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TABLED Hon. Owen Baya
(Deputy Majority leader)

CLERK AT THE TABLE: Shibuko

OF

THE AUDITOR-GENERAL

ON

STATE DEPARTMENT FOR FORESTRY

**FOR THE THREE MONTHS
PERIOD ENDED 30 JUNE, 2023**



STATE DEPARTMENT FOR FORESTRY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED

JUNE 30, 2023

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1. **Key Entity Information and Management**
2. **Background information**

The State Department of Forestry is one of the State Department at the Ministry of Environment, Climate Change and Forestry which was created vide Executive Order No. 1 of 2023. The Ministry of Environment, Climate Change and Forestry's history can be traced back to the Ministry of Lands, Game, Fisheries and Natural Resources which was first established in 1963. Increased attention to environmental matters after Stockholm Conference of 1972 led to the creation of Ministry Environment and Natural resources in 1982. The Ministry has evolved through the years with different names, in 2018, it was named as the Ministry of Forestry which later changed to the current Ministry of Environment, Climate Change and Forestry with two state Department as: State Department of Environment & Climate Change and State Department of Forestry. The forestry function was hived off from the Ministry function to form the State Department for Forestry. The agroforestry function from the State Department of Agriculture was also added as one of the functions of the State Department for Forestry

The State Department is committed to facilitating enabling policies, legal and regulatory reforms for promoting sustainability of the forest resources while at the same time mitigating the effects of climate change. In addition, the Department supports and contributes to the country's socio-economic development while meeting the international, regional and national obligations within the Sustainable Development Goals (SDGs), Africa Union Agenda 2063, East African Community Vision 2050, and Kenya Vision 2030.

Vision

To be the leading Department in the Integrated Management and Conservation of Forests Landscapes for Sustainable Development.

Mission

To provide coordinated policy, legal framework and capacity building through integrated programs for sustainable management and utilization of forest landscape resources for national good development.

Mandate of the State Department

The State Department for Forestry's mandate is Conservation, Protection, Rehabilitation and Sustainably Managing Forests and Landscape Resources for the present and future generations in line with the Bottom-Up Transformation Agenda (BeTA). This mandate enables the implementation of the Constitution of Kenya provisions in Article 42 that provides every person the right to a clean and healthy environment, which includes the right to have the environment protected for the benefit of present and future generations through legislative and other measures, and to have obligations relating to the environment fulfilled.

Core functions

- (i) Forestry Development Policy;
- (ii) Forestry Management;
- (iii) Support in Climate Change/Action Policy; and
- (iv) Development of Forests, Re-forestation, and Agroforestry.

Core values

- | | |
|------------------------|--|
| Professionalism | - The State Department shall uphold professionalism in carrying out its mandate in line with the Constitution |
| Integrity | - The State Department shall ascribe to high standards of personal ethics and integrity in the conduct of its affairs |
| Teamwork | - The State Department will relentlessly pursue timely attainment of targeted results at all levels through high level coordination, networking and collaboration with all staff |
| Innovativeness | - The State Department is committed to innovativeness, creativeness, resourcefulness and focused planning and customer driven service delivery |
| Inclusivity | - The State Department shall promote at all times equal access to opportunities and resources. |

3. **Key Management**

I. Departments of the Forestry

The State Department is organized in terms of Departments as:

(i) Forest Conservation and Ecological Restoration Department

The department is mandated to oversee the formulation, implementation and review of forest and ecological restoration policies, strategies, legislations, guidelines, regulations, standards and plans; oversee and monitor development and implementation of national forestry programs, agro-forestry, dryland forestry and forest carbon management; spearhead national ecological restoration programs and projects; coordinate development of forest research and education; promote public awareness and sensitization on forest conservation, landscape and ecological restoration; initiate, oversee and monitor the development and implementation of national ecological restoration programs; provide oversight leadership in resources mobilization to ensure the implementation of the national strategy on increase of forest cover; provide guidance on establishment and maintenance of database on forest cover; promote partnership in forest conservation, protection and ecological restoration, agro-forestry and Blue economy; and ensure establishment and operationalization of Forest Conservation Trust Fund and National Forest Programs.

(ii) Agro-forestry

The Department is mandated to, Develop, review and coordinate implementation of policies, strategies, projects and programs on agroforestry, Coordinate programs within agroforestry towards realization of the National Strategy for achieving 30% tree cover by 2032, Domesticated and monitor compliance of MEAs and other regional instruments and protocols and coordinate integration of their provisions into agroforestry programs strategies and plans, Coordinate mainstreaming of agroforestry extension services in County Integrated Development Plans (CIDPs), Coordinate infrastructure development for agroforestry training, Coordinate and promote development of affordable financial products for agroforestry value chain players, Coordinate development of strategies for promotion of nature-based enterprises for communities' economic livelihoods, Develop strategies and promote initiatives to enhance competitiveness of agroforestry products and services in the global and regional markets, Coordinate the integration of Carbon Trading System (CTS) into commercial forestry, promote development of commercial private forest investments, innovative land and tree tenure arrangements.

(iii) Support Services

The support services are mandated to coordinate and provide support services to facilitate the realization of the strategic objectives of the State Department. It comprises of the following departments: Administration, Planning, ICT, Finance, Accounts, Records Management, Human Resource Management, Human Resources Development, and Public Communications.

II. Semi-Autonomous Government Agencies

According to the Executive order, the State Department also provides policy guidance, capacity building, resource mobilization, coordination and oversight for the following statutory institutions:

- i. **Kenya Forest Service (KFS):** Established under the Forests Act 2005, with the mandate to enhance the development, conservation, and sustainable management of Kenya's forest resources on public, community and private lands for the equitable benefit of the people of Kenya and for socio-economic development of the country.
- ii. **Kenya Forestry Research Institute (KEFRI):** The Kenya Forestry Research Institute (KEFRI) was established in 1986 under the Science and Technology Act (Cap. 250) (Amended Science, Technology and Innovation Act of 2013) with the mandate of carrying out research in forestry and allied natural resources.

4. Fiduciary Management

The key management personnel who held office during the three months period ended 30th June, 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Cabinet Secretary	Hon. Soipan Tuya, CBS
2.	Principal Secretary/Accounting Officer	Gitonga Mugambi, EBS
3.	Secretary Administration	Isaiah Nakoru, EBS
4.	Secretary, Forest Conservation and Ecological Restoration	Mr. Alfred Gichu
5.	Director Human Resource Management & Development	Ms. Anne Mwaniki
6.	Director Planning	Mr. Maurice Mungai
7.	Senior Chief Finance Officer	Mr. John Gicaci
8.	Senior Deputy Accountant General	Mr. Charles Minjire

No.	Designation	Name
9.	Director Supply Chain Management	Mr. Kennedy Omari
10.	Director Ecological Restoration	Mr. Erick Akotsi
11.	Ag. Director Forest Conservation	Mr. Walter Omondi
12.	Director Agro-forestry	Dr. Anthony Macharia
13.	Director Environmental Policy and Strategic Initiatives	Mr. Peterson Kamau
14.	Head of Internal Audit	Mr. Wycliffe Muturi
15.	Head of I.C.T.	Mr. Eric Nderitu
16.	Head of Public Communication	Ms. Temes Mukani

(a) Fiduciary Oversight Arrangements

The key Fiduciary oversight arrangements in the State Department are as follows: -

1. Audit and Finance Committee

i) Audit Committee

The mandate of the audit committee included: -

- Assisting the accounting officer/chief executive officer in enhancing internal controls in order to improve efficiency, transparency and accountability;
- Reviewing audit issues raised by both internal and external auditors;
- Resolving unsettled and unimplemented Public Accounts and Public Investments Committees (PAC/PIC) recommendations; and,
- Enhancing communication between Management, internal and external audit and fostering an effective internal audit function.

ii) Finance Committee

The Finance Committee in the State Department is referred to as the Budget Implementation Committee (BIC) and is established at the beginning of each financial year. BIC oversees preparation of the State Department's budget, reviews the utilization of cash limits and donor funds voted in the State Department including reallocation of expenditures from time to time. The committee also reviews and considers the cash flow plans and ensures sound financial reporting including advising the Accounting Officer on any challenges related to Budget Implementation.

2. Parliamentary Committee Activities

The State Department appears before the Departmental Committee on Environment and Natural Resources to review the budget allocations and expenditures from time to time. The State Department appears before Public Accounts Committee (PAC) to respond to audit issues raised by the Auditor General in the various Audit Reports.

(b) State Department for Forestry

P.O. Box 30126-00100
NHIF Building
Ragati Road
NAIROBI, KENYA

Contacts

Telephone: (254) 020 2730808/9
E-mail: ps@forestry.go.ke
Website: www.environment.go.ke

(c) State Department Bankers

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

(d) Independent Auditors

Office of the Auditor General,
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
NAIROBI, KENYA

(e) Principal Legal Adviser

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

5. **Statement by the Cabinet Secretary**

The overall goal of the Ministry is to deliver to Kenyans a clean, healthy, safe and sustainably



managed environment. This is in fulfilment of constitutional provision which entitles every citizen to a clean and healthy environment and also calls for sustainable exploitation, utilization, management and conservation of the environment. The Constitution at the same time requires the Government to achieve and maintain a tree cover of at least 30% of the land area of Kenya.

During the three months period ended 30th June 2023, the State Department together with her stakeholders utilized the allocated funds to implement strategic activities which enabled it deliver on its mandate. This included development of various policies, legislation and regulations on Forestry resources while enforcing the existing laws and regulations on environmental and forestry protection. The State Department undertook strategic interventions towards protection, conservation and rehabilitation of forests and also promoted farm forestry, bamboo and mangrove forests development, as well as development of woodlots and other commercial forests. Restoration and rehabilitation of the country's strategic water towers, degraded landscapes and wetlands was also core in the Ministry's agenda during the period under review.

Since environmental concerns are global in nature with impacts spanning across borders, the State Department spearheaded environmental diplomacy through coordinating ratification and domestication of the various Multilateral Environmental Agreements (MEAs).

Finally, I wish to acknowledge all our strategic partners who enabled us realize tremendous achievements over the last one year and commit that the Ministry will continue to effectively play its role as articulated in the Kenya Constitution of providing every Kenyan with access to a clean and healthy environment and utilizing natural resources sustainably.

Hon. Soipan Tuya, CBS
CABINET SECRETARY

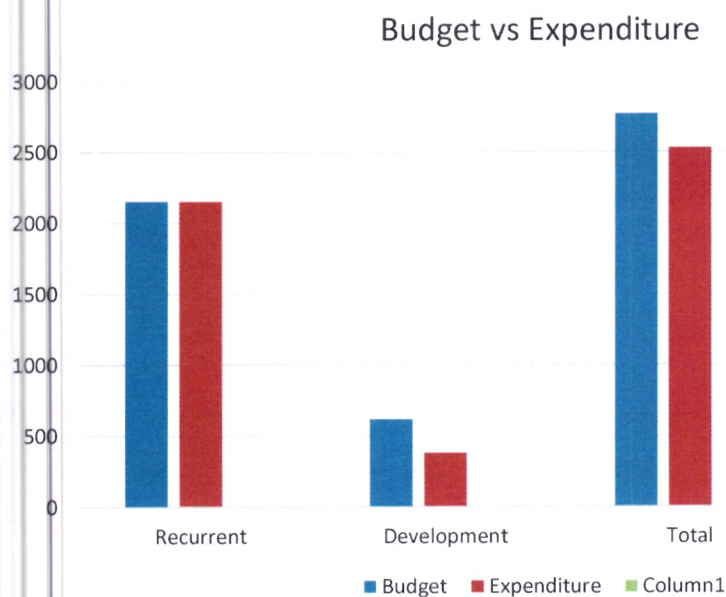
6. **Statement by the Principal Secretary**



The State Department for Forestry in the Ministry of Environment, Climate Change and Forestry was established by the Executive Order No. 1 of 2023 within the Ministry of Environment, Climate Change and Forestry. Its mandate includes: Forestry Development Policy; Forest Management; Development of Forests reforestation, and Agro forestry; Support in Climate/ Action Change Policy. It also oversees the running of Semi-Autonomous Government Agencies (SAGAs) under its purview namely Kenya Forestry Services (KFS) and Kenya Forestry Research Institute (KEFRI).

To actualize its mandates, it implements four strategic objectives namely: to protect, manage and conserve the forestry resources that contribute to high and sustainable socio-economic development; to strengthen policy, legal, institutional and integrated planning framework for sustainable management of environment and natural resources; and to promote research, development and the adoption of appropriate technology for sustainable management of forestry and allied resources; to create and coordinate partnerships and collaboration for resource mobilization, and capacity development necessary for sustainable management of environment and natural resources.

During the Financial Years (FY) 2019/2020 - 2021/2022, the State Department for Forestry implemented the Forestry Management and Water Towers Conservation Programme with focus on three sub-programmes namely: Forest resources conservation and management; Forest research and development and water towers rehabilitations and conservation. During the period under review, the SDF was allocated a budget amounting to Kshs. 2,771.4 million during the fourth quarter of the Financial Year 2022/23. The budget comprises of Kshs. 2,154 million for recurrent budget and Kshs. 617.4 million for development budget. The recurrent expenditure was Kshs. 2,150 million while development expenditure was Kshs. 379.8 million. Total resource allocation for the period under review was Kshs. 2,771.4 million while expenditure was Kshs.2,530 million resulting in an absorption rate of 91.3%. The low absorption was due to none release of exchequer funds.



To create enabling Policies, legal framework and institutional strengthening for forest management and conservation, the State Department for Forestry and its State Corporations under its purview developed Forest Conservation Policy and forwarded to Cabinet for approval. Also 30% tree cover strategy and Agro forestry strategy were developed. On institutional strengthening, the Forest Rangers were recruited. To protect, manage and conserve the forestry resources that contribute to high and sustainable socio-economic development; 1,485 Ha of forest plantations established, 16 Ha of woodlot forest established, 2.6 million existing closed canopy forests protected, 2,144 Ha of degraded forests rehabilitated, 50 Km of fire breaks/ lines maintained, 22 million tree seedlings produced, 421 Ha of bamboo forest developed, 2,786 Ha of farm forest established, 1,441 Ha of forest planted, 1,086 Ha of commercial forest established; and 156 Kilometer of forest roads maintained. To promote research, development and the adoption of appropriate technology for sustainable management of forestry and allied resources; 15 Forest research technologies developed and disseminated, 16 partners and communities trained on forestry technologies, 67.1 Ha of seed sources maintained, 10 Ha of new seed sources established, 2 drought tolerant tree species (Melia and Acacia) developed, 2 drought tolerant species developed and 2km of Tiva forest infrastructure fenced.

The achievement of the outputs was faced with challenges which included: Inadequate budget provision coupled with delayed release of exchequers; staff shortages in technical and support cadres. In order to minimize effects of some of the challenges, the State

Department's Budget Implementation Committee (BIC), Project Implementation Committee (PC) and Performance Contract Implementation Teams (PCITs) was established to provide guidance on implementation priorities. The spending units developed annual work plans and procurement plans to guide implementation.

I wish to thank the Heads of various Directorates and Divisions in State Department for Forestry for their leadership and ensuring the funds were applied for the purposes they were budgeted for. I also thank all the staff for their commitment to duty and stakeholders who partnered with us in various aspects.



Gitonga Mugambi, EBS
PRINCIPAL SECRETARY

7. **Statement of Performance against Predetermined Objectives for the three months period ended 30th June 2023**

Programme:

Strategic Objective: To promote, regulate and facilitate the forestry sub sector for socio-economic development and industrialization

Introduction

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

The key strategic objectives for the State Department for Forestry as per the Ministry's Strategic Plan (2023-2027) in line with its mandates are to:

- i. To strengthen policy, legal, institutional and integrated planning framework for sustainable management of forestry resources;
- ii. To protect, manage and conserve the forestry resources that contribute to high and sustainable socio-economic development;
- iii. To promote research, development and the adoption of appropriate technologies for sustainable management of forestry and allied resources;
- iv. To create and coordinate partnerships and collaboration for resource mobilization, and capacity development necessary for sustainable management of forestry resources.

Progress on the attainment of Strategic Objectives through Performance Contracting

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: The table below provide the progress on attaining the stated objectives:

Table: Progress on Attaining the State Department for Forestry Objectives

No.	MDA Program	Strategic Objective	Outcome	Indicator	Performance	Comments
1.	General Administration, Planning and Support Services	To strengthen policy, legal, institutional and integrated planning framework for sustainable management of environment and natural resources	Policies, legal framework strengthened	No. of forestry policies and strategies developed	<ul style="list-style-type: none"> • Draft Forest Conservation Policy was developed and forwarded to Cabinet for approval; • Draft 30% Tree Cover Strategy developed; • Draft Agro-Forestry Strategy developed • Forest Rangers were recruited 	<ul style="list-style-type: none"> • The strategies will be finalized during the FY 2023/24 • Green Army will be recruited during FY 2023/24
2.	Forest and water towers conservation	To protect, manage and conserve the forestry resources that contribute to high and sustainable socio-economic development;	Increased forest and tree cover for improved livelihoods	Percentage forest cover in attainment of the national 10% tree cover	<ul style="list-style-type: none"> • 1,485 Ha of forest plantations established • 16 Ha of forest plantation were pruned • 16 Ha of woodlot forest established • 2.6 Ha of existing closed canopy forests protected (Millions) • 2,144 Ha of degraded forests rehabilitated • 53.4 million of tree 	<ul style="list-style-type: none"> • The expected outputs were affected by inadequate budget provision coupled with delayed release of exchequers; technical and support staff shortages in all cadres. • The % forest and tree covers will be established through a survey

No.	MDA Program	Strategic Objective	Outcome	Indicator	Performance	Comments
					seedlings produced • 2,786 Ha of farm forests established • 421 Ha of bamboo forest in communal land rehabilitated/ developed • 215.5 Kilometer of forest roads maintained • 50 Km of fire breaks/ lines maintained • 1,441 Ha of forest planted • 1,086 Ha of commercial forest established • 60,250 Kgs of tree seeds produced	
3	Forest Research and Development	To promote research, development and the adoption of appropriate technology for sustainable management of forestry and allied resources;	Develop sustainable forest research and allied technologies	No. of technologies developed and disseminated	• 15 research technologies developed & disseminated • 16 partners and communities trained on forestry technologies • 67.1 Ha of seed sources maintained • 10 Ha of new seed sources established	• The expected outputs were affected by inadequate budget provision coupled with delayed release of exchequers; technical and support staff shortages in all cadres.

No.	MDA Program	Strategic Objective	Outcome	Indicator	Performance	Comments
					<ul style="list-style-type: none"> • 2 drought tolerant species developed • 2 dryland forestry technologies demonstrated • 2 boreholes drilled and equipped to supply nursery water supply • 2 Km fenced to improve Tiva Forest infrastructure • 16. partners and communities trained on forestry technologies 	
4	Resource mobilization and collaborations	To create and coordinate partnerships and collaboration for resource mobilization, for sustainable management of forestry resources.	Increase in resources for sustainable forestry resources	Amounts (Kshs)	<ul style="list-style-type: none"> • The SDF was allocated a budget amounting to Kshs. 3,008.9 million during the fourth quarter of the Financial Year 2022/23. 	<ul style="list-style-type: none"> • The SDF continues to developed Concept Notes/Proposal for resource mobilization

8. Statement of Management Responsibilities

Section 83 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

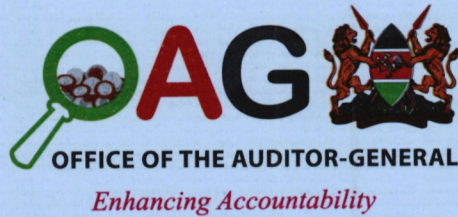
The accounting officer in charge of the State Department for Forestry is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the Ministry for and as at the end of the three months period ended June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the State Department; (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 of fraud; (iv) Safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department for Forestry accepts responsibility for the financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the financial statements give a true and fair view of the state of the Department transactions during the three months period ended June 30, 2023, and of its financial position as at that date. The Accounting Officer in charge of the State Department for Forestry further confirms the completeness of the accounting records maintained for the Ministry, which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the State Department for Forestry confirms that the Department has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the State Department funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the State Department financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR FORESTRY FOR THE THREE MONTHS PERIOD ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of State Department for Forestry set out on pages 1 to 26, which comprise of the statement of financial assets and financial

liabilities as at 30 June, 2023 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the period 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, the financial statements present fairly, in all material respects, the financial position of State Department for Forestry as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, I confirm that nothing 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

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

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of the Management and those Charged with Governance

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

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

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

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

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

to governance and risk management and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of noncompliance. 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 State Department's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the State Department's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the State Department's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the State Department to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute 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 controls that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 January, 2024

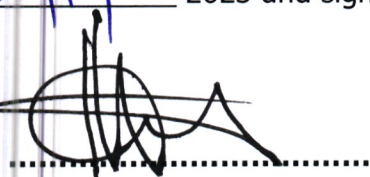
Report of the Auditor-General on State Department for Forestry for the three months period ended 30 June, 2023

10. **Financial Statements**

a) **Statement of receipts and payments for the three months period ended 30th June 2023**

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Receipts			
Exchequer Releases	1	2,532,028,819	-
Total Receipts		2,532,028,819	-
Payments			
Use of Goods and Services	3	34,907,681	-
Transfers to Other Government Entities	4	2,422,453,905	-
Other Grants and Transfers	5	58,253,862	-
Acquisition of Assets	6	14,453,200	-
Total Payments		2,530,068,648	-
Surplus/Deficit		1,960,171	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 22/07 2023 and signed by:



Gitonga Mugambi, EBS
Principal Secretary



CPA Charles Minjire
Head of Accounting Unit
ICPAK M/No 4153

b) Statement of Financial Assets and Financial Liabilities as at 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Financial assets			
Cash and cash equivalents			
Bank balances	7A	2,741,187	-
Cash balances	7B	-	-
Total cash and cash equivalent		2,741,187	-
Imprests and advances	8	-	-
Total financial assets		2,741,187	-
Financial liabilities			
Third party deposits and retention	9	781,016	-
Net financial assets		1,960,171	-
Represented by			
Fund balance b/fwd.	10	-	-
Surplus/Deficit for the year		1,960,171	-
Net financial position		1,960,171	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 29/12/23 2023 and signed by:



Gitonga Mugambi, EBS
Principal Secretary




CPA Charles Minjire
Head of Accounting Unit
ICPAK M/No 4153

c) Statement of cash flows for the three months period ended 30th June 2023

Description	Notes	2022-2023	2021-2022
		Kshs	Kshs
Receipts for Operating Income			
Exchequer releases	1	2,532,028,819	-
Payments for Operating Expenses			
Use of goods and services	3	34,907,681	-
Transfers to other government units	4	2,422,453,905	-
Other grants and transfers	5	58,253,862	-
		2,515,615,448	-
Adjusted for:			
Changes in payables		781,016	
Net Cash Flow from Operating Activities		17,194,387	-
Cash flow From Investing Activities			
Acquisition of assets	6	(14,453,200)	-
Net Cash Flows from Investing Activities		(14,453,200)	-
Net increase in cash and cash equivalent		2,741,187	-
Cash & Cash Equivalent at Start of The Year	7B	-	-
Cash & Cash Equivalent at End of The Year		2,741,187	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on

22/12 2023 and signed by:



Gitonga Mugambi, EBS
Principal Secretary



CPA Charles Minjire
Head of Accounting Unit
ICPAK M/No 4153


d) Statement of Comparison of budget and Actual Amounts for the three months period ended 30th June 2023

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Exchequer releases	-	2,771,439,205	2,771,439,205	2,532,028,818.95	-239,410,386.05	91%
Total Receipts	-	2,771,439,205	2,771,439,205	2,532,028,818.95	-239,410,386.05	-
Payments						
Compensation of employees	-	-	-	-	-	-
Use of goods and services	-	38,900,000	38,900,000	34,907,681	-3,992,319	90%
Transfers to other government entities	-	2,658,439,205	2,658,439,205	2,422,453,905	-235,985,300	91%
Other grants and transfers	-	59,250,000	59,250,000	58,253,862	-996,138	98%
Acquisition of assets	-	14,850,000	14,850,000	14,453,200	-396,800	97%
Total Payments	-	2,771,439,205	2,771,439,205	2,530,068,647	-241,370,557	91%
Surplus/ Deficit	-	-	-	1,960,171		

The entity financial statements were approved on 22/12/23 2023 and signed by:


.....

Gitonga Mugambi, EBS
Principal Secretary


.....

CPA Charles Minjire
Head of Accounting Unit

e) Summary Statement of Appropriation: Recurrent for the three months period ended 30th June 2023

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Receipts						
Exchequer releases	-	2,152,935,881	2,152,935,881	2,152,935,881	-	100%
Total Receipts	-	2,152,935,881	2,152,935,881	2,152,935,881	-	
Payments						
Compensation of employees	-	-	-	-	-	-
Use of goods and services	-	38,900,000	38,900,000	34,877,681	4,022,319	90%
Transfers to other Government entities	-	2,100,250,000	2,100,000,000	2,100,250,000	-	100%
Acquisition of assets	-	14,850,000	14,850,000	14,483,200	366,800	98%
Total Payments	-	2,154,000,000	2,154,000,000	2,149,610,881	4,389,119	
Surplus/Deficit	-			3,325,000		

The entity financial statements were approved on 20/1/23 2023 and signed by:


.....

Gitonga Mugambi, EBS
Principal Secretary


.....

CPA Charles Minjire
Head of Accounting Unit
ICPAK M/No.4153

f) Summary Statement of Appropriation: Development for the three months period ended 30th June 2023

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Exchequer releases	-	617,439,205	617,439,205	379,092,938	238,346,267	61%
Total Receipts	-	617,439,205	617,439,205	379,092,938	238,346,267	
Payments						
Compensation of employees	-	-	-	-		
Transfers to other Government entity	-	558,189,205	558,189,205	322,203,905	235,985,300	58%
Other grants and transfers	-	59,250,000	59,250,000	58,253,862	996,138	98%
Total Payments	-	617,439,205	617,439,205	380,457,767	236,981,438	62%
Surplus/Deficit				(1,364,829)		

(a) Variance analysis:

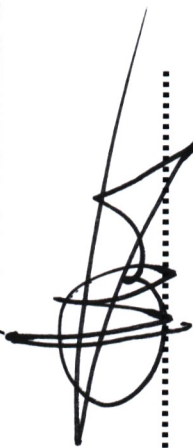
Explanation

Transfer to other Government Entities

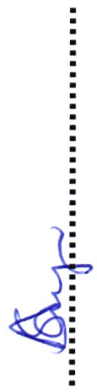
The Development Exchequer funding for KEFRI 4th Quarter for both KEFRI and KFS were not issued hence the 58% absorption rate.

(b) Reallocations within the year: The state Department was created vide Executive Order No. 1 of 2023 and hence did not have the original budget. Its First budget was captured under Supplementary 1 and came into effect on the 4th Quarter of the year.

The entity financial statements were approved on 22/12 2023 and signed by:



.....
Gitonga Mugambi, CBS
Principal Secretary



.....
CPA Charles Minjire
Head of Accounting Unit
ICPAK M/No 4153

g) Budget Execution by Programmes and Sub-Programmes for the period ended 30th June 2023

Programme/Sub-programme	Final Budget	Indicators	Outcomes	Actual on comparable basis	Budget utilization difference
	2023			2023	
	Kshs			Kshs	Kshs
Programme 1002000000	4,000,000.00			3,861,505.10	138,494.90
1002040000	4,000,000.00			3,861,505.10	138,494.90
Programme 1018000000	3,004,939,205.00			2,526,207,142.90	478,732,062.10
1018010000	2,540,439,205.00			2,163,488,382.05	376,950,823
1018020000	462,000,000.00			362,718,760.85	99,281,239.15
1018030000	2,500,000.00			-	2,500,000.00
Grand Total	3,008,939,205.00			2,530,068,648	481,732,062

11. Notes to the Financial Statement

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

1. Statement of Compliance and Basis of Preparation

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

2. Reporting Entity

The financial statements are for the State Department for Forestry. The financial statements encompass the reporting entity as specified under Section 81 of the PFM Act 2012.

3. Reporting Currency

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

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by state Department for Forestry.

a) Recognition of Receipts

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

Significant Accounting Policies (Continued)

(i) Transfers from the Exchequer

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

(ii) External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners. Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criterion is applied for loans received in the form of a direct payment.

During the year ended 30th June 2023, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

(iii) Other receipts

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

b) Recognition of payments

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

i) Compensation of Employees

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid. This did not apply in the year wide review.

Significant Accounting Policies (Continued)

ii) Use of Goods and Services

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

iii) Interest on Borrowing

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

iv) Principal on borrowing

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

v) Acquisition of Fixed Assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained and a summary provided for purposes of consolidation. *This summary is disclosed as an annexure 4 to the financial statements.*

vi) In-kind contributions

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

Significant Accounting Policies (Continued)

vii) Third Party Payments

Included in the receipts and payments, are payments made on its behalf to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties in the statement of receipts and payments as proceeds from foreign borrowings. This was not applicable in the year under review.

c) Cash and Cash Equivalents

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

A bank account register is maintained and a summary provided for purposes of consolidation.

Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2023, this amounted to Kshs.781,016 compared to Kshs. Nil in prior period as indicated on note 9. There were no other restrictions on cash during the year.

d) Imprests and advances

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end

Significant Accounting Policies (Continued)

of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or Authority to Incur Expenditure (AIE) holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements. All imprests issued in the Financial year under review were fully surrendered leaving a nil balance.

e) Third party deposits and retention

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

Other liabilities including pending bills are disclosed in the financial statements.

f) Pending Bills

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

g) Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits and retentions, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament in June 2022 for the period 1st July 2022 to

30th June 2023 as required by Law and there was one supplementary adjustment to the original budget during the year.

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

h) Comparative Figures

Where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. No comparative figures as the State Department became effective under Supplementary 1.

i) Subsequent Events

There have been no events after the financial year end with a significant impact on the financial statements for the three months period ended 30th June 2023.

j) Prior Period Adjustment

There were no prior year adjustments.

k) Related Party Transactions

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

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

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

I) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognized because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, the *entity* 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.

Notes to the Financial Statements (Continued)

Notes to the Financial Statements

1. Exchequer releases

Description	2022-2023	2021-2022
	Kshs	Kshs
Total Exchequer releases for quarter 1	-	-
Total Exchequer releases for quarter 2	-	-
Total Exchequer releases for quarter 3	-	-
Total Exchequer releases for quarter 4	2,532,028,818.95	-
Total	2,532,028,818.95	-

2. Compensation to Employees

Description	2021-2022	2020-2021
	Kshs	Kshs
Basic salaries of permanent employees	-	-
Basic wages of temporary employees	-	-
Personal allowances paid as part of salary	-	-
Personal allowances paid as reimbursements	-	-
Pension and other social security contributions	-	-
Employer contributions to compulsory national social security schemes	-	-
Employer contributions to compulsory national health insurance schemes	-	-
Total	-	-

3. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs	Kshs
Utilities, supplies and services	-	-
Communication, supplies and services	442,070	-
Domestic travel and subsistence	5,893,288	-
Foreign travel and subsistence	957,711	-
Printing, advertising and information supplies & services	291,662	-
Rentals of produced assets	6,072,975	-
Training expenses	75,000	-
Hospitality supplies and services	1,844,356	-
Office and general supplies and services	3,653,233	-
Fuel Oil and Lubricants	2,252,541	-
Other operating expenses	500,000	-

Description	2022-2023	2021-2022
	Kshs	Kshs
Routine maintenance – vehicles and other transport equipment	1,844,053	-
Routine maintenance – other assets	11,080,790	-
Total	34,907,681	-

4. Transfers to self – reporting entities in the year

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

Description	Recurrent	Development	Total	2021-2022
	Kshs	Kshs	Kshs	Kshs
Transfers to SAGAs and SCs				
Kenya Forest Services	1,740,000,000	201,841,500	1,941,841,500	-
Kenya Forest Research Insitute	360,250,000	120,362,405	480,612,405	-
Transfers to Projects-GoK counterpart funding				
Project				
Project				
Total	2,100,250,000	322,203,905	2,422,453,905	

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

Notes to the Financial Statements (Continued)

5. Other Grants and Transfers

Explanation	2022-2023	2021-2022
	Kshs	Kshs
Suswa Lake Magadi-Migori Restoration Project	3,861,505	-
Kenya's Water Towers Protection & Climate change	7,461,261	-
National Tree Planting Campaign Project	46,931,000	-
Total	58,253,862	-

6. Acquisition of Assets

Non -Financial Assets	2022-2023	2021-2022
	Kshs	Kshs
Purchase of Office Furniture and General Equipment	12,098,600	-
Purchase of Specialized Plant, Equipment and Machinery	2,354,600	-
Purchase of ICT Equipment, Software and other ICT Assets		-
Total	14,453,200	-

7. Cash and Bank Accounts

7A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit etc.	Exc rate (if in foreign currency)	2022-2023	2021-2022
				Kshs	Kshs
Central Bank 1000695528	260,890.70	Recurrent	-	260,890.70	-
Central Bank 1000695552	1,699,280.30	Development	-	1,699,280.30	-
Central Bank 1000695536	781,016.00	Deposit	-	781,016	-
Total	2,741,187			2,741,187	-

Notes to the Financial Statements (Continued)

7B. Cash on hand

Description	2022-2023	2021-2022
	Kshs	Kshs
Cash in hand – Held in domestic currency	-	-
Cash in hand – Held in foreign currency	-	-
Total	-	-

There were no cash balances held by the state department as 30th June 2023

Board of Survey reports are attached

8. Imprests and Advances

Description	2022-2023	2021-2022
	Kshs	Kshs
Government Imprests	-	-
Salary advances	-	-
Total	-	-

There were no outstanding Imprests at as at 30th June 2023

9. Third party deposits and retention

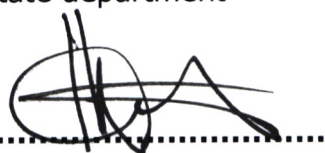
Description	2022-2023	2021-2022
	Kshs	Kshs
Retention	781,016	-
Deposits	-	-
Total	781,016	-

The retention relates to minor alterations to Buildings and civil works done on 4th floor of NHIF building where State Department of Forestry is housed.

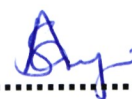
10. Fund Balance Brought Forward

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank Accounts		
Cash in hand	-	-
Accounts Receivables		
Accounts Payables		
Total	-	-

There were no Fund balances brought forward this being the first year of operations for the state department



Gitonga Mugambi, EBS
Principal Secretary



CPA Charles Minjire
Head of Accounting Unit
ICPAK M/No 4153

11. Related Party Disclosures

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

The following comprise of related parties to the State Department of Forestry

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

Notes to the Financial Statements (Continued)

12. Other Important Disclosures

28.1 Related party transactions:

Description	2022-2023	2021-2022
	Kshs	Kshs
Key Management Compensation	-	-
Transfers to Related Parties		
Transfers to SCs and SAGAs	2,422,453,905	-
Transfers to Development Project	-	-
Total Transfers to Related Parties	2,422,453,905	-
Purchase of Goods and Services		
Rent paid to Govt. Agencies	-	-
Training Fees paid to Govt Agencies	-	-
Total Goods and Services paid to Govt. Agencies	2,422,453,905	-
Transfers from Related Parties		
Transfers from the Exchequer	2,532,028,818.95	-
Total Transfers from Related Parties	2,532,028,818,.95	-

28.7.2 Progress on follow up of Prior Years Auditor-General's recommendations

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

State Department for Forestry
 Annual Report and Financial Statements for the three months period ended 30th June 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
N/A	N/A	N/A	N/A	N/A

Annex 1 – Summary of Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) 2022/2023	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) 2021/22
Office equipment, furniture and fittings	-	7,749,100	-	-	-
ICT Equipment	-	4,349,500	-	-	-
ICT Networking and Communications Equipment	-	1,409,600	-	-	-
Specialized plant, Machinery and Equipment	-	2,384,600	-	-	-
Purchase of Software	-	975,000	-	-	-
Total	-	14,453,200	-	-	-

(NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year. Ensure this section is complete and covers all the entity's assets. Ensure the complete fixed asset register is separately prepared as per circular number 5/2020 and follow up reminder of circular No.23/2020 of The National Treasury).

Annex 2 – List of SCs, Sagas and Public Funds Under State Department for Forestry

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Inter- entity reconciliations done? (yes/no)
1	Kenya Forest Services	Forest Conservation and Afforestation	Alex Lemarkoko	1,941,841,500	Yes
2	Kenya Forestry Research Institute	To conduct Research in Forestry and Allied Natural Resources	Ag. Director Dr. Jane Njuguna	481,612,405	Yes
	TOTAL			2,422,453,905	

Annex 4- Reports Generated from IFMIS

The following financial reports generated from IFMIS should be attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes
- xi. GOK IFMIS Budget Execution by Programmes and Sub-programmes

Annex 3: Disaster Expenditure Reporting Template

Date:						
Entity						
2022/2023	2023	Quarter				
Name of Reporting Officer						
Contact details of the reporting officer:	Email			Telephone		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments