

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

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S. Kalawa

THE AUDITOR-GENERAL

ON

PARLIAMENT
OF KENYA
LIBRARY

KENYA FOREST SERVICE

**FOR THE YEAR ENDED
30 JUNE, 2019**



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

for the financial year ended

JUNE 30, 2019

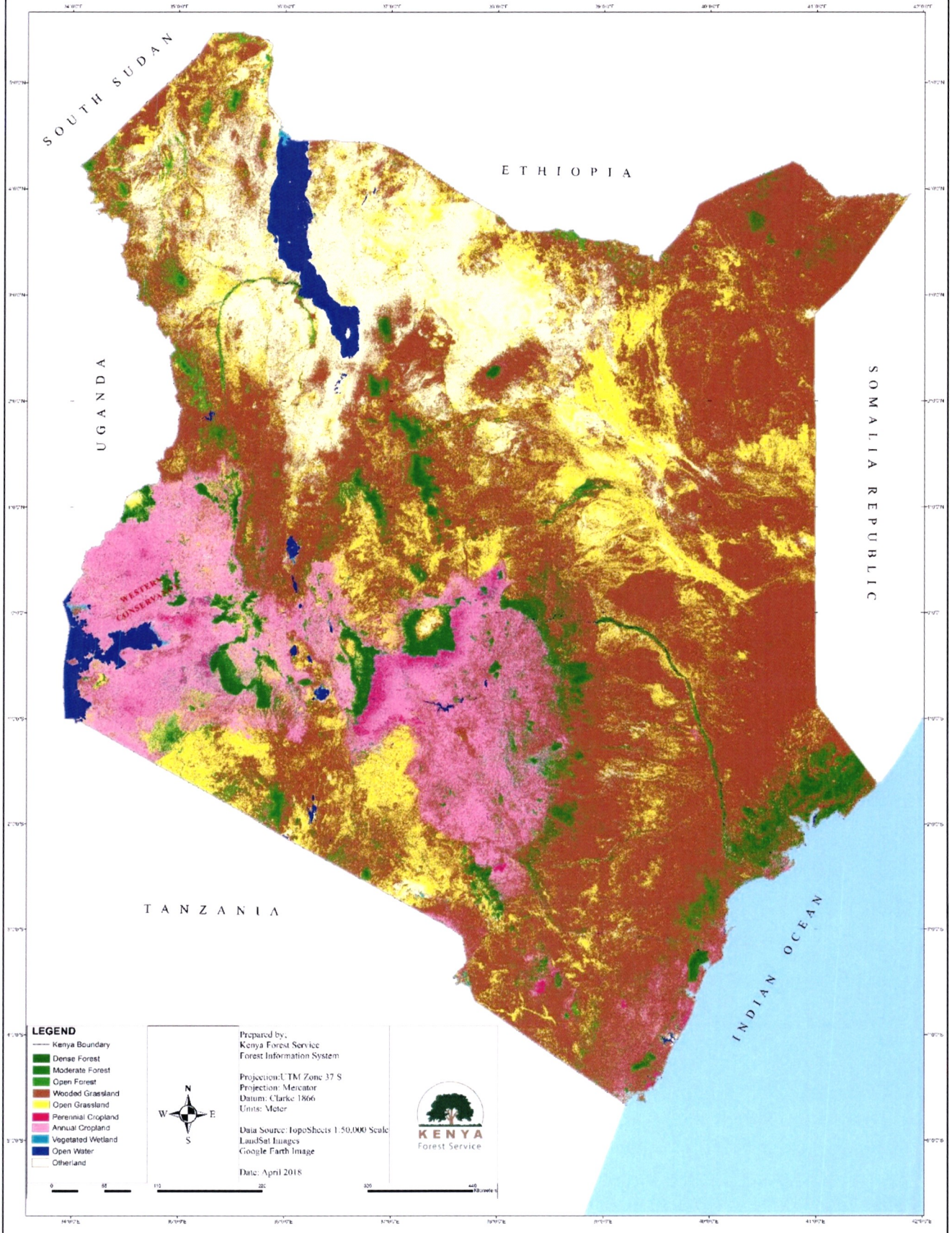
Prepared in accordance with the Accrual Basis of
Accounting Method under the International Public
Sector Accounting Standards (IPSAS)



Trees for better lives

FOREST COVER MAP 2014

SCALE: 1 : 1,250,000



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INTRODUCTION

KEY SERVICE INFORMATION AND MANAGEMENT

Background Information

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

The Service is classified as a service State Corporation under PC 3A with a national spread stratified into ten (10) forest conservancy areas that are ecologically demarcated, with ecosystem offices in all the counties. These offices are critical in the coordination of forest conservation, management and surveillance.

Principal Activities

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

- i. Conserve, protect and manage all public forests in accordance with the provisions of the Act;
- ii. Prepare and implement management plans for all public forests and, where requested, assist in preparation of management plans for community forests or private forests in consultation with the relevant owners;
- iii. Receive and consider applications for licenses or permits in relation to forest resources or management of forests or any other relevant matter in accordance with the Act;
- iv. Establish and implement benefit sharing arrangements in accordance with the provisions of the Act;
- v. Assist county governments to build capacity in forestry and forest management in the counties;
- vi. In consultation with relevant stakeholders, develop programmes for tourism and for recreational and ceremonial use of public forests;
- vii. Promote forestry education and training;
- viii. Register and maintain a register of all forest management plans prepared for public forests;
- ix. Collaborate with relevant persons and institutions in identifying research needs and applying research findings in relation to forests and forestry;
- x. Manage water catchment areas in relation to soil and water conservation, carbon sequestration and other environmental services in collaboration with relevant stakeholders;
- xi. Prepare a Forest Status Report for the Cabinet Secretary once in every two years; and a Resource Assessment Report for the Cabinet Secretary once in every five years;
- xii. Consider and recommend to the Cabinet Secretary the establishment of public forests on unalienated 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, Mission and Strategic Goal



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



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



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

Core Values

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

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

Key Management

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

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

Fiduciary Management

The key management personnel who held office during the financial year ended 30 June 2019 and who had direct fiduciary responsibility were:

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

**Monica Kalenda served as the acting Chief Conservator of Forests during the year under review until 26th April 2019 when Julius Kamau was appointed.*

Fiduciary Oversight Arrangements

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

i) Technical, Planning, Development & KFC Committee

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

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

ii) Finance Committee

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

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

iii) Human Resource and Administration Committee

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

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

iv) Audit Committee

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

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

Headquarters

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

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E-mail: info@kenyaforests-service.org, director@kenyaforests-service.org

Website: www.kenyaforests-service.org



@KeForestService



Kenya Forest Service



Kenya Forest Service

Bankers

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

National Industrial Credit Bank
P.O. Box 44599-00100, GPO,
Tel: + 254-20-28888000/ 4948000
Fax: + 254-20-2888505
E-mail: customercare@nic-bank.com
Website: www.nic-bank.com

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
Website: www.co-opbank.co.ke

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

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

Independent Auditors

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

Principal Legal Adviser

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

THE BOARD OF DIRECTORS



Peter Kinyua - Chairman

Mr. Peter Kinyua graduated from Salve Regina University, Rhode Island, USA, in May 1986, with a Bachelor of Arts and Science Degree. He is a coffee trader and has been exporting coffee for over 26 years. He is a member of Kenya Coffee Traders Association of which he was the founder Chairman. He has also been a Director of the Coffee Board of Kenya. Currently he is a coffee Farmer in Juja and a coffee exporter by profession. He is a Director of the Rhino Ark Charitable Trust. He is a former Trustee of the Board of Kenya Wildlife Service and has a passion for conservation. He successfully sourced for substantial funding for conservation through Rhino Ark, a Charitable Trust.



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

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



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

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



Jane Wamoko - Representative of Principal Secretary, National Treasury

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



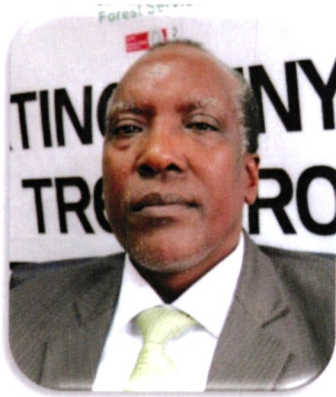
Henry Barmao - Representative of Inspector General of National Police Service

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



Dr. Jane Njuguna - Representative of KEFRI

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



Joel Laigong - Representative of Forestry Society of Kenya

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



Jaswant Singh Rai - Representative of Forest Industry

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



Anne Tek - Representative of the Council of Governors

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

Julius Kamau - Chief Conservator of Forests



Mr. Kamau is a First Class Honors Degree holder in Forestry (Moi University). He also holds a Masters of Arts Degree in Environmental Planning and Management (University of Nairobi) and a Diploma in International Environmental Law Making and Diplomacy (University of Eastern Finland) and has over 17 years' experience in the conservation sector.

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

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

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

Esther Keige - Corporation Secretary



Ms. Keige is the Corporation Secretary/ Head, Legal Services. She holds a Bachelor's Degree in Law (LLB), a Post Graduate Diploma in Law and is currently undertaking a Master's degree in Environmental Law.

She is an Advocate of the High Court of Kenya, a Commissioner for oaths and a Certified Secretary. She is a member of the Law Society of Kenya (LSK) and the Institute of Certified Public Secretaries of Kenya (ICPSK), with over twenty-two (22) years' experience as an advocate.

MANAGEMENT TEAM

Julius Kamau - Chief Conservator of Forests

Mr. Kamau is a First Class Honors Degree holder in Forestry (Moi University). He also holds a Masters of Arts Degree in Environmental Planning and Management (University of Nairobi) and a Diploma in International Environmental Law Making and Diplomacy (University of Eastern Finland) and has over 17 years' experience in the conservation sector.



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

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



Monica Kalenda is in charge of Support Services. She is a career forest officer with a master's degree in Natural Resources Management, post graduate diploma in Corporate Governance, and a bachelor's degree in forestry with over thirty-two (32) years' experience in the field and in management. She has also undergone basic paramilitary training at the National Youth Service and officer's course at the Administration Police Training College. She is a member of the Forestry Society of Kenya and Kenya Institute of Management.



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

Mr. Omolo is in charge of Field Operations. He holds a master's degree in geo-information science and earth observation holds a certificate in forestry research and extension as well as a bachelor's degree in land resource studies with over thirty-two (32) years' experience. He has also undergone basic paramilitary training at the National Youth Service and officer's course at the Administration Police Training College. He is a member of the Forestry Society of Kenya.



Peter Waweru - Principal, Kenya Forestry College

Mr. Peter Waweru is in charge of Kenya Forestry College. The college carries out diploma and certificate courses in Forestry and paramilitary. He holds a master's degree in International studies Science, a post graduate diploma in education as well as two bachelor's degrees in forestry & nature conservation, with over thirty-two (32) years' experience. He has also undergone basic paramilitary training at the National Youth Service and officer's course at the Administration Police Training College. He is a member of the Forestry Society of Kenya.



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

Mr. Kariuki is in charge of Farm and Dryland Forestry. He holds a Master of Agricultural Studies (Rural Development, Administration & Management) and a Bachelor of Science Degree in Forestry. He has over thirty-two (32) years' experience in forest management and administration in addition to extensive operational knowledge in project development and management. He pioneered the establishment of farm forestry field schools in the forestry sector in Kenya. He has also undergone basic paramilitary training at the National Youth Service and officer's course at the Administration Police Training College. He is a member of the Forestry Society of Kenya.



Charity Munyasya - Deputy Chief Conservator of Forests, Forest Conservation and Management

Ms. Munyasya is in charge of Forest Conservation and Management. She previously held the position of Senior Assistant Director and served as Head of Conservancy-Nairobi. Ms. Munyasya has over twenty-seven (27) years' experience in the forestry sector. She holds a Masters of Arts degree in International Studies. She is a full member of the Forestry Society of Kenya.



Alex Lemarkoko - Deputy Chief Conservator of Forests, Protection & Security

Mr. Lemarkoko is in charge of Protection & Security. Mr. Lemarkoko has over twenty-seven (27) years' experience in forest management and protection. He holds a Masters of Arts degree in International Studies. He is a Full Member of the Forestry Society of Kenya



Lucy Kiboi - Manager, Corporate Services

Mrs. Kiboi is in charge of Corporate Services. She holds a Master's Degree in Business Administration and a Bachelor's of Science Degree and is a Certified Public Accountant (K). She has over twenty-eight (28) years' experience. She has also undergone basic paramilitary training at the National Youth Service and the SLDP course at Kenya School of Government. She is a member of Institute of Certified Public Accountants (ICPAK) & Kenya Institute of Management (KIM).



Anastasia Muasya - Manager Finance and Accounting

Mrs. Muasya is in charge of Finance and Accounting. She holds a master's degree in Business administration, is a certified public accountant (K), as well as a bachelor's degree in Commerce with over thirty-two (32) years' experience. She is a member of the Institute of Certified Public Accountants (ICPAK).

Juliana Ochieng - Manager Human Resource and Administration



Mrs. Ochieng is in charge of Human Resource and Administration. She holds a master's degree in business administration, a Bachelor's degree in Human Resource Management and an advance Diploma in Human Resource Planning and Development. Other Skills development courses undertaken include Strategic Leadership Development Programme and Senior Management Course. She is a member of the Institute of Human Resource Management (IHRM). She has over twenty-six (26) years' experience in human resource management

Esther Keige - Corporation Secretary



Ms. Keige is the Corporation Secretary/ Head, Legal Services. She holds a Bachelor's Degree in Law (LLB), a Post Graduate Diploma in Law and is currently undertaking a Master's degree in Environmental Law.

She is an Advocate of the High Court of Kenya, a Commissioner for oaths and a Certified Secretary. She is a member of the Law Society of Kenya (LSK) and the Institute of Certified Public Secretaries of Kenya (ICPSK), with over twenty-two (22) years' experience as an advocate.

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



Mrs. Toroitich is in charge of Forest Plantations and Enterprise. She has previously worked as the Manager for the Support to Forest Sector Reform in Kenya Programme. She holds a Master of Philosophy in Forestry (Forest Economics & Management), a Bachelor of Science Degree in Forestry from Moi University, a Diploma in Environmental Services in Forest Management from Helsinki University, and a Certificate in Strategic Environmental Assessment (SEA). Mrs. Toroitich has over twenty-seven (27) years' experience in the forestry sector. She is a full member of the Forest Society of Kenya.



Stephen Mugi - Principal Internal Auditor

Mr. Mugi is in charge of Internal Audit and has over eleven (11) years of experience in Auditing in the public sector. He holds a Master's of Science Degree in Finance, a Bachelor's Degree in Accounting and is a member of Institute of the Internal Auditors (IIA) - Kenyan Chapter and Institute of Certified Public Accountants of Kenya (ICPAK).



Anne Muthamia - Principal Corporate Communication Officer

Ms. Muthamia is in charge of Corporate Communications Department with over 16 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's a member of the Public Relations Society of Kenya (PRSK) and the Association of Media Women in Kenya (AMWIK).



John Mburu - Ag. Principal Supply Chain Officer

Mr. Mburu is in charge of Supply Chain Management. He holds a Master's Degree in Procurement and Logistics, Bachelor of Arts in Economics as well as a graduate Diploma from Chartered Institute of Purchasing and Supplies (M.C.I.P.S) with over 15 years experience in supply chain management in the public sector. He is a licensed member of the Kenya Institute of Supplies Management (K.I.S.M)

SERVICE REPORT

CHAIRMAN'S STATEMENT



Peter Kinyua - Chairman, KFS Board of Directors

I present the Kenya Forest Service financial statements for the year ended 30th June 2019. The Kenya Forest Service is mandated to conserve, develop, manage and ensure sustainable utilisation of forests and allied resources in the Country.

The forestry sector contributes 3.6% to the country's GDP. Forest ecosystems also provide critical environmental services and support key sectors of the economy including Agriculture; Tourism; Water and Energy among others.

The forest sector is a key enabler and driver in the realization of the Big Four Agenda. The sector provides building materials that support affordable housing; wood biomass for the manufacturing industry; organic food in support of food security and nutrition; and medicine in support of universal health coverage.

In the fiscal reporting period 2018/19, the Service received KSh. 5.7 billion for Recurrent and Development expenditure out of which KSh. 72 million was utilised for capital expenditure. The resources were utilized in activities to increase Kenya's forest cover as well as protect existing forest resources. During the period, the Service managed, rehabilitated and protected 589,457 Ha of natural forests in the five water towers namely Aberdare, Cherangany, Mau, Mt. Elgon, Mt. Kenya and other strategic forests.

During the reporting period, the Service entered into key partnerships with various entities including Government agencies and corporates to spur increased tree planting in corporate social responsibility undertakings. The Service also accelerated planting efforts in both Government forests and farmlands increasing the country's forest cover by 0.03%. These activities were in addition to continued conservation and protection of the entire 2.5 million Ha of forest reserves. The Service also continued to improve rangers housing at the forest station levels.

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The Service continued to administer a moratorium on logging in public and community forests as well as implement the recommendations of a taskforce that looked into forest resources management and logging activities in Kenya.

My Board will going forward continue to provide sound leadership to ensure continuous improvement of the forestry sector, and the Kenya Forest Service in particular in order to meet the expectations of the people of the Republic of Kenya.

I would also like to thank the KFS management team and staff for their commitment in steering the Service even in unusually challenging times.



Peter Kinyua
Chairman, Kenya Forest Service Board

REPORT OF THE CHIEF CONSERVATOR OF FORESTS



Julius Kamau - Chief Conservator of Forests

The Kenya Forest Service is established within the Forest Conservation and Management Act 2016. The Service utilizes instruments like the Strategic Planning cycles that allow for prioritization and delivery of strategic objectives. Within the reporting period, the Service implemented the Strategic Plan 2017-2022. The activities undertaken during the period focused on promotion of sustainable management of forest resources for provision of environmental goods and services for socio-economic development.

The Service attained several key achievements during the reporting period.

The highlights on the achievements are as follows:

- Managed, rehabilitated and protected 589,457 Ha. of degraded natural forest areas mainly within the five main water towers through enrichment planting and active protection for natural regeneration.
- Implemented the recommendation of the Task Force report
- Increased public awareness on tree planting and facilitated the production of 92 million tree seedlings in private tree nurseries including the Community Forest Associations.
- Produced 23.6 million tree seedlings in KFS nurseries.
- Established 5,731 Ha. of industrial forest plantations.
- Partnered with stakeholders to establish 8,927 Ha. of commercial tree woodlots and 158 Ha. of bamboo forests
- Promoted the establishment of 333 nature-based enterprises.
- Reserved 22.8% (KSh. 173 million) of the total value of goods and services procured to the Youth, Women and People with Disabilities in line with the Government policy on empowerment of Youth, Women and Persons with Disability, the Service.

During the period under review, the Service raised a total of KSh. 910 million mainly from the sale of timber, transmission poles, commercial fuel wood, movement permits, grazing fees, sale of seedlings, annual licenses and land rents. The revenue dropped against the previous reporting period FY 2017/18 of KSh. 2.9 billion. The decrease of Appropriation in Aid is attributed to a moratorium on timber logging in public and community forests.

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Consequently, this affected implementation of the year's planned activities in accordance with the Strategic Plan and approved work plan. During the reporting period, the Service put in place systems to address the gaps in plantation forestry management to ensure that challenges that led to the moratorium on logging are mitigated.

Several additional challenges continued to face the Service predominantly. These include forest fires, pressure for conversion of forest lands for agricultural use and demand for forest produce for economic and domestic use.

The Service has increased the number of partnerships in tree planting activities by Government Ministries, Departments and Agencies both in government and community lands. In addition, the Service has entered into agreements with various corporate entities who are supporting both production of quality seedlings for planting and forest restoration activities.

Going forward, the Service will continue to adhere to the Government's financial management requirements while upholding strict financial management guidelines and application of best practise in management.

I wish to thank the Kenya Forest Service Board and the Cabinet Secretary, Ministry of Environment and Forestry for placing their trust and confidence in my abilities to assume the office of the Chief Conservator of Forests on 26th April 2019.

I express gratitude to the Ministry of Environment and Forestry team, KFS Board Chairman and Directors for their leadership in steering the Service to deliver on its mandate. I also wish to acknowledge the unwavering support, cooperation and selfless service by the Management team and the entire staff of the Kenya Forest Service.



**Julius Kamau
Chief Conservator of Forests**

CORPORATE GOVERNANCE STATEMENT

We believe in good Corporate Governance as an organisation. 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.

Composition of the Board

The Forest Conservation and Management Act vests management of the Service to a Board of Directors which comprises of:

- a) A chairperson, appointed by the President;
- b) the Principal Secretary responsible for forestry or a designated representative;
- c) the Principal Secretary responsible for National Treasury or a designated representative;
- d) the Inspector-General of the National Police Service or a designated representative;
- e) the Director of the Kenya Forestry Research Institute or a designated representative;
- f) the Chief Conservator of Forests who shall be the secretary to the Board but shall not have a vote; and
- g) four other persons appointed by the Cabinet Secretary, of whom-
 - i. one shall be nominated by the Forestry Society of Kenya;
 - ii. one shall be nominated by a national body representing community forest associations;
 - iii. one shall represent the forest industry; and
 - iv. one person nominated by the Council of Governors.

The Board has the appropriate mix of skills, knowledge and experience to perform its role effectively.

Responsibilities of the Board

The Board has a duty to the people of Kenya to ensure that the Service achieves its objectives efficiently and effectively and in compliance with the Forest Conservation and Management Act 2016. Statutory powers of the Board include:

- investing any moneys of the Service not immediately required for the purposes of this Act;
- Co-operating with other organizations undertaking functions similar to its own, whether within Kenya or otherwise.
- Setting aside land for forestry research;
- Offering services to any person upon such terms as the Board may from time to time determine.

Given the powers afforded above and taking into consideration matters of corporate governance, KFS Board executes the following specific responsibilities;

- Determine a clear statement of KFS's vision, mission, purpose and values.
- Make recommendations for appointment of the CCF
- Monitor and appraise the performance of the CCF

- Appoint and appraise other senior managers
- Ensure accountability through quality management systems
- Ensure adequate strategic planning
- Ensure adequate business and operational planning
- Ensure KFS has adequate financial resources
- Ensure adequate financial reporting
- Ensure adequate standards of internal controls
- Approve staff employment policies and practices
- Assess corporate performance through external evaluations
- Manage, protect and enhance KFS's reputation
- Ensure an efficient and effective functioning Board

Except for direction and guidance on general policy, the Board has delegated the authority for the conduct of day-to-day business to the Chief Conservator of Forests and the Management.

Directors' remuneration

The remuneration of all Directors is subject to regular review to ensure that levels of remuneration and compensation are appropriate as provided for by law. The Directors are paid a sitting allowance for meetings attended.

Board committees

The Board has four Committees with specific delegated authorities. These are the Audit Committee, the Human Resource and Administration Committee, the Finance Committee as well as the Technical, Planning, Development & KFC Committee. The respective Chairpersons present their reports to the Board at each scheduled meeting. All Directors are subject to a three-year term renewable once (for independent members appointed by name) in accordance with the Forest Conservation and Management Act 2016.

Board induction and training

On first appointment, the Directors go through an induction programme covering the organisation's operations and an appreciation of the key risk areas. The Directors are advised on the legal, regulatory, and other obligations on an ongoing basis. The Directors also receive both internal and external training on Corporate Governance through a comprehensive training by the Centre for Corporate Governance.

Board meetings and attendance

Board meetings are held quarterly and the Board has a formal schedule of matters specifically reserved for deliberation. The Service ensures that it provides the necessary resources and expertise to the Board of Directors to assist them in their decision-making and as such, they are regularly consulted on key policy matters. The attendance of Board meetings during the year under review was as follows;

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Director		Full Board	Technical, Planning & Development Committee	Finance Committee	HR Administration & Committee	Audit Committee
Mr. Peter Kinyua	Membership	✓				
	Attendance	27/27				
Mr. Peter Wandera	Membership	✓	✓		✓	✓
	Attendance	27/27	14/17		14/15	4/4
Mr. Peter Leitoro	Membership	✓	✓	✓	✓	✓
	Attendance	24/27	14/17	7/7	15/15	3/4
Ms. Jane Wamoko	Membership	✓		✓		✓
	Attendance	16/27		7/7		3/4
Mr. Henry Barmao	Membership	✓			✓	✓
	Attendance	20/27			15/15	4/4
Dr. Jane Njuguna	Membership	✓	✓		✓	
	Attendance	16/27	12/17		9/15	
Mr. Joel Laigong	Membership	✓	✓		✓	
	Attendance	24/27	14/17		13/15	
Mr. Jaswant Singh Rai	Membership	✓	✓	✓		
	Attendance	13/27	13/17	5/7		
Ms. Anne Tek	Membership	✓	✓	✓	✓	
	Attendance	24/27	15/17	7/7	15/15	
Mr. Julius Kamau *	Membership	✓	✓	✓	✓	
	Attendance	2/27	1/17	1/7	1/15	
Ms. Monica Kalenda**	Membership	✓	✓	✓	✓	
	Attendance	25/27	16/17	6/7	14/15	
Ms. Laura Yego***	Membership	✓				
	Attendance	27/27	17/17	7/7	15/15	
Jane Weru (Co-opted Board Member)	Membership					
	Attendance	4/27				
Dominic Katiku (IG - Inspectorate of State Corporations)	Membership					
	Attendance	4/27	1/17	1/7		

* Mr. Julius Kamau joined the Board in April 2019 on his appointment as the Chief Conservator of Forests.

** Ms. Monica Kalenda was the acting Chief Conservator of Forests and therefore the Secretary to the Board until April 2019

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

Conflicts of interest

All Directors are under a duty to avoid conflicts of interest. This entails not engaging, directly or indirectly in any business that competes or conflicts with the Service's business. The Service has established a robust process requiring Directors to disclose outside business interests before they are entered into. Any potential or actual conflicts of

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interest are reported to the Corporation Secretary. The Service has a comprehensive policy on Conflicts of Interest and staff are required to comply with it.

Risk management and internal controls

The Board of Directors has overall responsibility for the establishment and oversight of the Service's risk management frameworks. The Service's Risk Management Policies are established to identify and analyse the risks faced by the Service, to set appropriate risk limits and controls, and to monitor adherence limits. Risk Management policies and systems are reviewed regularly to reflect changes in operating conditions, legislation and services offered. Subsequently, the Service identifies and manages risk through in-house risk review enhanced by compliance, internal and external audits. The Service has in place a system of internal controls with defined procedures, financial and operational controls to ensure that resources are safeguarded and transactions authorised, validated and reported in line with International Public-Sector Accounting Standards.

Corporate social sustainability

The Service has put in place a corporate social responsibility strategy to better address its corporate social sustainability initiatives. Consequently, it has adopted a structured approach to social sustainability issues as part of its corporate plan. The Services' initiatives for the focal period are outlined in the Corporate Social Responsibility statement.

Compliance

The Board confirms that it is satisfied that the Service has adequate resources to continue operating for the foreseeable future. For this reason, it continues to adopt the going concern basis when preparing the financial statements. The Board is satisfied that the Service has to the best of their knowledge complied with all relevant laws and conducted its business affairs in accordance with the law in particular to the State Corporations Act and the Forests Conservation and Management Act 2016. Further disclosures on compliance are set out in the Directors statement of responsibilities and notes to the financial statements.



Peter Kinyua
Chairman, Board of Directors



Julius Kamau
Chief Conservator of Forests

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Performance

Introduction

This report summarizes the progress made by the Service in the implementation of its activities during 2018/2019 financial year. The Service continued to implement the following projects/programmes that are aligned to KFS mandate and Vision 2030 Flagship Projects/Programmes;

Key Achievements during the Year

Natural Forest Conservation and Management Programme

The Service rehabilitated a total of **589,457.36 ha** of degraded natural forest areas mainly within the five water towers. out of which, **782.68 ha** and **588,674.68 ha** were rehabilitated through enrichment planting and active protection for natural regeneration respectively across the country against an annual target of **903,550 ha**.

The achievement was due to increased awareness creation and stakeholder participation in the participatory forest management initiatives.

- **588,393.48 Ha** through protection for natural regeneration against an annual target of 900,000 Ha.
- **782.68 Ha** through enrichment planting against an annual target of 3000 ha.
- **281.2 Ha** through planting of areas cleared off invasive species against a target of 450 ha.

Plantations and Enterprise Programme

The Service established **5,730.9 ha** of industrial forest plantations countrywide against an annual target of **10,000 ha**

The Service promoted the establishment of **336** new nature-based enterprises which include beekeeping, tree nurseries, woodlots, sericulture, and butterfly farming among others against an annual target of **250** enterprises.

Farm & Dryland Forestry Programme

The Service partnered with stakeholders to establish **8,927 ha** of commercial tree woodlots and **158 ha** of bamboo forests. Further the Service facilitated the production of **92,065,123** tree seedlings in private tree nurseries managed by stakeholders in addition to producing **23,666,127** tree seedlings in KFS Nurseries. Therefore, the total tree seedlings produced countrywide by both the stakeholders and KFS in the year stood at **115,731,250**. The over-achievement is due to increased publicity of KFS programmes and awareness created amongst the stakeholders who are actively participating in on farm tree planting activities.

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The Service conducted four national tree planting campaigns for both Eastern and Western rainfall regimes respectively

Students Enrollment at KFC, Londiani

During the year, the Service enrolled 424 students at KFC Londiani against an annual target of 500 students. The students 'enrollments included courses on Foresters Basic Paramilitary Course; Management Trainees' Basic Paramilitary Course; Foresters Trainees Basic Paramilitary Course; KFS Band Training; Refresher Course for the Station Managers on Forest Plantation Management; Safe Firewood Harvesting Techniques and the regular Certificate and Diploma Certificate Courses.

Empowerment through procurement

In line with government policy on empowerment of Youths, Women and Persons with Disabilities (PWDs) groups, the Service reserved **Kshs. 173,480,000** out of the total **Kshs. 759,687,508** worth of the total value of goods and services procured to the Youth, Women and PWDs which translates to 22.8%

Human Capital Management

The Service had a significant reduction in its workforce of 305 staff, equivalent to 6%. The Service continues to aim to have a gender balanced workforce and increasing the number of women in its employment with a current percentage of 23%. During the period under review, the Service grew the proportion of our differently abled workforce from 17 to 21. As part of our commitment to supporting the differently abled, the Service continue to redesign our office premises to make them disability friendly.

	2016/2017	2017/2018	2018/2019
No. of Staff	5,028	4,814	4,509
Male	3,859	3,678	3,535
%	77%	76%	77%
Female	1,169	1,136	1,074
%	23%	24%	23%
Persons with disability	12	17	21

In an effort to building future capacities within the country's economy, and in order to support and nurture youth skills, the Service has continued to offer attachment and internships to youths. During the year, the Service engaged 192 youths on internship and industrial attachment programs.

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

- a. Maintaining disaggregated data of persons with disabilities by age, gender and forms of disability.
- b. Ensuring that at least 5% of the new employees in the Service are persons with disabilities.
- c. Ensuring improvements for ease of access in public offices and to public information.

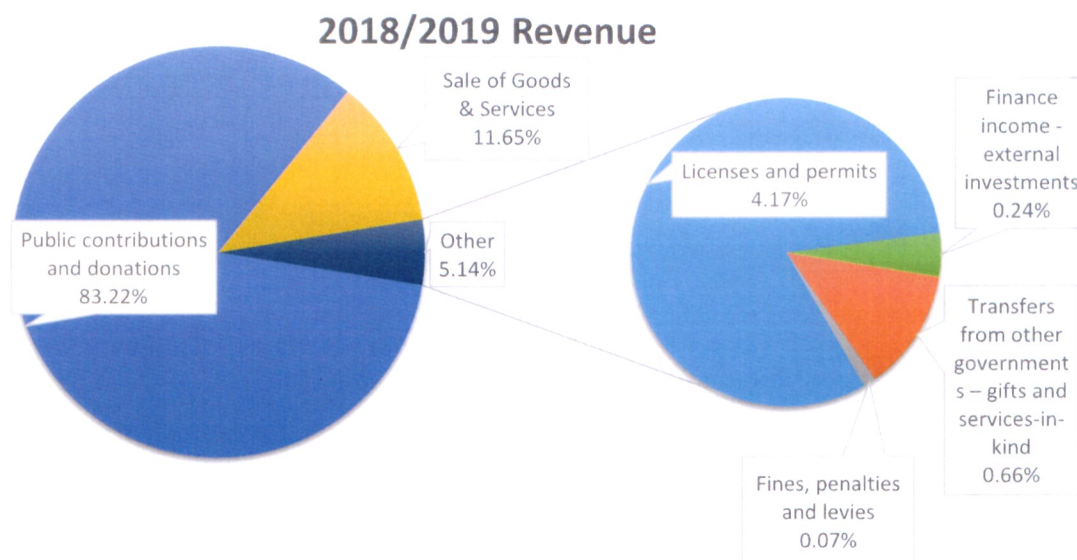
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Financial Performance

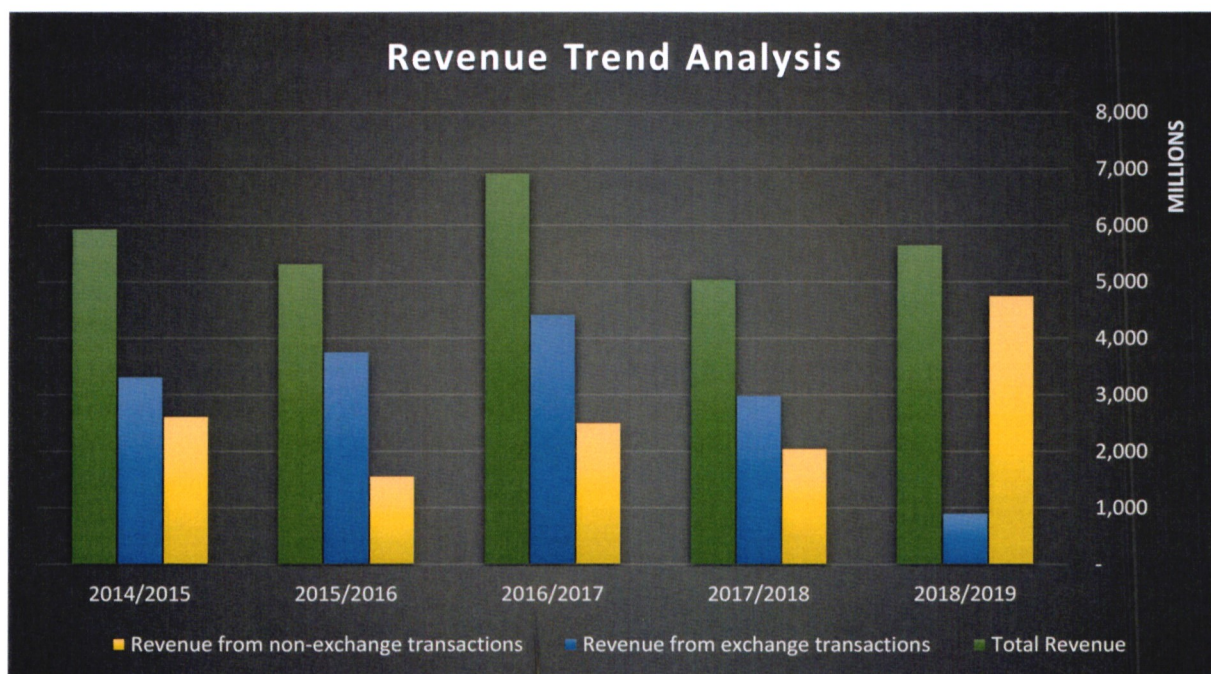
FIVE YEAR FINANCIAL PERFORMANCE					
	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
	Kshs '000'				
Revenue from non-exchange transactions					
Public contributions and donations	2,168,503	1,547,754	2,313,914	2,017,014	4,717,424
Transfers from other governments - gifts and services-in-kind	451,133	18,728	194,149	38,075	37,156
Fines, penalties and levies	3,183	1,465	1,901	2,710	3,791
	2,622,819	1,567,947	2,509,964	2,057,799	4,758,371
Revenue from exchange transactions					
Sale of Goods & Services	2,997,926	3,349,466	4,021,549	2,702,905	660,580
Licenses and permits	257,262	272,246	282,562	204,794	236,655
Finance income - external investments	67,000	143,473	121,299	88,922	13,493
	3,322,188	3,765,185	4,425,410	2,996,621	910,728
Total revenue	5,945,007	5,333,132	6,935,374	5,054,420	5,669,099
Expenses					
Employee costs	(3,574,811)	(3,862,421)	(4,302,539)	(4,566,696)	(4,642,618)
Use of goods and services	(25,514)	(24,254)	(26,707)	(26,161)	(30,032)
Remuneration of Directors	(7,736)	(30,720)	(31,904)	(19,488)	(25,214)
Depreciation and amortization expense	(372,671)	(342,999)	(296,533)	(227,407)	(215,239)
Repairs and maintenance	(286,088)	(275,945)	(321,944)	(376,301)	(172,617)
Contracted services	(74,479)	(47,244)	(55,900)	(51,300)	(37,414)
Grants and subsidies	(17,607)	(10,609)	(720)	(972)	(58)
General expenses	(1,186,022)	(1,415,440)	(1,382,816)	(1,268,159)	(866,162)
Total expenses	(5,544,928)	(6,009,632)	(6,419,063)	(6,536,484)	(5,989,354)
Other income	0	50	(160)	(2,149)	3,581
Taxation					(76,621)
Surplus/(Deficit)	400,079	(676,450)	516,151	(1,484,213)	(393,295)

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Revenue

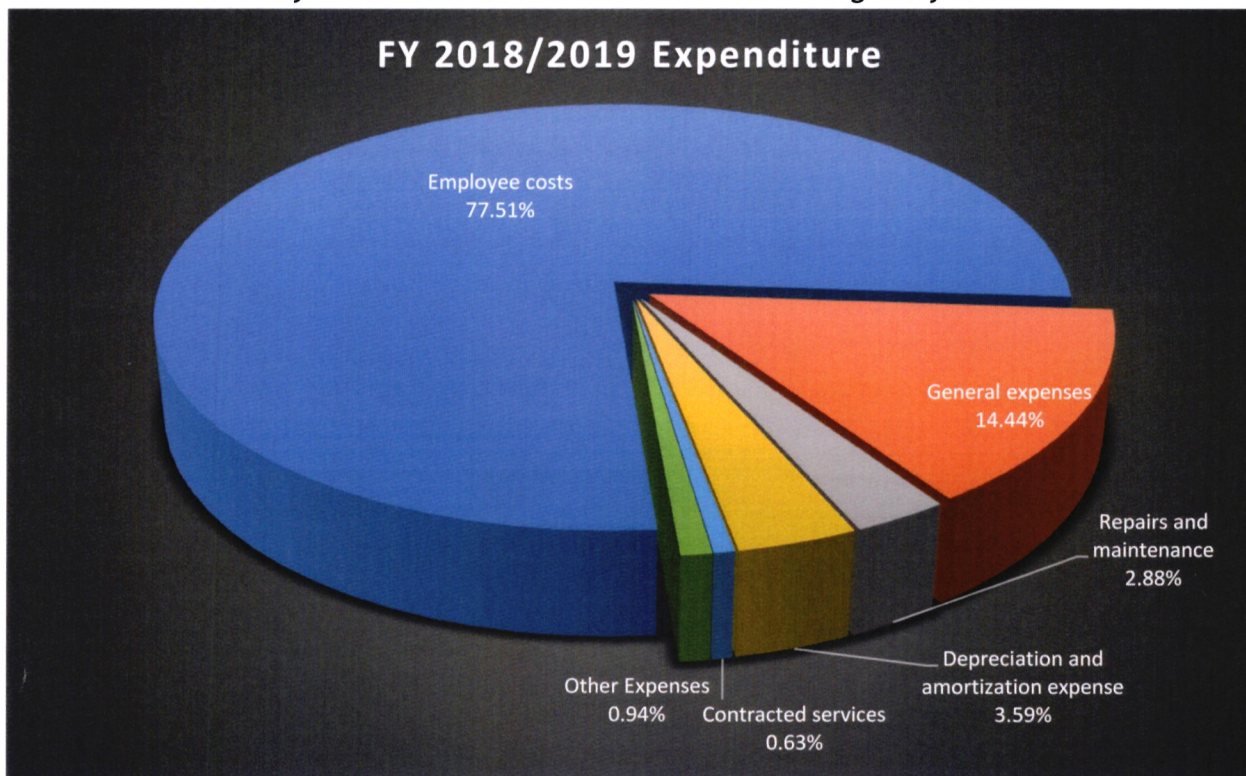


Revenue from sale of goods and services reduced significantly from Kes. 2,703 Million (Fy 2017/2018) to Kes. 661 Million (Fy 2018/2019). This reflects a decrease of 76% which is largely attributed to the Moratorium on logging which was in effect throughout the period.



Expenditure

The Service total expenditure amounted to Kes. 5,989 million in Fy 2018/2019 compared to 6,536 million in Fy 2017/2018, a decrease of Kes. 547 million (8%). The decrease is mainly as a result of low cash inflows from the government which resulted in unimplemented activities as per the approved workplan. The expenditure levels were also affected by unfavourable weather conditions during the year.



Employee costs accounted for 78% of the total expenditure of the Service and 91% of the Service recurrent budget. This item also saw a marginal increase to Kes. 4,643 million from Kes. 4,567 million, an increase of 76 million (2%). Despite exit of 305 employees from the Service through retirement, death and resignation during the financial year, the increment was due to implementation of the Service recategorisation from 3C to 3A.

General expenses recorded a decline of Kes. 403 million equivalent to 32% while repairs and maintenance declined by Kes. 204 million (54%).

Deficit for the year

The deficit before tax for the financial year 2018/2019 decreased by Kes. 1,167 million (79%) from Kes. 1,484 million in the previous year to Kes. 317 million. This is mainly due to an increase in revenues by Kes. 614 million (12%) and a decrease in expenditures by Kes. 547 million (8%).

The Service was however able to finance its operations from the savings held by the Service.

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Assets

The Service total assets amounted to Kes. 69,502 million against Kes. 64,792 million in Fy 2017/2018, an increase of Kes. 4,710 million (7%). This is mainly attributed to the increase in value of plantations by Kes. 4,897 million (8%).

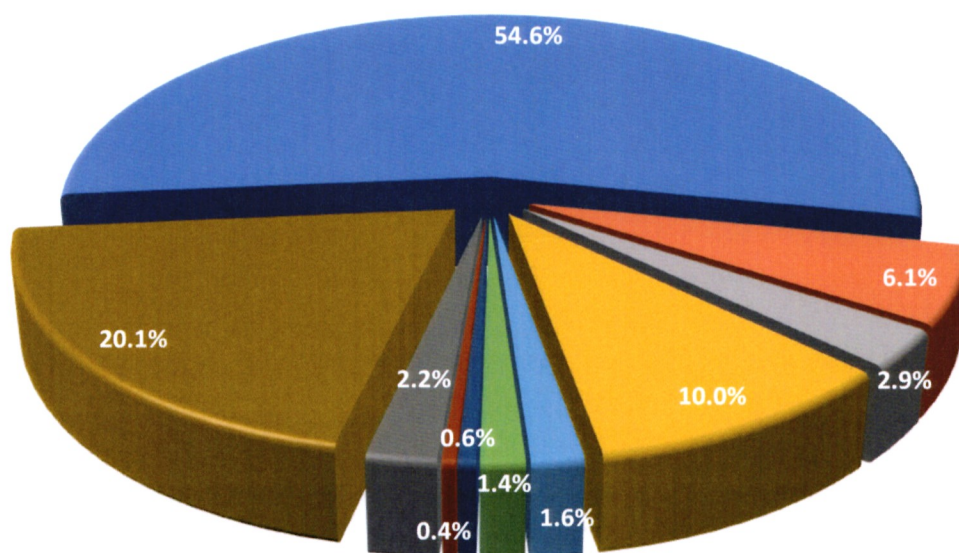
Current assets decreased by Kes. 43 million, with cash and cash equivalents recording a significant increase from Kes. 1,187 million last year to Kes 1,523 million in financial year 2018/2019. This represents an increase of Kes. 336 million equivalent to 28%.

Receivables from exchange transactions rose slightly by 8% to record Kes. 355 million while receivables from non-exchange transactions reduced by 87% from Kes. 465 million to Kes. 60 million due to improvement in imprest surrenders during Fy 2018/2019.

Non-current assets are currently valued at Kes. 67,563 million which includes biological assets (forest plantations) valued at Kes. 65,830 million. Property plant and equipment recorded a decline of Kes. 142 million (8%) from Kes. 1,849 million in Fy 2017/2018 to Kes. 1,706 million in Fy 2018/2019. This is as a result of a significant number of the Service assets being almost fully depreciated.

The composition of property, plant and equipment is as per the chart below;

Property Plant & Equipment



- 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

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Liabilities

The Service liabilities mainly include trade payables, employee benefit obligations and tax payables. The total liabilities increased from Kes. 265 million in Fy 2017/2018 to Kes. 465 million in Fy 2018/2019, an increase of Kes. 201 million (76%). This is mainly due to the corporation tax liability of Kes. 72.6 million arising from tax payable for interest income from previous years and the current year.

Trade payables recorded an increase of Kes. 41 million (40%) from Kes. 103 million in Fy 2017/2018 to Kes. 144 million in Fy 2018/2019. This is attributed to pending payments to suppliers.

Net assets/Worth

The Service networth as at 30 June 2019 is Kes. 69,037 million. This is an increase of Kes. 4,510 million compared to Kes. 64,527 million as at 30 June 2018 representing 7%. This is mainly attributed to the increase in value of plantations by Kes. 4,897 million (8%).

Risk Management

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

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

SUSTAINABILITY STATEMENT

Integration of Sustainable Development Goals (SDG)

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

Human Capital Development

The Service practices affirmative action and equal opportunity recruitment of qualified persons. It has in place a disability policy and a gender policy to guide its actions and decisions. As part of its staff development programme, the Service endeavours to empower all staff regardless of their calibre 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. It also ensures staff carry out their duties in an ethical manner and has an anti-corruption policy that is implemented to the letter. It also has embedded into the medical scheme a component of employee assistance for staff that are affected or addicted to alcohol and/or abusing drugs.

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

ISO Recertification

The Service is ISO 9001:2015 certified for quality management systems. During the year the Service successfully transitioned from ISO 9001:2008 to ISO 9001:2015

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Corporate Social Responsibility

The Service has put in place a Corporate Social Responsibility strategy to better address its corporate social sustainability initiatives. Some of the Corporate Social Responsibilities that the Service undertook in the year ended 30 Jun 2019 are;

KFS in partnership with Amadeus Company Ltd. in the 2018-2019 Financial Year donated a total of 13 laptops to different schools and community forest associations in a bid to accelerate computer learning and environmental studies. The laptops are installed with education information on forestry to enhance understanding amongst the students.

The laptops were presented to schools adjacent to forests that have demonstrated excellence in tree planting and environmental protection. 3 laptops were donated to Makuri Secondary School in Tharaka Nithi County, 5 laptops to Ontulili Boys High School in Laikipia County, 1 laptop to Gitugu Primary School in Muranga County, 1 laptop to Ewangan Emaa Primary School in Kajiado County and 1 laptop to VAJIKI Community Forest Association in Kwale County.



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REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Kenya Forest Service affairs.

Principal activities

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

Results

The results of the Service for the year ended June 30, 2019 are set out on page 1 to 52.

Directors

The members of the Board of Directors who served during the year are shown on pages viii-x. During the year, Mr. Julius Kamau was appointed as the Chief Conservator of Forests and therefore as the Secretary to the Board with effect from 26th April 2019.

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, 2019.

By Order of the Board



.....
Julius Kamau
Secretary to the Board
Nairobi

Date: 30/7/2020
.....

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, 2019. 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, 2019, 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.

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

Approval of the financial statements

The Kenya Forest Service financial statements were approved on
2019 and signed on its behalf by:



**Peter Kinyua
Chairman, Board of Directors**



**Julius Kamau
Chief Conservator of Forests**

REPUBLIC OF KENYA

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Enhancing Accountability

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Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA FOREST SERVICE FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Forest Service (KFS) set out on pages 1 to 48, which comprise of the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Forest Service as at 30 June, 2019, 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 Management Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

As previously reported, the financial statements as at 30 June, 2019 reflect property, plant and equipment balance of Kshs.1,706,347,711 out of which Kshs.931,995,373 relates to the value of buildings owned by the Service in various locations. However, contrary to the requirements of IPSAS 17, the land on which these buildings are erected had not been valued in the last six years and disclosed separately.

Further, 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 the Service with an acreage of 2,585,526.44 hectares, only seventy-seven (77) blocks have title deeds while twenty-five (25) are at an advanced stage of title deed acquisition. The acreage of 2,585,526.44 hectares includes a number of parcels of land of undetermined acreage with ongoing court cases on ownership statuses between the Service and private parties.

In addition, it was also noted that there was illegal encroachments and excisions on forest land in various parts of the country with a total of 555.9 hectares being illegally acquired by private parties in Kipkabus, Tingwa and Ngong forest. In Uasin Gishu County, 29.5 hectares of forest land have installations as tabulated below:-

Institution	Hectares
Ministry of Energy	0.7
Kenya Airports Authority	1
Nabkoi Water Project	10
Kapsaret Water Project	1.8
County Cemetery	16
Total	29.5

Some of the installations were not formally permitted through a license and are operational while others were though licensed had remained unpaid. Failure to have appropriate licenses results to loss of revenue and illegal use/occupation of the land.

Consequently, it has not been possible to confirm the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.1,706,347,711 reflected in the financial statements.

2. Heritage Assets

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

Consequently, the presentation of the financial statements for the year ended 30 June, 2019 could not be ascertained.

3. Inaccuracies in Cash and Cash Equivalents

As previously reported, the statement of financial position reflects cash and cash equivalents balance of Kshs.1,522,958,903. However, the bank reconciliation statement for one bank account held in a commercial bank reflects long outstanding receipts in the cash book not in the bank statements totaling Kshs.16,135,567 with some dating back to September, 2014. Management has attributed the outstanding receipts to an ongoing case in court.

In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.1,522,958,903 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

4. Forest Plantations

4.1. Omission of Plantation Land

As previously reported, Note 27 to the financial statements reflects a plantation balance of Kshs.65,829,634,562 (2018: Kshs.60,932,496,193) as at 30 June, 2019. However, the value of the land on which the plantations are located was not separately disclosed under property, plant and equipment or investment property as required by IPSAS 27. The IPSAS further requires that biological assets, other than bearer plants, that are physically attached to the land be measured as biological assets separately from the land. It is not clear whether the plantations have been treated as investment property, or property, plant and equipment or biological assets. Further, a detailed register showing the plantations land owned by the Service had not been maintained.

4.2. Impairment of Plantations

As previously reported, Note 27(ii) to the financial statements reflects an impairment balance of Kshs.122,809,496 (2018: Kshs.34,621,404) on plantations representing an increase of Kshs.88,188,092 or 254% from the previous year. However, the impairment was not recognized as a loss in the statement of financial performance for the year ended 30 June, 2019 as required by IPSAS 27. The Service had not disclosed or explained the basis (method and assumptions) for the impairment amount as well as the categories and distinction of its biological assets as required by IPSAS 26.

Further, in Mau and North Rift Conservancies, 227.7 Hectares of mature and young plantations valued at Kshs.75,974,850 were burnt. The loss resulted to 42 times compared to the previous year. Poaching of mature trees, poles, withies, and uprooting of young seedlings was reported in all the conservancies. This reduced the values of standing stock by Kshs.7,325,880 during the period under review. No disclosure has been made on changes to the carrying amount of the biological assets. Therefore, it was not clear if the biological assets were disclosed using fair value measurements as required by IPSAS 27.

In the circumstances, the value of plantations balance of Kshs.65,829,634,562 as at 30 June, 2019 could not be confirmed as fairly stated.

5. Receivables from Exchange Transactions

As similarly reported previously, the receivables from exchange transactions balance of Kshs.355,475,425 include long outstanding debts of Kshs.247,716,405 out of which debt amounting to Kshs.75,024,727 was owed by Government agencies and media houses whose transmitters are located within Kenya Forest Service land. The license charges had not been paid for by 30 June, 2019 as the license fee is said to have been paid to

the Government owned Kenya Broadcasting Corporation. Review of debtors aging analysis confirmed that some debtors have been outstanding for several years, some since year 2010.

Further, it was also noted that the minutes of the special Board of Directors meeting dated 14 November, 2018, had noted that the proprietors of Kipini Conservancy owed the Service Kshs.19 million. The Conservator of Kipini had communicated to the Management of the Service offering to give 5,000 hectares in lieu of payment and requested that the Government should purchase the remaining hectares. The Board advised the Management to write to the parent Ministry to request Treasury for money to purchase the land. However, the advice of the Board was not acted on. Further, the debt of Kshs.19 million was omitted in the financial statements, thus understating the receivables from exchange transaction by the same amount.

In addition, review of plantation records revealed that an amount of Kshs.1,221,251,092 debt on harvested forest plantation was not disclosed in the financial statements thus understating the receivables from exchange transactions.

In the circumstances, accuracy and completeness of the receivables from exchange transactions balance of Kshs.355,475,425 as at 30 June, 2019 could not be ascertained.

6. Appropriation in Aid - Inappropriate Recognition of Revenue from Non-Exchange Transactions

As disclosed in Note 7 to the financial statements, the statement of financial performance for the year ended 30 June, 2019 reflects revenue from non-exchange transactions balance of Kshs.4,758,370,500 and deficit for the year balance of Kshs.393,295,798. The revenue Kshs.4,758,370,500 includes a balance of Kshs.37,156,016 reflected as transfers from other Governments which had related conditions attached that would give rise to a liability to repay the amounts.

In the circumstances, the accuracy and completeness of the revenue from non-exchange transactions balance of Kshs.4,758,370,500 and deficit of Kshs.393,295,798 for the year ended 30 June, 2019 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budget Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.7,222,990,624 and Kshs. 5,741,653,588 respectively resulting to an under-funding of Kshs.1,481,337,030 or 21% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.7,222,990,624 and Kshs.5,846,349,527 respectively resulting to an under-expenditure of Kshs.1,376,641,097 or 19% of the budget.

Based on the approved estimates, the under-funding and under expenditure affected the planned activities and have impacted negatively on service delivery to the public.

2. Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved all the issues as per the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref. PSASB/1/12/Vol. 1/ (44) of 25 June, 2019.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Revalue Assets

As disclosed in the notes to the financial statements in paragraph 5 – significant judgments and sources of estimation uncertainty on useful lives and residual values, 'all items in an asset category are re-valued every 5 years or when need arises'. Section 31 of the International Public Sector Accounting Standards, IPSAS 17 stipulates that revaluations should be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date. Although the Service has a policy document to guide the management in the management of its assets, there is no evidence that valuation has been carried out as stipulated in the policy document.

In the circumstances, Management is therefore in breach of the law.

2. Irregular Board Sitting Allowances

During the year under review, it was noted that the representative of the Inspector-General (Corporations) was paid sitting allowances amounting to Kshs.198,000. The allowances and other remunerations are only payable to duly appointed (gazetted) Members of the Board. This is contrary to the Attorney General letter Ref. AG./CONF/6/D/73 VOL.1 dated 22 August, 2013.

Consequently, Management was in breach of the Law.

3. Outstanding Imprests

As disclosed in Note 25 to the financial statements, the statement of financial position reflects amount of Kshs.60,367,594 as receivables from non-exchange transactions. The balance includes Kshs.25,739,963 being temporary imprest which had not been surrendered by the close of the year as required by Section 71(4) of Public Finance Management Act, 2012.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Utilization of Information Technology (IT)

The statement of financial position reflects the net book value of computers and ICT assets of Kshs.28,118,479. It was noted that Service was experiencing inadequate IT infrastructure in terms of suitable systems (software), ICT personnel and appropriate hardware. The slow adaptation of ICT services was noted despite having invested over Kshs.11,455,250 on computerization. The use of Geographical Information System (GIS)

is still not effective in the surveillance and monitoring of forests activities such as illegal logging, theft of firewood or forest fires.

In the circumstances, I am unable to confirm the effectiveness of IT procured by Management.

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

Responsibilities of Management and Board of Directors

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Service's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Service to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Service to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

16 November, 2021

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018/2019 Kes.	2017/2018 Kes.
Revenue from non-exchange transactions			
Public contributions and donations	6	4,717,423,887	2,017,014,037
Transfers from other governments - gifts and services-in-kind	7	37,156,016	38,075,060
Fines, penalties and levies	8	3,790,597	2,710,450
		4,758,370,500	2,057,799,547
Revenue from exchange transactions			
Sale of goods & services	9	660,580,099	2,702,904,804
Licenses and permits	10	236,654,584	204,794,360
Finance income - external investments	11	13,492,590	88,922,289
		910,727,273	2,996,621,453
Total revenue		5,669,097,773	5,054,421,000
Expenses			
Employee costs	12	(4,642,617,953)	(4,566,696,388)
Use of goods and services	13	(30,032,472)	(26,160,720)
Remuneration of Directors	14	(25,213,932)	(19,488,350)
Depreciation and amortization expense	15	(215,238,961)	(227,407,126)
Repairs and maintenance	16	(172,616,720)	(376,300,678)
Contracted services	17	(37,413,539)	(51,299,675)
Grants and subsidies	18	(57,500)	(972,092)
General expenses	19	(866,162,259)	(1,268,159,267)
Total expenses		(5,989,353,336)	(6,536,484,296)
Other gains/(losses)			
Gain/Loss on foreign exchange transactions	20	8,972	(2,148,629)
Gain on sale of assets	21	3,572,018	-
Surplus/(Deficit) before tax		(316,674,573)	(1,484,211,925)
Income tax expense	22	(76,621,225)	-
Surplus/(Deficit) for the period		(393,295,798)	(1,484,211,925)
Attributable to:			
Surplus/(Deficit) attributable to owners of the controlling entity		(393,295,798)	(1,484,211,925)

The notes set out on pages 6 to 42 form an integral part of these Financial Statements.

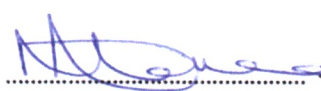
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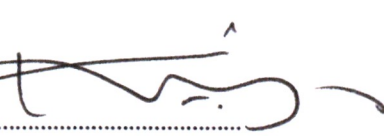
**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Note	2018/2019 Kes.	2017/2018 Kes,
Assets			
Current assets			
Cash and cash equivalents	23	1,522,958,903	1,187,012,044
Receivables from exchange transactions	24	355,475,425	330,215,977
Receivables from non-exchange transactions	25	60,367,594	464,874,815
		1,938,801,922	1,982,102,836
Non-current assets			
Biological assets	27	65,829,634,562	60,932,496,193
Property, plant and equipment	28	1,706,347,711	1,848,646,138
Intangible assets	29	27,220,970	28,452,934
		67,563,203,243	62,809,595,265
Total assets		69,502,005,165	64,791,698,101
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	30	143,771,163	102,811,989
Refundable deposits from customers	31	12,062,646	11,209,574
Provisions	32	142,047,396	128,984,380
Employee benefit obligation	33	24,391,043	19,638,628
Payments received in advance	34	3,749,330	1,159,378
Withheld Taxes	35	-	989,277
Corporation Tax	36	72,680,326	-
Deferred Income Liability	37	66,752,278	-
Total liabilities		465,454,182	264,793,226
Net assets		69,036,550,983	64,526,904,875
Reserves			
Capital funds		69,982,246,960	65,012,873,439
Accumulated surplus/(deficit)		(945,695,977)	(485,968,564)
Total reserves		69,036,550,983	64,526,904,875

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


.....
Julius Kamau
Chief Conservator of Forests


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


.....
Peter Kinyua
Chairman of the Board

Date..... 30/7/2020

Date..... 30/7/2020

Date..... 30/07/20



**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2019**

	Capital Funds	Revenue Reserves	Total
Balance b/f as at 1 July 2017	62,018,710,379	1,122,353,777	63,141,064,156
Adjustment for the year	-	(124,110,416)	(124,110,416)
Additions for the year	2,994,163,060	-	2,994,163,060
Surplus/(deficit) for the year	-	(1,484,211,925)	(1,484,211,925)
Balance c/f as at 30 Jun 2018	65,012,873,439	(485,968,564)	64,526,904,875
Balance b/f as at 1 July 2018	65,012,873,439	(485,968,564)	64,526,904,875
Adjustment for the year	-	(66,431,615)	(66,431,615)
Additions for the year	4,969,373,521	-	4,969,373,521
Surplus/(deficit) for the year	-	(393,295,798)	(393,295,798)
Balance c/f as at 30 Jun 2019	69,982,246,960	(945,695,977)	69,036,550,983

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

**An adjustment of Kes. 66,431,615 has been done to the revenue reserves to recognize a deferred income liability (Note 37) for donor funds received from the European Union.*

**The additions to Capital Funds for the year include Kes. 4,897,138,370 being changes in carrying amount of biological assets (Note 27), Kes. 64,131,106 being purchase of property, plant and equipment (Note 28), and Kes. 8,104,046 being additions to intangible assets (Note 29).*

**An adjustment of Kes 124,110,416 in FY 2017/2018 was done on the Revenue Reserves to adjust on the funds refunded to the Government of Finland after the closure of the Miti Mingi Maisha Bora project in year 2016-2017.*

**STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2018/2019 Kes.	2017/2018 Kes.
Cash Flows from operating activities			
Net operating Surplus		(393,295,798)	(1,484,211,925)
Adjustment			
Depreciation	28	205,902,951	222,844,096
Amortization of Intangible Assets	29	9,336,010	4,563,030
Net book value Retired	21	526,582	-
Proceeds from disposal of assets	21	(4,098,600)	-
Increase in Provision for Audit Fees	32	-	4,520,000
Increase in Provision for doubtful debts	32	13,063,015	32,565,287
Deferred Income Liability	37	(66,431,615)	-
Net Cash generated from operating activities before Changes in working Capital		(234,997,455)	(1,219,719,512)
Changes in Working Capital			
Increase in Trade and other receivables	24, 25 30,31,33,34,	379,247,774	118,133,128
Increase in trade and other payables	35,36,37	187,597,940	(1,960,926)
Net Cash generated from operating activities		331,848,259	(1,103,547,310)
Cash Flows from investing activities			
Purchase of property, plant & equipment	28	(64,131,106)	(157,014,036)
Purchase of intangible items	29	(8,104,046)	(17,005,554)
Proceeds from disposal of property, plant & equipment	21	4,098,600	-
Net cash used in investing activities		(68,136,552)	(174,019,590)
Cash Flows from Financing activities			
Development Grants Received	6	72,235,152	174,019,590
Development Grants Refunded		-	(124,110,416)
Net cash used in Financing activities		72,235,152	49,909,174
Net increase in cash & cash equivalents		335,946,859	(1,227,657,727)
Cash & cash equivalents at the beginning of the period		1,187,012,044	2,414,669,771
Cash & cash equivalents at the end of the period		1,522,958,903	1,187,012,044

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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2019**

	Original budget 2018/2019 Kes.	Adjustments 2018/2019 Kes.	Final budget 2018/2019 Kes.	Actual on comparable basis 2018/2019 Kes.	Performance difference 2018/2019 Kes.
Revenue					
Public contributions and donations	2,719,316,963	2,262,673,661	4,981,990,624	4,789,659,039	(192,331,585)
Transfers from other governments - gifts and services-in-kind	1,667,000,000	(300,000,000)	1,367,000,000	37,476,679	(1,329,523,321)
Appropriation in Aid	3,200,000,000	(2,326,000,000)	874,000,000	901,025,280	27,025,280
Finance Income	-	-	-	13,492,590	13,492,590
Total income	7,586,316,963	(363,326,339)	7,222,990,624	5,741,653,588	(1,481,337,036)
Expenses					
Compensation of employees	(4,837,778,585)	-	(4,837,778,585)	(4,642,617,953)	(195,160,632)
Goods and services	(2,416,195,532)	(237,274,169)	(2,178,921,363)	(1,106,282,490)	(1,072,638,873)
Board Expenses	(8,225,831)	18,139,000	(26,364,831)	(25,213,932)	(1,150,899)
Acquisition of Assets	(324,117,015)	(144,191,170)	(179,925,845)	(72,235,152)	(107,690,693)
Total expenditure	(7,586,316,963)	(363,326,339)	(7,222,990,624)	(5,846,349,527)	(1,376,641,097)
Surplus/(Deficit) for the period	-	-	-	(104,695,939)	(104,695,939)
Reconciliation with operating surplus					
Less: Grants received for financing activities				(72,235,152)	
Add: Depreciation & amortization expense				215,238,961	
Add: Acquisition of assets				72,235,152	
Less: Gain on foreign exchange transactions				(8,972)	
Add: Deferred income recognized from transfers from other governments				320,663	
Less: Gain on sale of assets				(3,572,018)	
Less: Income tax expense				76,621,225	
(Deficit) in statement of financial				(393,295,798)	

Government had a total negative variation of Kes. 1,330 Million which represents 97% of the projected income. This is due to African Development bank
did not start as projected.

Positive variation due to the current agreement with banks where all balances in the bank accounts earn interest.

variation of Kes. 1,073 million (49%) due to low cash inflows from the government which resulted in unimplemented activities as per the
rather conditions during the year.

of Kes. 108 million (60%).

plementary budget approved by the board.



NOTES AND APPENDICES

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

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

iii. Early adoption of standards

The Service did not early-adopt any new or amended standards in year 2019.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Public Contributions and Donations

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

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

Transfers from other government entities

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

Fees, taxes and fines

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

ii) Revenue from exchange transactions

Rendering of services

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

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

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 2018-2019 was approved by the National Assembly in June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Service upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Service recorded reduced appropriations of Kes. 363,326,339 on the 2018-2019 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)

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.

f) Biological Assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

j) Provisions

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

The Service creates and maintains reserves in terms of specific requirements. The service classifies its reserves as either capital or revenue in nature. Capital reserve is the replacement development reserve that will help the service to replace assets as they age. Revenue reserve is the accumulated surplus over the years. At the close of the financial year, the Service had an accumulated fund of Sixty-nine billion, thirty-six million, five hundred and fifty thousand, nine hundred and eighty-three shillings (Kes 69,036,550,983) as compared to Sixty-four billion, five hundred twenty-six million, nine hundred four thousand, eight hundred and seventy-five shillings (Kes 64,526,904,875) cumulated as at end of 2017/2018 financial year.

l) Changes in accounting policies and estimates

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

m) Employee benefits

Retirement benefit plans

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

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

n) Foreign currency transactions

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

o) Related parties

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

p) Cash and cash equivalents

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

q) Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY
(Continued)**

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 32.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. The Service recognises provision for bad debts on all overdue debtors above 180 days in default as follows;

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

6. Transfers from Government (Public Contributions and Donations)

These are funds from the exchequer to finance the Services recurrent and development activities in the following core programmes: Natural Forest Conservation and Management; Farm and Dryland Forests Conservation and Management; and Plantation and Enterprise Development.

Description	2018/2019 Kes.	2017/2018 Kes.
GOK Subventions - Recurrent	4,194,409,039	1,842,908,627
GOK Subventions - Development	595,250,000	348,125,000
Less: Grants received for financing activities	(72,235,152)	(174,019,590)
Total public contributions and donations	4,717,423,887	2,017,014,037

6b) Transfers from Ministries, Departments and Agencies

Name of the Service Sending the Grant	Amount Recognized to Statement of Financial Performance Kes	Amount Deferred Under Deferred Income Kes	Amount Recognised in Capital Fund. Kes	Total Grant Income During the Year 2018/2019 Kes	Total Grant Income During the Year 2017/2018 Kes
Ministry of Environment & Forestry	4,717,423,887	-	72,235,152	4,789,659,039	2,185,433,627
State Department of Interior				-	5,600,000
Total	4,717,423,887	-	72,235,152	4,789,659,039	2,191,033,627

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Transfers from other Governments

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

- **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.

- **European Union (WaTER Programme)**

This is a grant from the European Union with an objective to support Kenya eradicate poverty through enhancing the productivity of ecosystem services of Kenya's critical ecosystems and enhance resilience to climate change of her water sources. The purpose is to improve the quality and quantity of ecosystem services provided by Kenya's water towers through increased forest cover, improved landscape and natural resource management, and waste management systems leading to increased benefits to rural communities from forest, agriculture and agro-forestry land use systems.

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

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

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

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

- **UK Space Agency - Ecometrica**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Transfers from other governments (Continued)

Description	2018/2019 Kes.	2017/2018 Kes.
Partners Donations	9,726,194	17,141,243
FAO	7,680,942	5,370,712
Centres for Disease Control (CDC)	2,071,951	4,755,642
European Union - EU	-	448,775
UK Space Agency - Ecometrica	17,676,929	10,358,688
Total transfers from other governments - gifts and services-in-kind	37,156,016	38,075,060

8. Fines and Surcharges

These are penalties levied to uniformed staff on disciplinary cases.

Description	2018/2019 Kes.	2017/2018 Kes.
Fines and Surcharges	3,790,597	2,710,450
Total fines, penalties and levies	3,790,597	2,710,450

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;

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Sale of Goods & Services (Continued)

Description	2018/2019	2017/2018
	Kes.	Kes.
Plantations	251,580,074	2,297,030,674
Mangrove	1,189,350	3,780,110
Small Poles	-	55,183
Bamboo Stems	5,060	287,690
Professional fees	377,612	1,074,755
Tuition Fees	16,417,423	8,172,689
Boardwalk Fees	-	9,360
Carbon credits	12,763	-
Water charges-Water easements	18,510,143	7,026,622
Aircraft Usage	2,438,590	16,064,721
Poles	-	1,741,109
Fuel wood	106,732	13,805,732
Quarrying, Soil, Sand	14,688,362	12,300,674
Resin	897,500	641,000
Ecotourism sites	-	268,328
Grazing Fees	38,341,405	27,986,404
Other Forest Incomes	-	722,547
Recreation	35,407,909	24,988,919
Grass	1,652,850	1,104,662
Withies	7,000	322,668
Assessment Fees	2,277,805	933,759
Parking Fees	96,829	-
Application Fees	1,000	38,500
Accommodation	133,250	230,772
Farm Produce	65,175	20,929
Staff Quarters	5,013,780	5,106,040
Hire of Plant & Equipment	60,000	-
Leases	90,081,133	74,905,783
Land Rent	153,738,091	170,524,334
PELIS/Shamba Rent/Land Rent	17,487,182	20,698,257
Ground Rent	407,650	-
Bonded Items	756,029	808,398
Seedlings & Cuttings	6,911,575	10,347,935
Third Party Commissions	1,832,281	1,866,613
Other Miscellaneous Receipts	7,420	-
Staff Medical Recoveries	70,671	1,637
Sale of Tender Documents	7,455	38,000
Total revenue from the sale of goods and services	660,580,099	2,702,904,804

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Licenses & Permits

Description	2018/2019 Kes.	2017/2018 Kes.
Movement Permits	233,149,310	180,403,704
Monthly Fuel Licenses	2,798,774	12,068,843
Saw millers Licenses	706,500	12,321,813
Total licenses and permits	236,654,584	204,794,360

11. Finance Income - External Investments

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

Description	2018/2019 Kes.	2017/2018 Kes.
Interest on Current Account - KCB	-	-
Interest on Current Account - Equity	-	30,366,472
Interest on Current Account - Coop	12,086,038	50,752,605
Interest on Current Account - National Bank of Kenya	199,777	6,258,414
Interest on Current Account - NIC	1,206,775	1,544,798
Total finance income - external investments	13,492,590	88,922,289

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Employee costs

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

Description	Number of Employees	2018/2019	2017/2018
		Kes.	Kes.
Basic Salaries		3,004,378,291	2,932,847,979
Acting Allowance		3,005,357	885,062
Overtime		1,039,022	-
Transfer Allowance		38,146,196	23,230,510
Commuting Allowance		253,178,172	267,413,795
Hardship Allowance		82,015,140	87,446,601
Medical Allowance		5,445	-
Special Duty Allowance		-	658,426
Leave Allowance		83,049,137	81,645,188
Extraneous Allowance		3,420,324	3,316,200
Telephone Allowance		5,164,946	5,730,000
Medical Expenses - Ex-Gratia (Write-off)		-	3,995,416
Staff Medical Insurance		288,237,816	309,052,913
House Allowance		375,562,419	392,104,841
Non-Practice Allowance		720,000	705,000
Entertainment Allowance		421,667	600,000
Instructor's Allowance		210,705	4,417,676
GPA/GLA		44,644,868	-
Risk Allowance		30,800	-
Contributions to National Social Security		11,283,154	12,042,636
Staff Pension- KFS Contributions		442,961,678	436,162,859
Staff Gratuity		5,142,816	4,441,286
Total employee costs		4,642,617,953	4,566,696,388

13. Use of Goods and Services

Description	2018/2019	2017/2018
	Kes.	Kes.
Electricity	18,698,191	15,136,903
Water and Sewerage Charges	8,565,021	9,297,343
Membership Fees, Dues and Subscriptions	2,769,260	1,726,474
Total use of goods & services	30,032,472	26,160,720

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Remuneration of Directors

Description	2018/2019 Kes.	2017/2018 Kes.
Boards and Committees	25,213,932	19,488,350
Total remuneration of Directors	25,213,932	19,488,350

15. Depreciation and Amortization Expenses

Description	2018/2019 Kes.	2017/2018 Kes.
Depreciation: Motor Vehicles	37,985,169	39,323,650
Depreciation -Furniture & Fittings	10,292,402	18,205,805
Depreciation - Computers	21,045,822	19,013,983
Depreciation -Air Conditioners, Fans and Heating Equipment	850,240	1,245,384
Depreciation - Non-Residential Buildings	53,091,539	52,157,116
Depreciation-Plant, Machinery & Tractors	6,536	2,686
Depreciation- Residential Buildings	11,874,576	11,874,576
Depreciation - Roads & Civil works	9,440,737	9,440,737
Depreciation - ICT, Exchanges and Other Communication Equipment	1,881,924	3,147,059
Depreciation - Photocopiers and other Office Equipment	2,173,327	5,155,805
Depreciation - Tools, Spares & Small Equipment	1,573,080	2,751,718
Depreciation - Power Generators	23,306,992	23,256,515
Depreciation - Perimeter Fences	2,028,100	1,417,391
Depreciation - Household & Institutional Appliances	364,229	713,656
Depreciation - Aircraft & Hoppers	37,974,331	38,510,149
Depreciation - Boreholes	1,349,957	1,190,896
Total depreciation and amortization expenses	215,238,961	227,407,126

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Repairs & Maintenance

Description	2018/2019 Kes.	2017/2018 Kes.
Maintenance Expenses - Motor Vehicles	68,296,433	70,228,660
Maintenance of Plant, Machinery and Equipment	1,694,043	9,083,809
Maintenance of Office Furniture and Equipment	1,374,747	1,537,661
Maintenance of Medical and Dental Equipment	627,296	-
Maintenance of Buildings - Residential	4,596,183	79,608,759
Maintenance of Buildings and Stations - Non-Residential	15,575,187	39,153,680
Maintenance of Civil Works	251,800	14,965,479
Maintenance of Roads	57,424,560	116,264,759
Maintenance of Computers, Software, Network	2,393,342	3,952,576
Maintenance of Aircraft	20,383,129	41,505,295
Total repairs and maintenance	172,616,720	376,300,678

17. Contracted Services

Description	2018/2019 Kes.	2017/2018 Kes.
Contracted Professional Services	19,721,624	25,592,123
Contracted Technical Services	17,691,915	25,707,552
Total contracted services	37,413,539	51,299,675

18. Grants & Subsidies

The Service through the WaTER towers project supported partner institutions, Kenya Water Towers Agency, Kenya Wildlife Service, Climate Change Directorate and Community Forest Associations(CFA) with some equipment funded by the EU.

Description	2018/2019 Kes.	2017/2018 Kes.
Capital Grants and Transfers	57,500	972,092
Total grants and subsidies	57,500	972,092

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. General Expenses

This comprises of administrative costs as set out below:

Description	2018/2019 Kes.	2017/2018 Kes.
Casual Labour	127,233,628	222,983,164
Staff Welfare Costs	11,051,086	19,154,724
Telephone, Telex, Facsimile, Computer	6,912,822	7,180,955
Courier and Postal Services	6,332,509	7,546,556
Leased Communication Lines	379,400	748,608
Supplies of Accessories for Computers & Printers	10,450,713	10,568,420
Travel Costs (airlines, bus, railway, mileage)	2,747,686	3,484,842
Accommodation - Domestic Travel	78,250	7,861,285
Daily Subsistence Allowance	144,831,197	183,412,433
Field Operational Allowance	5,974,791	4,109,417
Travel Cost-International (Overseas)	9,329,885	20,803,976
Publishing and Printing Services	12,074,500	40,135,979
Newspapers, Magazines and Periodicals	612,675	458,062
Advertising, Awareness and Publicity Campaigns	12,768,806	5,159,269
Training	17,750,900	40,078,513
Remuneration of Instructors	-	823,274
Production and Printing of Training Materials	60,994	555,415
Hire of Training Facilities and Equipment	1,898,182	1,975,107
Training Accommodation Allowance	-	100,000
Group Personal Insurance	-	41,979,255
Buildings Insurance	4,070,080	3,608,730
Motor Vehicle Insurance	18,644,716	21,120,893
Aircraft Insurance	11,742,724	10,831,558
Motor Boat Insurance	195,196	482,587
Fungicides, Insecticides and Sprays	2,377,290	1,872,878
Workshop Tools, Spares and Small Equipment	39,900	491,000
Forest Agricultural Materials and Supplies	-	45,000
Education and Library Supplies	126,600	72,333
Production of Photographic and Audio-Visual Materials	4,900	29,915
Paramilitary Small Equipment and Supplies	-	6,351,600
Laboratory Materials and Supplies	63,750	192,300
General Office Supplies (papers, pencils etc.)	12,130,297	14,982,965
Cleaning Materials, Supplies and Services	4,910,279	4,911,449
Catering services	12,388,801	15,390,671
Fines, Interest - NSSF, NHIF	1,678,277	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

General Expenses (Continued)

Description	2018/2019 Kes.	2017/2018 Kes.
Refined Fuels and Lubricants for Transport	101,779,313	124,973,371
Refined Fuels and Lubricants for --Other	-	624,076
Firebreaks	129,800	2,941,989
Bank Service Commission and Charges	1,227,330	1,712,245
Contracted Guards and Cleaning Services	4,861,783	4,070,227
Forest Conservation Committee Expenses	7,186,600	5,452,540
Legal dues, Arbitration and Compensation Packages	15,437,610	15,393,903
Special Operations	100,421,322	94,706,754
Provision for Bad Debts	13,063,015	32,565,287
Food and Rations	16,802,035	16,816,489
Events and Celebrations	33,281,003	45,145,283
Tree seeds and seedlings.	42,826,674	67,682,163
Supplies for production	46,412,565	24,253,823
Rounding off Difference Account	19	(39)
Seminars and Conferences	9,133,757	42,909,249
Tree Planting	15,660,107	56,633,244
Land Levies	6,000	82,032
Office Rent Expense	5,885,121	488,922
Aircraft Operating Costs	7,877,900	8,258,136
Staff Uniforms and Clothing	809,471	14,946,440
Audit Fee	4,500,000	9,000,000
Total general expenses	866,162,259	1,268,159,267

20. Foreign Exchange gain/(loss)

Description	2018/2019 Kes.	2017/2018 Kes.
Foreign Exchange Gain	23,713	15,528
Foreign Exchange Loss	(14,741)	(2,164,157)
Total foreign exchange gains/(loss)	8,972	(2,148,629)

21. Gain on sale of assets

Description	2018/2019 Kes.	2017/2018 Kes.
Proceeds from Disposal of Assets	4,098,600	-
Net Book Value Retired	(526,582)	-
Total gain on sale of assets	3,572,018	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. Income Tax Expense

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

Description	2018/2019 Kes.	2017/2018 Kes.
Net interest income	13,492,590	-
Add: tax withheld	2,381,045	-
Gross interest income	15,873,635	
Tax Payable (30% rate)	4,762,091	-
Less: withholding tax deducted at source	2,381,045	-
Add: previous years' tax payable	74,240,180	-
Income tax expense reported in the statement of financial performance	76,621,225	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Cash and Cash Equivalent

Description	2018/2019 Kes.	2017/2018 Kes.
Cash at bank	1,522,246,849	1,186,692,572
Cash in hand	712,054	319,472
Total cash and cash equivalents	1,522,958,903	1,187,012,044

23(a). Detailed Analysis of the Cash and Cash Equivalents

(i) Bank Balances	Account No.	2018/2019 Kes.	2017/2018 Kes.
Co-operative Bank - Stima Plaza			
MMMB GOK Project	01120275352200	-	1,248
SCBFFE JSDF Project	01141275291700	369,397	369,397
KFS Holding - COOP	01141532868700	4,503	398,575,471
KFS Forest Investment Facility	01141532868701	44,683,076	61,477,810
KFS Water Towers GOK A/c	01141532868702	103,316	142,783
KFS (JICA) Capacity Development Project	01141532868703	2,423,660	166,536
Forest Irrigation Climate & Green Energy	01141532868704	4,227	30,490
GZDSP II GOK A/C	01141532868705	43,876	-
		47,632,055	460,763,735
Equity Bank - Ridgeways			
KFS Forest Investment Facility	0810298871018	31,634,727	11,635,777
KFS Forest Management & Conservation Fund	1340261075747	933,759	4,776,541
KFS FAO Capacity Building	1340261075761	18,982	18,982
KFS Holding-Equity	0470267372824	393,466	393,466
		32,980,934	16,824,766
Kenya Commercial Bank - Sarit Centre			
KFS Main Operating - KCB	1106928652	40,848,480	59,118,677
KFS AIA Collection	1106770021	864,206,003	307,178,100
MMMB Donor Project	1117738760	-	30,219
KFS Main Development	1116447347	422,382,784	217,199,142
KFS Gratuity A/C	1139669249	7,096,364	7,133,062
KFS Dollar A/C	1122198353	7,639,497	6,425,319
KFS FAO Forest & Farm Facility Programme	1172165084	300,076	963,081
KFS Water Towers Euro Ac	1181839513	3,329,027	3,330,081
KFS Water Towers Donor Ac	1181839106	63,102,588	59,897,516
KFS IPP - Forest 2020 Project	1203757093	4,617,563	5,461,746
		1,413,522,382	666,736,943
National Bank - Kenyatta Avenue			
KFS Airwing A/C	01020069730800	41,864	11,044,545
KFS Holding - NBK	01023064393301	17,120	3,758,835
		58,984	14,803,380
NIC Bank - Village Market			
KFS SPA Network Project	1001238015	867	2,623
KFS Zuia Project	1002211536	1,646	713,536
KFS Airwing Sinking Fund A/C	1004667472	28,049,981	26,847,589
		28,052,494	27,563,748
Total bank balance		1,522,246,849	1,186,692,572
(ii) Others			
Cash in hand		712,054	319,472
		712,054	319,472
Grand total		1,522,958,903	1,187,012,044

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Receivables from Exchange Transactions

Description	2018/2019 Kes.	2017/2018 Kes.
Receivables	346,254,024	317,331,620
Rental Deposit Receivable	1,319,345	1,319,345
Suppliers Prepayments	7,265,856	10,928,812
Safaricom Deposits	50,000	50,000
General Deposits with Suppliers	586,200	586,200
Total receivables from exchange transactions	355,475,425	330,215,977

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

25. Receivables from Non-Exchange Transactions

Description	2018/2019 Kes.	2017/2018 Kes.
Exchequer Receivable	-	384,327,156
Zonal Control Account - Development	21,579,273	22,247,819
Zonal Control Account Recurrent	7,093,372	14,082,338
Temporary Imprest	25,739,963	38,410,482
Standing Imprest	3,940	1,641,448
Salary Advances	5,951,046	4,165,572
Total receivables from non - exchange transactions	60,367,594	464,874,815

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

26. Forest Land

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. Biological Assets

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

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

The value of public forest plantations as at 30 June 2019 is as under:

i. Forest Plantations Area Account

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

	2018/2019	2017/2018
Species	Area (Ha)	Area (Ha)
Pines	26,480.2	24,800.8
Cypress	70,360.8	66,791.3
Gravelia	515.9	515.9
Eucalyptus	16,735.7	16,286
Others	12,681.3	12,648.9
Unstocked	26,016.1	31,747.1
Total Plantation Land Area	152,790	152,790

ii. Forest Plantations Monetary Account

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

Description	2018/2019 Kes.	2017/2018 Kes.
Carrying Amount as at 1 July	60,932,496,193	58,112,352,723
Changes in the carrying amount:		
Decrease due to sales and harvest ¹	(251,686,806)	(2,312,653,626)
Increase due to purchases and development of new stands ²	200,581,500	269,080,000
Increase in value due to growth ³	5,071,053,171	4,898,338,500
Less impairment due to poaching, forest fires and diseases ⁴	(122,809,496)	(34,621,404)
Total Changes in the carrying amount:	4,897,138,369	2,820,143,470
Carrying Amount as at 30 June	65,829,634,562	60,932,496,193

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. Biological Assets(Continued)

¹ Decrease of Value of Plantations Attributed to Harvest/ Removals

During the report period, the Service realised income of **Kes.251,686,806** from sale of timber, poles and fuel wood. However, there was no actual removal due to the moratorium imposed on timber harvesting which resulted in the huge decline from the previous year.

² Increase due to New Planting

The Service established a total of 5730.9 Ha. of forest plantations. As a common practice young plantation are valued at cost, i.e. the cost of establishing the plantations. The cost of establishing one hectare of plantation is estimated at Kes. 35,000. The total value of the new plantation is **Kes.200,581,500**

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

Mean annual increment of pine, cypress, eucalyptus and mixed species is 18m³/ha/year, 15m³/ha/year, 25m³/ha/year and 7m³/ha/year respectively. This increased the value of plantations by **Kes. 5,071,053,171**

Species	Area (Ha)	Mean Annual Increment	Volume (M ³)	Value per M ³	Increase Due to Growth (Kes.)
Cypress	55,129.24	15.00	826,938.58	3,000.00	2,480,815,731
Pine	22,242.06	18.00	400,357.08	3,000.00	1,201,071,240
Eucalyptus	13,593.85	25.00	339,846.30	3,000.00	1,019,538,900
Mixed Species	7,543.41	7.00	52,803.90	7,000.00	369,627,300
	98,508.56				5,071,053,171

⁴ Decrease in Value Attributed to Impairments

Reduction of value of plantations results from impairments is attributed to fire damage and poaching just to mention a few. During the report period there were more fire incidences than the previous. This was attributed to long dry spell.

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. Results of defect allowance which is the loss of value is **Kes.39,508,766** as below;

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. Biological Assets(Continued)

	Sub Compartment	Value	Defect Allowance (%)	Value of Defect/ Loss
1	Mariashoni 10H	24,275,955.00	12%	2,913,114.60
2	Kerita 9J	4,317,948.20	28.80%	1,243,569.08
3	Kerita 6A	5,728,182.70	29%	1,661,172.98
4	Bunyala 1A	1,139,295.00	30%	341,788.50
5	Kabonge 1B	2,443,855.30	37%	904,226.46
6	Nanyuki 4A	2,443,855.30	32%	782,033.70
7	Sitoton 7A	7,776,226.00	33%	2,566,154.58
8	Cengalo 11G	3,607,796.60	33%	1,190,572.88
9	Cengalo 11N	16,736,931.10	32%	5,355,817.95
10	Sitoton 3L	24,987,815.80	25%	6,246,953.95
11	Sitoton 3J	78,997.00	32%	25,279.04
12	Rugongo 3D	31,237,080.10	35%	10,932,978.04
13	Kibiri 9F	15,271,726.50	35%	5,345,104.28
	Total			39,508,766.03

In Mau and North Rift Conservancies, **227.7 Ha** of mature and young plantations valued at **Kes.75,974,850** were burnt. The loss is 42-fold compared to the previous year. This was attributed to delayed and inadequate long rains.

Poaching of mature trees, poles, withies and uprooting of young seedlings was reported in all the conservancies. This reduced the value of standing stock by **Kes.7,325,880** during report period.

Significant assumptions made in the estimation of the fair value of the trees in 2019 include:

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

*The total change in the carrying amount of **Kes.4,897,138,369** has been adjusted in the statement of changes in Net Assets under capital reserves.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. 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		
	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.
Cost As at 01-07-2018	1,367,042,703	245,704,886	22,779,527	1,036,040,068	246,386,019	173,826,069	76,457,077	114,073,916	107,628,254	571,042,572	3,960,981,091	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment																							
Total as at 01-07-2018	1,367,042,703	245,704,886	22,779,527	1,036,040,068	246,386,019	173,826,069	76,457,077	114,073,916	107,628,254	571,042,572	3,960,981,091	-	-	-	-	-	-	-	-	-	-	-	-
Additions (cost)	927,221	1,690,500	27,298,999	26,829,000	3,351,204	654,400	1,385,761	1,538,500	455,521	-	64,131,106	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation																							
Cost Adjustment																							
Disposal																							
Total Cost as at 30-06-2019	1,367,969,924	247,395,386	50,078,526	1,058,872,668	249,737,223	174,480,469	77,842,838	115,612,416	108,083,775	571,042,572	4,021,115,797	(3,996,400)	(3,996,400)	(3,996,400)	(3,996,400)	(3,996,400)	(3,996,400)	(3,996,400)	(3,996,400)	(3,996,400)	(3,996,400)	(3,996,400)	(3,996,400)
Accumulated Depreciation	371,008,436	120,483,014	-	853,445,216	208,027,008	140,409,763	64,665,606	106,807,015	57,574,101	189,914,794	2,112,334,953	-	-	-	-	-	-	-	-	-	-	-	-
Acc. Dep. Adjustment																							
Total as at 30-06-2018	371,008,436	120,483,014	-	849,975,398	208,027,008	140,409,763	64,665,606	106,807,015	57,574,101	189,914,794	2,108,865,135	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	64,966,115	23,313,528	-	37,985,169	13,591,736	10,292,402	3,387,796	1,573,080	12,818,794	37,974,331	205,902,951	-	-	-	-	-	-	-	-	-	-	-	-
As at 30th June 2019	435,974,551	143,796,542	-	887,960,567	221,618,744	150,702,165	68,053,402	108,380,095	70,392,895	227,889,125	2,314,768,086	(3,469,818)	(3,469,818)	(3,469,818)	(3,469,818)	(3,469,818)	(3,469,818)	(3,469,818)	(3,469,818)	(3,469,818)	(3,469,818)	(3,469,818)	(3,469,818)
NBV 30th June 2019	931,995,373	103,598,844	50,078,526	170,912,101	28,118,479	23,778,304	9,789,436	7,232,321	37,690,880	343,153,447	1,706,347,711	-	-	-	-	-	-	-	-	-	-	-	-
NBV 30th June 2018	996,034,267	125,221,872	22,779,527	182,594,852	38,359,011	33,416,306	11,791,471	7,266,901	50,054,153	381,127,778	1,848,646,138	-	-	-	-	-	-	-	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Buildings	Plant and Machinery	Work in Progress	Motor Vehicles & Cycles	Computers & ICT Equipment	Office Furniture	Office & Household Equipment	Tools & Minor Equipment	Roads, Boreholes & Civil Works	Aircraft & Hoppers	Totals
	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.	Kes.
Cost As at 01-07-2017	1,330,670,322	244,792,386	1,228,313	967,154,593	234,810,604	166,923,246	74,202,002	111,629,516	103,527,854	569,028,219	3,803,967,055
Adjustment											
Total as at 01-07-2017	1,330,670,322	244,792,386	1,228,313	967,154,593	234,810,604	166,923,246	74,202,002	111,629,516	103,527,854	569,028,219	3,803,967,055
Additions (cost)	36,372,381	912,500	21,551,214	68,885,475	11,575,415	6,902,823	2,255,075	2,444,400	4,100,400	2,014,353	157,014,036
Revaluation											
Cost Adjustment											
Disposal											
Total Cost as at 30-06-2018	1,367,042,703	245,704,886	22,779,527	1,036,040,068	246,386,019	173,826,069	76,457,077	114,073,916	107,628,254	571,042,572	3,960,981,091
Accumulated Depreciation	306,976,744	97,223,813	-	814,121,566	190,428,996	122,203,958	57,550,761	104,055,297	45,525,077	151,404,645	1,889,490,857
Acc. Dep. Adjustment											
Total as at 30-06-2017	306,976,744	97,223,813	-	814,121,566	190,428,996	122,203,958	57,550,761	104,055,297	45,525,077	151,404,645	1,889,490,857
Charge for the year	64,031,692	23,259,201	-	39,323,650	17,598,012	18,205,805	7,114,845	2,751,718	12,049,024	38,510,149	222,844,096
As at 30th June 2018	371,008,436	120,483,014	-	853,445,216	208,027,008	140,409,763	64,665,606	106,807,015	57,574,101	189,914,794	2,112,334,953
NBV 30th June 2018	996,034,267	125,221,872	22,779,527	182,594,852	38,359,011	33,416,306	11,791,471	7,266,901	50,054,153	381,127,778	1,848,646,138
NBV 30th June 2017	1,023,799,264	147,568,573	1,228,313	153,033,027	44,381,608	44,719,288	16,651,241	7,574,219	58,002,777	417,623,574	1,914,476,198

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Intangible Assets

Description	2018/2019	2017/2018
Cost	Kes.	Kes.
At beginning of the year	111,415,738	94,410,184
Additions	8,104,046	17,005,554
At end of the year	119,519,784	111,415,738
Additions-internal development	-	-
At end of the year	119,519,784	111,415,738
Amortization and impairment		
At beginning of the year	(82,962,804)	(78,399,774)
Amortization	(9,336,010)	(4,563,030)
At end of the year	(92,298,814)	(82,962,804)
Impairment Loss	-	-
At end of the year	(92,298,814)	(82,962,804)
Net Book Value (NBV)	27,220,970	28,452,934

30. Trade and other payables from exchange transactions

Description	2018/2019	2017/2018
	Kes.	Kes.
Employee Liability Account	1,880,824	1,693,840
Inventory AP Accrual Account	8,496,952	2,922,104
Expense AP Accrual Account	40,959,198	41,466,131
Suppliers Liability Account	82,083,013	47,365,028
Retention - General Contractors	10,351,176	9,364,886
Total trade and other payables from exchange transactions	143,771,163	102,811,989

31. Refundable deposits from customer

Description	2018/2019	2017/2018
	Kes.	Kes.
Tender Refundable Deposits	-	346,928
Performance Bonds	12,062,646	10,862,646
Total refundable deposits from customers	12,062,646	11,209,574

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. Provisions

Description	Provision for Audit Fee	Provision for Bad Debts	Total
Balance as at 1 July 2018	9,040,000	119,944,380	128,984,380
Additional provisions	4,500,000	13,063,015	17,563,015
Provision utilized	(4,500,000)	-	(4,500,000)
Total provisions as at 30 Jun 2019	9,040,000	133,007,396	142,047,396

33. Employee Benefits Obligations

Description	2018/2019 Kes.	2017/2018 Kes.
Salary Clearance Account	453,425	-
Net Salary Account	877,039	49,082
NHIF	50,340	48,690
HELB	35,436	23,427
SAYE	-	9,140
Sacco Deductions Account	268,780	54,979
Commercial Banks Deductions	321,372	295,337
Social Welfare Deductions	35,311	-
Insurance Deductions	871,358	709,345
Hire Purchase Deductions	371,028	368,457
Family Maintenance	50,650	39,960
Training Levy	-	30,633
House Rent Utility Charges	5,667,211	5,470,511
Staff Pension Contributions	8,587,384	8,441,658
Staff Gratuity	6,801,709	4,097,409
Total employee benefits obligations	24,391,043	19,638,628

34. Payments Received in Advance

Description	2018/2019 Kes.	2017/2018 Kes.
Imprest Clearing Account	3,749,330	1,159,378
Total advance receipts	3,749,330	1,159,378

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. Withheld Taxes

Description	2018/2019 Kes.	2017/2018 Kes.
Value Added Tax	-	152,756
Withholding Tax	-	798,121
Pay Master General-PAYE	-	38,400
Withheld taxes	-	989,277

36. Corporation Tax

Description	2018/2019 Kes.	2017/2018 Kes.
Corporation Tax	72,680,326	-
Total Corporation Tax	72,680,326	-

37. Deferred Income

Description	2018/2019 Kes.	2017/2018 Kes.
Deferred Income - FAO	319,058	-
Deferred Income - EU	66,431,615	-
Deferred Income - CDC	1,605	-
Total Deferred Income	66,752,278	-

38. Financial Risk Management

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

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

(i) Credit risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management (Continued)

(i) Credit risk (Continued)

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

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

	Total amount Kes	Fully performing Kes	Past due Kes	Impaired Kes
At 30 June 2019				
Receivables from exchange transactions	355,475,425	95,634,278	259,841,147	-
Receivables from non-exchange transactions	60,367,594	60,367,594	-	-
Bank balances	1,522,246,849	1,522,246,849	-	-
Total	1,938,089,868	1,678,248,721	259,841,147	0
At 30 June 2018				
Receivables from exchange transactions	330,215,977	94,812,017	235,403,960	-
Receivables from non-exchange transactions	464,874,815	464,874,815	-	-
Bank balances	1,186,692,572	1,186,692,572	-	-
Total	1,981,783,364	1,746,379,404	235,403,960	0

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management (Continued)

(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.

	Up to 1 month Kes.	1 - 3 Months Kes.	3 - 12 months Kes.	Over 1 year Kes.	Total Kes.
At 30 June 2019					
Financial assets					
Trade receivables	47,387,940	8,603,835	30,421,102	259,841,147	346,254,024
Other receivables and prepayments	69,588,995	-	-	-	69,588,995
Amount due from related parties	-	-	-	-	-
Bank balances and cash deposits	1,522,958,903	-	-	-	1,522,958,903
Total financial assets	1,639,935,838	8,603,835	30,421,102	259,841,147	1,938,801,922
Financial liabilities	(236,897,534)	(80,939,503)	(5,569,749)		(323,406,786)
Total financial liabilities	(236,897,534)	(80,939,503)	(5,569,749)	-	(323,406,786)
Net liquidity gap	1,403,038,304	(72,335,668)	24,851,353	259,841,147	1,615,395,136
At 30 June 2018					
Financial assets					
Trade receivables	12,660,062	41,988,612	27,278,987	235,403,960	317,331,620
Other receivables and prepayments	93,432,016	-	-	-	93,432,016
Amount due from related parties	384,327,156	-	-	-	384,327,156
Bank balances and cash deposits	1,187,012,044	-	-	-	1,187,012,044
Total financial assets	1,677,431,278	41,988,612	27,278,987	235,403,960	1,982,102,837
Financial liabilities	(135,808,846)	-	-	-	(135,808,846)
Total financial liabilities	(135,808,846)	-	-	-	(135,808,846)
Net liquidity gap	1,541,622,432	41,988,612	27,278,987	235,403,960	1,846,293,991

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management (Continued)

(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 holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

a) Foreign currency risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

	Ksh Kes	Other currencies Kes	Total Kes
At 30 June 2019			
Financial assets			
Investments	-		-
Cash	1,522,958,903	10,968,524	1,533,927,427
Debtors	415,843,019		415,843,019
Total financial assets	1,938,801,922	10,968,524	1,949,770,446
Financial liabilities			
Trade and other payables	(323,406,786)		(323,406,786)
Borrowings			
Total financial liabilities	(323,406,786)	-	(323,406,786)
Net foreign currency asset/(liability)	1,615,395,136	10,968,524	1,626,363,660
At 30 June 2018			
Financial assets			
Investments			
Cash	1,187,012,044	9,755,401	1,196,767,445
Debtors	795,090,792		795,090,792
Total financial assets	1,982,102,836	9,755,401	1,991,858,237
Financial liabilities			
Trade and other payables	(135,808,846)		(135,808,846)
Borrowings			
Total financial liabilities	(135,808,846)	-	(135,808,846)
Net foreign currency asset/(liability)	1,846,293,990	9,755,401	1,856,049,391

b) Interest rate risk

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

Management of interest rate risk

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

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	2018/2019 Kes	2017/2018 Kes
Revenue Reserves	(945,695,977)	(485,968,564)
Capital reserve	69,982,246,960	65,012,873,439
Total funds	69,036,550,983	64,526,904,875

39. Related Party Balances

Nature of related party relationships

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

Government of Kenya

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

The Service is related to:

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

Description	2018/2019 Kes.	2017/2018 Kes.
a) Grants from the government		
Grants from National Government	4,717,423,887	2,017,014,037
	4,717,423,887	2,017,014,037
b) Key management remuneration		
Directors' emoluments	25,213,932	19,488,350
Compensation to the CEO	1,583,933	6,492,500
Key management compensation	66,210,622	72,179,022
	93,008,486	98,159,872
c) Due from related parties		
Due from Parent Ministry	-	384,327,156
	-	384,327,156

NOTES TO THE FINANCIAL STATEMENTS (Continued)

40. Contingent assets and contingent liabilities

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

41. Capital Commitments

Project description	Estimated Cost	Estimated Completion Date	Source of Funds
Purchase of fire-fighting equipment	28,389,000	Oct-19	GoK
Construction of rangers' camps	28,547,302	Jun-20	GoK
Total	56,936,302		

42. Events after the reporting period

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

43. Ultimate and Holding Service

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

44. Currency

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

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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 (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Property Plant and Equipment- Exclusion of 188 unvalued parcels of land without title deeds	As previously stated, the Service asked for assistance from the Ministry of Lands for valuation of the Gazetted land and got a response advising against the valuation as the land is not available for sale in the open market. A copy of the correspondence from the Ministry is attached. The Service is also in pursuit of the title deeds with the Ministry of Lands and the process is in different stages for different parcels of land.	Mr. Esau Omolo - Senior Deputy Chief Conservator of Forests - Field Operations	Not Resolved	Continuous
1.1	Illegal encroachments and excisions on forest land in various parts of the country	The Service continues to pursue ownership documents of all gazetted land and other parcels of land under its custody. The Service made a request to the Ministry of lands for help in valuation of land but the Ministry was not able to offer a value. This has resulted in the missing value of land in the financial statements. Forest lands have been secured through gazettelement which provide legal notices. Alteration of forest areas as gazetted can only be sanctioned/approved by the National Assembly as provided for in the Forest Conservation and Management Act 2016. The Service has created security teams in hot spot areas including Mau, Embobut and Boni Forests.	Mr. Julius Kamau - Chief Conservator of Forests	Titling Not fully Resolved. The rest is resolved	Continuous

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

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

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

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
7	Unsupported Instructors Allowance - No evidence or approved rates and work done	The Instructors allowance as happens in other military training institutions is usually 25% of the basic pay of the concerned officers. This is paid to instructors at the Kenya Forest College School of Paramilitary at a rate of 25% of basic salary as per the office of the President circular Ref: OP/PA.1/32ANIII/ (59) dated 23rd August, 2006. The number of those conducting instructor duties vary depending on the availability and number of trainees.	Mrs. Julianna Ochieng - Manager, Human Resource and Administration	Resolved	
8	Aircraft Operations and Maintenance Cost	The Service provided the schedules for maintenance of Aircraft expense and maintains travel logs of the aircrafts which are readily available for verification. The Service does not offer commercial aircraft services hence usage of this aircraft is highly dependent on the governments activities and institutions that hire our plane for official duties. The Certificate of Airworthiness has been restricted to non-commercial operations, as we do not hold an Air Service License or Air Operator Certificate. The operations outside the Service have been support flights limited to government, and other state corporations on request and subject to approval by the CCF. The government agencies in turn compensate the Service for cost of use of the aircrafts on an hourly basis.	Mr. Julius Kamau - Chief Conservator of Forests	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
9	Board of Directors Meetings - number of instances where the board's business was conducted outside principal place of business without authority		Laura Yego - Corporation Secretary	Not resolved	Continuous
10	Unsupported Special Operations Expenditure - Reports to support special activities on forest protection were not availed.	These reports are available for audit but were not requested for during the audit. Copies of some of the reports were attached to the response to the Draft Report.	Mr. Alex Lemarkoko - Deputy Chief Conservator of Forests - Forest Protection	Resolved	
11	Forest Conservation Committee Chairmen (FCC) Monthly Honoraria rates	The monthly honoraria rates for FCC Chairmen were approved by the State Corporation Advisory Committee (SCAC) during its meeting of 25th June 2009 and advised the Service vide correspondence Ref No. OP/SCAC.1/17/2. This was adopted by the Full Board during its meeting of 13th August 2009	Mr. Esau Omolo - Senior Deputy Chief Conservator of Forests - Field Operations	Resolved	



 Julius Kamau
 Chief Conservator of Forests
 Date..... 30/7/2020



 Peter Kinyua
 Chairman of the Board
 Date..... 30/07/2020



Appendix 2: PROJECTS IMPLEMENTED BY THE SERVICE

Projects

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

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. WaTER Programme	FED/2016/375-958	European Union (EU)	2016 - 2020	EUR 4,000,000	Yes	Yes
2. Capacity Development for Sustainable Forest Management	5553	JICA	2016 - 2021	KES. 2,700,000,000	Yes	Yes
3. KFS - ZUIA (Zuia Ukimwi Imarisha Afisa) Project	CK-02-9-170-03806-5-00	Centres for Disease Control (CDC)	2014 - 2019	KES. 9,000,000	Yes	Yes
4. Forests 2020 Project		UK Space Agency through Ecometrica	2017 - 2020	£ 725,000	Yes	Yes

Status of Projects completion

Project	Total project Cost (Kes)	Total expended to date Kes	Completion % to date	2018/2019 Budget Kes	2018/2019 Actual Kes	Source of funds
1 WaTER Programme	400,000,000	143,550,379	36%	133,000,000	4,239,459	EU & GoK
2 Capacity Development for Sustainable Forest Management	2,700,000,000	776,273,767	29%	480,000,000	344,691,446	JICA & GoK
3 KFS - ZUIA (Zuia Ukimwi Imarisha Afisa) Project	12,624,506	12,516,287	99%	3,033,542	2,790,736	CDC
4 Forests 2020 Project	89,900,000	28,842,552	32%	27,115,000	17,178,773	UK

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Appendix 3: INTER-ENTITY TRANSFERS

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



Kenya Forest Service Hqs
Karura, Off Kiambu Rd
P. O. Box 30513 - 00100
Nairobi, Kenya.

Ref: No. CA/2/KFS/VOL.II (164).....

Date:21st July 2019.....

The Principal Secretary
Ministry of Environment & Forestry
PO Box 30126-00100
NAIROBI

RE: CONFIRMATION OF AMOUNT RECEIVED FROM MINISTRY OF ENVIRONMENT AND FORESTRY.

The Kenya Forest Service wish to confirm the amount received from you for the financial year 2018-2019 as indicated in the table below.

Amount Received by Kenya Forest Service as at 30 June 2019							
Reference Number	Date Received	Recurrent (Kshs) (A)	Developmet (Kshs) (B)	Inter Ministerial (Kshs) (C)	Total Kshs D=(A+B+C)	Amount Received By KFS as at 30 June 2019 (E)	Difference s (Kshs) F=(D-E)
DD-55794	03-Sep-18	380,000,000.00	-	-	380,000,000.00	380,000,000.00	-
DD-55801	15-Oct-18	99,079,240.75	-	-	99,079,240.75	99,079,240.75	-
DD-55870	14-Nov-18	146,917,634.00	-	-	146,917,634.00	146,917,634.00	-
DD-55871	14-Nov-18	293,835,268.00	-	-	293,835,268.00	293,835,268.00	-
DD-55993	24-Dec-18	900,000,000.00	-	-	900,000,000.00	900,000,000.00	-
DD-55986	29-Jan-19	-	69,500,000.00	-	69,500,000.00	69,500,000.00	-
DD-57522	14-Feb-19	48,576,896.00	-	-	48,576,896.00	48,576,896.00	-
DD-57526	18-Feb-19	-	147,000,000.00	-	147,000,000.00	147,000,000.00	-
DD-57682	23-Apr-19	1,026,000,000.00	-	-	1,026,000,000.00	1,026,000,000.00	-
DD-57740	21-May-19	-	80,000,000.00	-	80,000,000.00	80,000,000.00	-

Trees for better lives

Tel: (254)020-3754904/5/6, (254)020-2014663, (254)020-2020285, Fax: (254)020-2385374
Email: info@kenyaforestservice.org, Website: www.kenyaforestservice.org



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DD-57742	21-May-19	1,300,000,000.00		-	1,300,000,000.00	1,300,000,000.00	-
DD-57758	28-May-19	-	16,000,000.00	-	16,000,000.00	16,000,000.00	-
DD-57781	13-Jun-19	-	282,750,000.00	-	282,750,000.00	282,750,000.00	-
Total		4,194,409,038.75	595,250,000.00	-	4,789,659,038.75	4,789,659,038.75	-

I confirm that the amount shown above are correct has at the date indicated.

Head of accounts Department.

A.N.MUASYA

Signature.....



Date 23/7/19.....

Stamp

MANAGER
FINANCE & ACCOUNTING
KENYA FOREST SERVICE
P. O. BOX 30513 - 00100
NAIROBI

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Appendix 4: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the Funds	Date Received (as per bank statement)	Nature: Recurrent/ Development/ Others	Total Amount	Statement of Financial Performance	Capital Fund	Deferred Income	Total Transfers during the Year
			Kes	Kes	Kes	Kes	Kes
Ministry of Environment & Forestry	03-Sep-18	Recurrent	380,000,000	380,000,000			380,000,000
	15-Oct-18	Recurrent	99,079,241	99,079,241			99,079,241
	14-Nov-18	Recurrent	146,917,634	146,917,634			146,917,634
	14-Nov-18	Recurrent	293,835,268	293,835,268			293,835,268
	24-Dec-18	Recurrent	900,000,000	900,000,000			900,000,000
	29-Jan-19	Development	69,500,000	69,500,000			69,500,000
	14-Feb-19	Recurrent	48,576,896	48,576,896			48,576,896
	18-Feb-19	Development	147,000,000	147,000,000			147,000,000
	23-Apr-19	Recurrent	1,026,000,000	1,026,000,000			1,026,000,000
	21-May-19	Development	80,000,000	80,000,000			80,000,000
Food and Agriculture Organization (FAO)	21-May-19	Recurrent	1,300,000,000	1,300,000,000			1,300,000,000
	28-May-19	Development	16,000,000	16,000,000			16,000,000
Centre for Disease Control (CDC)	13-Jun-19	Development	282,750,000	210,514,848	72,235,152		282,750,000
			4,789,659,039	4,717,423,887	72,235,152	-	4,789,659,039
UK Space Agency - Ecometrica		Donor Funds	7,680,942	7,680,942		319,058	8,000,000
		Donor Funds	7,680,942	7,680,942		319,058	8,000,000
Total		Donor Funds	2,071,951	2,071,951		1,605	2,073,556
		Donor Funds	2,071,951	2,071,951		1,605	2,073,556
		Donor Funds	17,676,929	17,676,929		-	17,676,929
		Donor Funds	17,676,929	17,676,929		-	17,676,929
			4,817,088,860	4,744,853,708	72,235,152	320,663	4,817,409,524



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Appendix 5: COURT CASES AGAINST THE SERVICE

FILE REF (KFS/LS/)	COURT	CASE PARTICULARS	NATURE OF CASE
KFS/LS/19/08	NAIROBI	NAIROBI HCCC NO. 1162 OF 2005 AGRICULTURAL SOCIETY OF KENYA -VS- MERU GOLF COURSE & ANOTHER (CCF)	Application to restrain the Chief Conservator of Forests and another from entering, interfering, licensing on L.R No.20885 measuring 40.47 Ha (100 acres) on the boundary plan No. 175 347. of Meru (Upper Imenti)
KFS/LS/031/08	NAKURU	NAKURU HCC 25 OF 2006 STEPHEN KIPRUTO TIGERE -VS- ATTORNEY GENERAL	Application to challenge eviction from south western Mau forest.
KFS/LS/036/08	NAKURU	NAKURU HCCC NO. 67/09 JAKSON W. KINYUA & 5 OTHERS -VS-KENYA FOREST SERVICE.	LR NO. 13642, IN KIAMBU FOREST Plaintiff's writout the defendant's authority moved into the State Forest and plundered and have continued to waste the same Land was irregularly allocated to Mr. Koinange in 1996 and without knowledge of KFS was disposed to a third party (M/S Geoglady's Holdings Ltd) in 1999
KFS/LS/037/08	NAIROBI	NAIROBI HCC 848 OF 2003 GEOGLADYS HOLDINGS LTD -VS- ATTORNEY GENERAL. LR 20842 NGONG ROAD FORST	Gazetteement was effected on 23 rd Aug, 2004 for this area as a Forest. The residents protested when asked to vacate. Court issued orders against any eviction until the matter is settled. The matter has been pending for 5 years. Zonal Manager indicates that there is continued destruction by the squatters.
KFS/LS/050/08	MALINDI	MALINDI HCCC MISC APPL NO 25 OF 2005,NAIROBI HC MISC APPL NO 340/07 MADUNGUINI CASE IN MALINDI	This is a matter filed by the Ogiek community challenging their eviction from the Mau Forest. Case filed on 21/09/2010.
KFS/LS/61/10	NAKURU	NAKURU HIGH COURT PETITION NUMBER 6 OF 2010 KIPISANG KILELE & 5 OTHERS -VS AG & PRIME MINISTER.	The then Provincial Forest Officer in 1998 allotted an unsurveyed plot which was part of forest land to himself, and later on sold it to the plaintiff. The allotment was done before the gazetteement which was done in 2001. The case was filed on 18/11/2010
KFS/LS/71/10	NAKURU	NAKURU HCC NO 159 OF 2013 (FORMERLY) NAKURU CMCC NO. 307/10 GALAXY REALTORS LTD -VS KENYA FOREST SERVICE	Illegal forest excision in Marakwet Keiyo Zone Kaptagat Forest.
KFS/LS/7/11	KEIYO	ELDORRET HCC PETITION NO. 2/11 MARIA SOTTI EDUCATIONAL TRUST VS AG	Illegal sale of part of Olbollosat forest for the purpose of settling internally displaced persons.
KFS/LS/23/11	NYAHURURU	NAKURU HCC NO. 108 OF 2006 MBURU KIMANI GACIL -VS- DFO NYANDARUA	Land dispute between the applicants and the forester, Lower Imenti over land parcels no.1997 and 685 establishing Kuuru river boundary
KFS/LS/24/11	MERU	MERU CIVIL SUIT NO. 64 OF 2011 JOSEPH MWORIA JOHN & 3 OTHERS -VS- LOWER IMENTI FORESTER	The plaintiff is seeking for a court order to allow him develop the parcel of land L.R./NYANDARUA/MURUAI/926 which he claims to be the lawful owner which was a land settlement.
KFS/LS/14/12	NAKURU	NAKURU HIGH COURT CIVIL SUIT NO. 102 OF 2012 DANIEL MAINA KIBAGE -VS- KFS FILED ON 20/03/2012	The plaintiff is seeking for a court order to allow them develop the said parcel of land. He is the registered owner of the said property and is seeking to evict KFS from the property.
KFS/LS/17/12	ELDORRET	ELDORRET CIVIL SUIT NUMBER 81 OF 2012 SQUAREDEAL KENYA LTD -VS- KENYA FOREST SERVICE FILED ON 2/05/2012	The applicant/plaintiff alleges to be the owner of ELDORRET MUNICIPALITY BLOCK 10/164 and that a certificate of lease was issued to him. The land is part of Eldoret Forest and was leased to the defendant by KFS
KFS/LS/36/12	ELDORRET	ELDORRET HCCC NO. 196 OF 2007 JOSEPH KEITANY -VS- KEVIN OKWARA T/A ALPHAX COLLAGE	



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



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FILE REF (KFS/LS/)	COURT	CASE PARTICULARS	NATURE OF CASE
KFS/LS/26/14	MERU	MERU HIGH COURT PET. NO. 42 OF 2014 PETER KINOTI MIKWA & OTHERS VS. KFS	This Case is in regards to Lower Immenti Forest Station and some community members claiming that KFS & KWS encroached on their farms during the erection of solar fence in 2006/2007 On 5/10/2015 court allowed KFS to have a cartographer in the presence of parties' surveyors to mark out the boundary between forest and the petitioners' parcels of land. KFS surveyors to liaise with the advocate, survey department has coordinated the marking of the boundary 23 rd May 2016 in Meru The plaintiff sued KFS seeking damages alleging unlawful stopping of development on private land and malicious prosecution of the plaintiff's workers. The plaintiff is also seeking a permanent injunction for Plot No. 111 Osiri Market which forms part of Nyatike/Macalder Forest.
KFS/LS/3/15	MIGORI	MIGORI CMCC NO. 316 OF 2015 JUDITH ANDISI MISANGA VS DIRECTOR KFS & KFS	53 plaintiffs who have illegally encroached on to Kipkabus Forest land (Ex-Kandle Farm) claiming to be the registered owners of the land have sued KFS for attempting to unlawfully evict them from their rightful property. They seek a declaration as to ownership and a permanent injunction against KFS. Plot dispute at Garissa township.
KFS/LS/8/15	ELDORET	ELC NO. 185 OF 2015 SAMUEL KOIMA & 52 OTHERS VS KFS & ANO	the claimant claims to be owners of a forest land in Kipkabus Forest Station
KFS/LS/12/15	NAIROBI	NAIROBI ELC NO. 1015 OF 2015 YASSIN MUKHTARI HAJI BARRE VS KFS	The claimant's land borders the forest land and there is a border dispute in Suna East. The claimant indicates that KFS trespassed into his land.
KFS/LS/14/15	ELDORET	ELDORET ELC PET. NO 15 OF 2015 BUNDOTICH KIMUGUL & 29 OTHERS VS KFS	The claimants suing as trustees of (ASK) claim they are registered owners of the said land which is Forest land. -Upper Immenti forest Same as KFS/LS/19/12. cases consolidated & the KFS/LS/19/12 takes lead
KFS/LS/20/15	KISII	KISII HC ELC NO 527 OF 2015 CHARLES OYANGO MENYA VS KFS	The plaintiff sued the service claiming ownership of land NDIVISHI/MICHI/6838 and he is claiming of our officers harassment restraining him from harvesting Eucalyptus trees in his farm, he obtained a court order dated 2 nd September 2016, our EC Bungoma was issued with an order for contempt, court has given KFS time to file reply.
KFS/LS/22/15	MERU	MERU HC ELC NO 44 OF 2015 DAVID KELI KIILU & OTHERS VS COUNTY GOVERNMENT OF MERU	County government of West Pokot has sued KFS alleging to be the owner of Kamatira forest block situated within West Pokot county, plaintiff is seeking an injunction restraining KFS from any dealings or harvesting timber in Kamatira Forest. However, despite the forest being on trust land, KFS has been managing the said forest and has since invested in planting the existing tree plantations. The petitioner claims to be the owner of LR No 18486 situated in Ngong road
KFS/LS/08/16	WEBUYE	WEBUYE PMCC NO 148 OF 2016 PATRICK MANDU CHELOTI VS THE COUNTY GOVERNMENT OF BUNGOMA & KENYA FOREST SERVICE	The petitioner has gone to court to stop their eviction from Mt. Elgon forest
KFS/LS/09/16	KITALE	KITALE HC ELC NO 126 OF 2016 COUNTY GOVERNMENT OF WEST POKOT VS KFS	The petitioners are opposing the relocation of Voi Girls Centre to Ore urban forest
KFS/LS/05/17	NAIROBI	MILIMANI ELC NO 1 OF 2017 ANKHAN HOLDING LTD. -VS- KENYA FOREST SERVICE	
KFS/LS/06/17	BUNGOMA	BUNGOMA ELC NO 1 OF 2017 PETER & OTHERS -VS- KENYA FOREST SERVICE	
KFS/LS/07/17	MOMBASA	MOMBASA ELC NO 125 OF 2017 TAITA TAVETA HUMANI RIGHTS WATCH -VS- COUNTY GOVT OF TAITA TAVETA & OTHERS	
KFS/LS/10/17	NAKURU	NAKURU ELC NO 305 OF 2012 DICKSON K YATICH & OTHERS VS OBADIAH KIPKORIR & OTHERS	The applicant claims that the land Kericho/Municipality L.R. No.631/1570 belongs to him having purchased the land from another individual. The EC confirmed that the area is currently used as the Kericho Sub County offices "Kericho REAS Office"

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

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

