>	<p>June 2023</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
	roads, boreholes and civil works amount of Kshs.10,530,231 relates to drilling of boreholes in three (3) counties. However, Board minutes to confirm the approval, progress reports and expenditure support documents were not provided for audit.	<p>a direct contribution of Kshs.4,189,994 in terms of fuel and lubricants and KFS contribution in the year under review was Kshs.10,530,231 for the development of the boreholes.</p> <p>The works were undertaken as per the agreement and pictures to confirm this were availed to the audit team. The Service has written to the Ministry of Defense to avail completion report. This was a procurement process that did not require any board approval since it was a direct procurement from a government agency.</p>	Project (NTPC)		

  
 Alexander Lemarkoko 'ndc' (K)  
 Chief Conservator of Forests

Date... 27-Aug-2025 .....



**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. Green Zones Development Support Project - II	P-KE-AAD-005	AfDB & GoK	2020 - 2026	Kshs. 5,498,250,000	Yes	Yes
2. Capacity Development project for Technologies in Forest Fire Management in Kenya		French Government & GoK	2022 - 2027	Kshs. 3,339,000,000	No	Yes

**Status of Projects completion**

Project	Total project Cost (Kshs.)	Total expended to date Kshs.	Completion % to date	2024/2025 Budget Kshs.	2024/2025 Actual Kshs.	Sources of funds
1 Green Zones Development Support Project - II	5,498,250,000	4,298,229,561	41%	1,476,000,000	1,469,928,963	ADB & GoK
2 Capacity Development Project for Technologies in Forest Fire Management in Kenya	3,339,000,000	2,957,456,835	26%	800,000,000	790,000,000	French Government & GoK

**Appendix 3: INTER-ENTITY TRANSFERS**

The above amounts have been communicated to and reconciled with the Ministry of Environment, Climate Change & Forestry as below:

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Appendix 4: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the Funds	Nature: Recurrent/ Development/ Others	Where Recorded/ Recognized				Total Transfers during the Year Kes
		Total Amount Kes	Statement of Financial Performance Kes	Capital Fund Kes	Deferred Income Kes	
Ministry of Environment, Climate Change & Forestry	Recurrent	3,468,000,000	3,467,682,444	317,556		3,468,000,000
	Development	-	-	-		-
		<b>3,468,000,000</b>	<b>3,467,682,444</b>	<b>317,556</b>	-	<b>3,468,000,000</b>
African Development Bank (ADB)	Donor Funds	1,452,485,828	1,051,860,988	368,396,483	32,228,357	1,452,485,828
	Direct Payments	453,583,211				
		<b>1,452,485,828</b>	<b>1,051,860,988</b>	<b>368,396,483</b>	<b>32,228,357</b>	<b>1,452,485,828</b>
French Government	Direct Payments	927,883,454	63,602,800	899,879,037	(35,598,383)	927,883,454
		<b>927,883,454</b>	<b>63,602,800</b>	<b>899,879,037</b>	<b>(35,598,383)</b>	<b>927,883,454</b>
Food and Agriculture Organization (FAO)	Donor Funds	48,408,771	48,408,771	9,158,086	(53,982,129)	3,584,728
		<b>48,408,771</b>	<b>48,408,771</b>	<b>9,158,086</b>	<b>(53,982,129)</b>	<b>3,584,728</b>
<b>Total</b>		<b>4,968,894,598</b>	<b>4,567,952,202</b>	<b>377,872,125</b>	<b>(21,753,772)</b>	<b>4,924,070,556</b>