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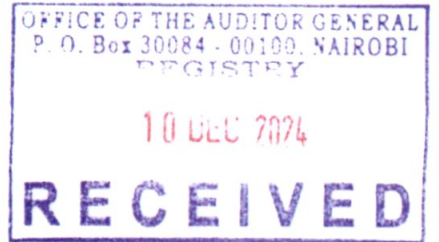
OF

THE AUDITOR-GENERAL

ON

STATE DEPARTMENT FOR FORESTRY

**FOR THE YEAR ENDED
30 JUNE, 2024**



STATE DEPARTMENT FOR FORESTRY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

State Department for Forestry
Annual Report and Financial Statements for the year ended 30th June 2024

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1. Acronyms and Glossary of Terms

AIE	Authority to Incur Expenditure
CFO	Chief Finance Officer
HAU	Head of Accounting Unit
IPSAS	International Public Sector Accounting Standards
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
PFM	Public Finance Management
PFMRC	Public Finance Management Standing Committee
BIC	Budget Implementation Committee
SDGS	Sustainable Development Goals
BeTA	Bottom Economic Transformation Agenda
PES	Payment for Ecological service
NCA	Natural Capital Accounts
PPP	Public Private Partnership
NIA	National income Accounts
MEAs	Multilateral Environmental agreements
CIDPs	County Integrated Development plans
CTS	Carbon Trading Systems
KFS	Kenya Forest Service
KEFRI	Kenya Forest Research Institute
PC	Project Implementation Committee

PCITs	Performance Contract Implementation Teams
PAC	Public Accounts Committee
PIC	Public Investment Committee
SAGAs	Semi-Autonomous Government Agencies
MDAs	Ministries, Departments and Agencies
HRMAC	Human resource Management Committee
HRDC	Human resource Development Committee

2. Key Entity Information and Management

a) 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 and Revised on the Order No. 2 the same year. 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 of 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 Environment and 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's 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.

i. Vision

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

ii. 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.

iii. 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.

iv. Core functions

- (i) Forestry Development Policy;
- (ii) Forestry Management;
- (iii) Support in Climate Change/Action Policy;
- (iv) Development of Forests, Re-forestation, and Agroforestry;
- (v) Administration of forestry research to realize ecological balance within forests;
- (vi) Administration of the regulations on the timber harvesting and trade of timber and timber products;
- (vii) Collaboration with local communities and indigenous groups in forest management decisions in promoting sustainable livelihoods; and
- (viii) Public education on forest conservation for sustainable development

v. 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.

vi. Key Management

The State Departments comprises One (1) Technical Directorate and One (1) Administration Directorate. The Technical Directorate is organized into three (3) technical departments namely; Forest Management Conservation & Restoration, Agroforestry Development & Commercial Forestry and Forestry Policy & Strategic Initiatives. The technical departments are supported by Administration and support services.

vii. Departments of the Forestry

The State Department is organized in terms of Departments/Directorates in the resented approved organizational Structure as:

viii. Forest Development Directorate

The department is mandated to oversee formulation, implementation and review of forestry and agroforestry development policies, strategies, legislation, guidelines, regulations, standards and plans. Promote forestry research, innovation, efficient technologies institutional strengthening and capacity building in the same policies. 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; 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 National Forest Programs.

ix. Forest Management Conservation & Restoration Department

The department is mandated to identify gaps in conservation policies, strategies, legislations, guidelines, regulations, standards and plans; Coordinate development, review and monitoring of forest management and conservation programs to promote sustainable forestry; Coordinate development of a database on all forests and forest health status; Coordinate the development

and implementation of frameworks to incorporate Payment for Ecosystem Services (PES) and Natural Capital Accounts (NCA) into National Income Accounts (NIA); Coordinate the conservation and restoration of Riverine, Coastal and Terrestrial ecosystems for ecological stability; Promote Public Private Partnerships (PPP) in forest management, conservation and protection and; Initiate the development and implementation of guidelines for “Adopt a Forest” concept; and coordinate the implementation of the National REDD+ Strategy.

x. Agroforestry Development & Commercial Forestry Department

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, Domesticate 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.

xi. Administration Directorate

The Administration Directorate is mandated to Coordination of all matters related to Administration; (fleet management, security, records managements, Office services and utilities, professional contracted services, customer care, acknowledgement, resolution of complaints and communicate to clients, asset and ICT management, and disaster management); Oversee Compliance with OSHA 2007 provisions including recommendation of work environment surveys so as to improve the work conditions of Service; Coordination of National Government functions Promoting statehood and National Values and Principles, Ministerial Taskforces; Provide stewardship on Reforms in State Department; Follow-up action on implementation of Presidential Directives; Oversee the implementation of Human Resource Management functions; Coordination of budget preparation and implementation, efficient and prudent utilization of financial resources,

Monitoring and Evaluation; Co-ordination of Government business and interpretation of Government policies, Programmes, Performance Contracts and Strategic Plans; Follow up on Parliamentary Business matters relating to the State Department and; Make follow-ups on the implementation of decisions, directives and resolutions of regional and international agreements and conventions relating environment and forestry.

xii. 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.

a) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June, 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Cabinet Secretary	Hon. Aden Bare Duale, EGH
2.	Principal Secretary/Accounting Officer	Gitonga Mugambi, EBS
3.	Secretary Administration	Evans Mutari, MBS
4.	Ag. Secretary, Forest Conservation and Ecological Restoration	Mr. George Tarus

No.	Designation	Name
5.	Director Human Resource Management & Development	Dr. Joel Kaburu
6.	Director Planning	Mr. Lawrence Muthamia
7.	Senior Chief Finance Officer	Mr. Waiganjo Waweru, MBS, OGW
8.	Senior Deputy Accountant General	CPA Charles Minjire
9.	Director Supply Chain Management	Mr. Kennedy Omari
10.	Director Ecological Restoration	Mr. Erick Akotsi
11.	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.	Director I.C.T.	Mr. Rashid Issauc Ali
16.	Head of Public Communication	Mr. Temes Mukani

b) Fiduciary Oversight Arrangements

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

c) 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.

iii. 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.

1. State Department for Forestry

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NAIROBI, KENYA

Contacts

Telephone: (254) 020 2730808/9

E-mail: ps@forestry.go.ke

Website: www.environment.go.ke

2. State Department Bankers

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

3. Independent Auditors

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

4. Principal Legal Adviser

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

3. Statement of Governance

Following the release of the Executive Order No. 1 of 2023 on Organization of the Government of the Republic of Kenya, the Ministry of Environment, Climate Change and Forestry was reorganized into the State Department for Environment and Climate Change, and the State Department for Forestry.

The State Department for Forestry organizational structure and design is guided by elements namely: Span of control; Interrelated functions; Chain of command; Clarity of authority and responsibility; Job descriptions and employee participation; and Communication channels.

The State Department is envisioned within the Executive Order No. 1 of 2023 functions namely:

1. Forestry Development Policy
2. Forest Management
3. Support in Climate Change/Action Policy
4. Development of Forests, Re-forestation, and Agro-forestry

State Department for Forestry (SDF) structure is organized into the Office of the Principal Secretary, one (1) Technical Directorate (Forestry and Agroforestry Development) and Administrative Support Services (Administration; Human Resource Management and Development; Central Planning and Projects Monitoring; Information Communication Technology; Finance; Accounts; Supply Chain Management; Public Communications; Legal Services; and Internal Audit).

In the execution of its mandate and for purposes of governance, risk management and controls, SDF has established various committees among them HRMAC, HRDC, BIC, PFMRC, Procurement Committee, Productivity Mainstreaming Committee, Employee Performance Management Committee among others.

The following legal and policy documents provide the framework that guide of the State Department for Forestry:

1. The Constitution of Kenya 2010
2. Land and Environment, Article 69, Part 2 on Environment and Natural Resources Article 69(1)
3. Forest Conservation and Management Act, 2016
4. Environmental Management and Coordination Act, 2015
5. Community Land Act NO. 27 of 2016
6. The National Forest Programme (2016-2030)
7. The National Forest Policy, 2014.

8. The National Environmental Policy, 2013
9. Science, Technology and Innovation Act, No. 28 of 2013
10. County government Act No. 17 of 2012 [Rev. 2012]
11. Kenya ASAL Policy-Sessional Paper No. 8 of 2012
12. Agriculture (Farm Forestry) Rules 2009

Kenya has also ratified and therefore party to the following Multilateral Environmental Agreements (MEAs):

- (i) Convention on Biological Diversity (CBD)
- (ii) United Nations Framework Convention on Climate Change (UNFCCC)
- (iii) United Nations Convention to Combat Desertification (UNCCD)
- (iv) United Nations Forum on Forests (UNFF)
- (v) Convention on International Trade in Endangered Species (CITES).
- (vi) Convention for the protection of world cultural and natural heritage (UNESCO).

Importantly also, reference is all time made to The Kenya Vision 2030; Sustainable Development Goals (SDGs); Forestry Support in Climate Change/Action Policy and; The Kenya Kwanza Government Plan – BETA.

The SDF also attach a lot of importance to citizen feedback on all programs and projects affected by restoration and conservation activities. Any new policy, strategy or regulation developed or reviewed must undergo stakeholder participation in line with the new Constitution 2010.

The consultation is a critical process that reduces risks of seamless implementation of of programs and also helps to have a by-in by the citizens.

4. 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 FY 2023/24, 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. Aden Bare Duale, EGH

Cabinet Secretary

5. 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, revised by Order No. 2 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).

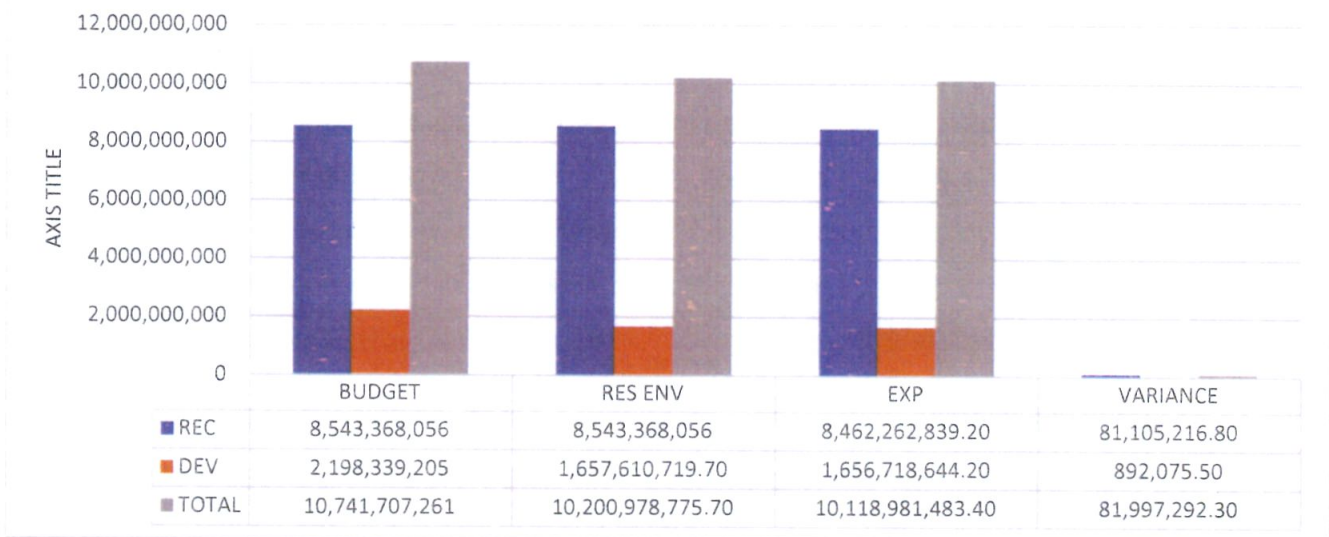
To actualize its mandates, it implements four strategic objectives namely: to protect, manage and conserve the forestry resources that contribute to high and sustainable socio-economic development; to strengthen policy, legal, institutional and integrated planning framework for sustainable management 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 2023/2024 State Department for Forestry implemented three programmes as: Forestry Development, Management and Conservation with sub-programmes (Forest Conservation and Management, Forestry Research and Development, Ecological

Restoration and Management); Agroforestry and Commercial Forestry Development; and General Administration, Planning and Support Services.

During the period under review, the SDF was allocated a budget amounting to KShs. 10,741,707,261 during the Financial Year 2023/24. The budget comprises of KShs. 8,543,368,056 for recurrent budget and KShs. 2,198,339,205 for development budget. The recurrent expenditure was KShs. 8,462,262,839.20 while development expenditure was KShs. 1,656,718,644.20. Total resource allocation for the period under review was KShs. 10,200,978,776 million while expenditure was KShs 10,118,981,484 million resulting in an absorption rate of 99%.

SDF BUDGET, RESOURCE ENVELOPE VS EXPENDITURE



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 made an intensive protection measures which ensured that 2.602 Million Ha of gazetted public forests were well secured against all forms of threats and degradation activities, recruitment and deployment of 2664 forest rangers, 102 Inspector Cadets and 300 foresters; refurbishment of 22 KFS tree nurseries, production of 1,050,000,000 Seedlings by MDAs and private sector; restoration of 21,998.9 Ha of degraded natural forests against the targeted 35,000 Ha, 144 km of gazetted natural forests fenced; establishment of 568 Ha of bamboo in public forests, promotion

of 1,465.45 Ha of commercial bamboo growing on private land; and rehabilitation of 2,935 Ha of degraded mangrove ecosystems

To promote research, development and the adoption of appropriate technology for sustainable management of forestry and allied resources; 40 Forest research technologies developed and disseminated, collected 70,000 kg tree seed species (translating to about 1.05 Billion seedlings); raised 76,525 difficult to propagate materials; increased tree seed source acreage by maintaining and assessing 145.5 ha of seed stands and seed orchards across various eco-regions; developed 12 forest products; and conducted 47 field days to disseminate technologies across various Eco regional centers.

The achievement of the outputs was faced with challenges which included: Inadequate budget provision and subsequent budget cut at the tail end of the financial year; 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, State Department for Forestry

6. Statement of Performance against Predetermined Objectives for Financial Year 2023/24

Programme:

Strategic Objective: To promote, regulate and facilitate the forestry sub sector for socio-economic development and industrialization. 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:10

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"> • Finalized and Approved the National Forest Policy • Draft Agro-Forestry Strategy developed • Initiated development of Commercial 	• The Agro forestry strategy to be finalized during the FY 2024/25
2.	Forest and water towers conservation	To protect, manage and conserve the forestry resources that	Increased forest and tree cover for improved livelihoods	Percentage forest cover in attainment of the national	<ul style="list-style-type: none"> • Coordinated Production of 1,050,000,000 Seedlings by MDAs and private sector. • Restored 21,998.9 Ha of 	• The expected outputs were affected by inadequate budget provision

No.	MDA Program	Strategic Objective	Outcome	Indicator	Performance	Comments
		contribute to high and sustainable socio-economic development;		10% tree cover	<p>degraded natural forests against the targeted 35,000 Ha,</p> <ul style="list-style-type: none"> • 144 km of gazetted natural forests fenced; • Refurbished 1,485 Ha of forest • 22 KFS tree nurseries • Established 568 Ha of bamboo in public forests • Produced 1,465.45 Ha of commercial bamboo • Rehabilitated 2,935 Ha of degraded mangrove ecosystems • Established 1,086 Ha of commercial forest established 	coupled with delayed release of exchequer s; technical and support staff shortages in all cadres.
3	Forest Research and Development	To promote research, development and the adoption of appropriate technology	Develop sustainable forest research and allied technologies	No. of technologies developed and disseminated	<ul style="list-style-type: none"> • 40 research technologies developed • Collected 70,000 kg tree seed species • Raised 76,525 difficult to 	• The expected outputs were affected by inadequate budget provision

No.	MDA Program	Strategic Objective	Outcome	Indicator	Performance	Comments
		for sustainable management of forestry and allied resources;			propagate materials • Maintained 145.5 ha of seed stands and seed orchards • Developed 12 forest products • Conducted 47 field days to disseminate technologies	coupled with delayed release of exchequer; technical and support staff shortages in all cadres.
4	Resource mobilization and collaborations	To create and coordinate partnerships and collaborations for resource mobilization, for sustainable management of forestry resources.	Increase in resources for sustainable forestry resources	Amounts (KShs10.7)	• The SDF was allocated a budget amounting to KShs.10.7B million during the Financial Year 2023/24.	• The SDF continues to develop Concept Notes/Proposal for resource mobilization

7. 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 financial year ended on June 30, 2024. 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 financial year ended June 30, 2024, 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

Approval of the financial statements

The State Department for Forestry financial statements were approved and signed by the Accounting Officer on 30th September, 2024.



.....
Gitonga Mugambi,EBS
Accounting Officer



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

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REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR FORESTRY FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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 33, which comprise of the statement of financial assets and liabilities as at 30 June, 2024 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and

Report of the Auditor-General on State Department for Forestry for the year ended 30 June, 2024

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 the State Department for Forestry as at 30 June, 2024, 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 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted receipts and actual on comparable basis of Kshs.13,527,707,261 and Kshs.12,519,641,157 respectively, resulting to an under-funding of Kshs.1,008,066,104 of the budget. However, the State Department spent an amount of Kshs.12,437,643,863 against actual receipts of Kshs.12,519,641,157 resulting to an under-utilization of Kshs.81,997,294 of the actual receipts.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional 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.

Other Information

The Management is responsible for the other information set out on pages vi to xxvi which comprise of Key Entity Information and Management, Key Management Team, Statement by the Cabinet Secretary, Statement by the Principal Secretary, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

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 effect of 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. Understaffing in Technical Department

The approved staff establishment submitted for audit revealed that the State Department has a technical staff establishment of eighty-six (86) posts. However, an analysis of staff in-post revealed that the Department was operating with only eleven (11) staff resulting to a shortfall of seventy-five (75) or 87% of the total approved staff establishment. The Department was therefore operating far below its optimal staffing level. This situation may lead to low morale and poor service delivery and may hinder the Department from achieving its mandate of conservation, protection, rehabilitation and sustainably managing forests and landscape resources.

In the circumstances, effectiveness and efficiency service delivery to the public could not be confirmed.

2. Over-establishment of Staff

The approved staff establishment submitted for audit revealed that the State Department has administrative support staff establishment of forty-five (45) posts. However, an analysis of staff in-post revealed that the Department had in post eighty-one (81) staff resulting to an over establishment of thirty-six (36) of the approved staff establishment. Management did not explain the nature of the duties, the excess staff were assigned to.

In the circumstances, efficient delivery of service and value for money on the compensation of employees cost for the excess staff could not be confirmed.

3. Unauthorized Secondment of an Officer to the State Department

The State Department requested vide letter reference No. MEF/ADM/C/1/1/(79) dated 7 February, 2023 for secondment of one technical officer from Kenya Forestry Research

Institute (KEFRI) to act as Director Agroforestry in the State Department and to enhance capacity. The officer once seconded, retained his entitlement with the employer except for travelling allowances and daily subsistence to be paid by the State Department.

However, no approval from Public Service Commission for the secondment was provided for audit. This was contrary to the Human Resource Policies and Procedures Manual for Public Service (2016) Section B33(3), which states that "Approval for secondment for officers moving from the other public administrations to the Civil Service shall be granted by the Public Service Commission".

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the State Department's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

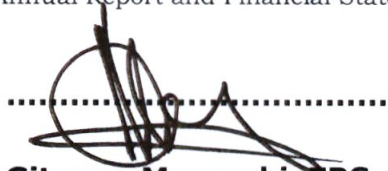
Nairobi

23 December, 2024

9. Statement of receipts and payments for the year ended 30th June 2024

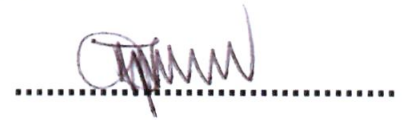
Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Receipts			
Exchequer Releases	1	10,200,978,776	2,532,028,819
Proceeds from Foreign Borrowings (Direct)	2	743,665,381	-
Proceeds from sale of Assets	3	1,574,996,998	-
Total Receipts		12,519,641,155	2,532,028,819
Payments			
Compensation of Employees	4	103,617,912	-
Use Of Goods and Services	5	108,174,322	34,907,681
Transfers To Other Government Entities	6	11,667,604,257	2,422,453,905
Other Grants and Transfers	7	543,838,272	58,253,862
Acquisition Of Assets	8	14,409,100	14,453,200
Total Payments		12,437,643,863	2,530,068,648
Surplus/Deficit		81,997,292	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 30/09/ 2024 and signed by:



Gitonga Mugambi, EBS

Principal Secretary



CPA Charles Minjire

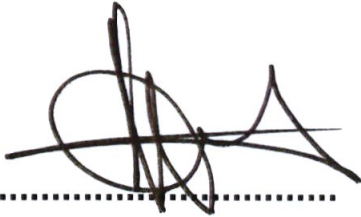
**Head of Accounting
Unit**

ICPAK M/No 4153

10. Statement of assets and liabilities as at 30th June 2024

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Financial assets			
Cash and cash equivalents			
Bank balances	9A	86,346,848	2,741,187
Cash balances	9B	-	-
Total cash and cash equivalent		86,346,848	2,741,187
Imprests and advances	10	-	-
Total financial assets		86,346,848	2,741,187
Financial liabilities			
Third party deposits and retention	11	4,349,556	781,016
Net financial assets		81,997,292	1,960,171
Represented by			
Fund balance b/fwd.	12	1,960,171	-
Prior Year Adjustments	12	(1,960,171)	-
Surplus/Deficit for the year		81,997,292	1,960,171
Net financial position		81,997,292	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 30/09/ 2024 and signed by:



Gitonga Mugambi, EBS

Principal Secretary



CPA Charles Minjire

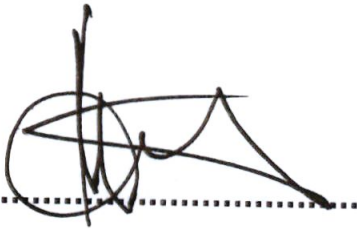
Head of Accounting Unit

ICPAK M/No 4153

11. The Statement of Cash flows for the year ended 30th June 2024

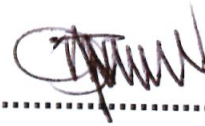
Description	Notes	2023-2024	2022-2023
		Kshs	Kshs
Receipts for Operating Income			
Exchequer releases	1	10,200,978,775.70	2,532,028,819
		10,200,978,776	2,532,028,819
Payments For Operating Expenses			
Compensation of Employees	4	103,617,911	-
Use of goods and services	5	108,174,322	34,907,681
Transfers to other government units	6	11,667,604,257	2,422,453,905
Other grants and transfers	7	543,838,272	58,253,862
		12,423,234,762	2,515,615,448
Adjusted for:			
Changes in payables (Increase/Decrease)	11	3,568,359	781,016
Prior year Adjustments	12	(1,960,171)	-
Net Cash Flow from Operating Activities		(2,220,647,798)	17,194,387
Cash flow From Investing Activities			
Proceeds from sale of Assets	3	1,574,996,998	
Acquisition of assets	8	(14,409,100)	(14,453,200)
Net Cash Flows from Investing Activities		1,560,587,898	(14,453,200)
Cash flow from Borrowing Activities	2	743,665,381	-
Net cash flow from Borrowing Activities		743,665,381	
Net increase in cash and cash equivalent		83,605,661	2,741,187
Cash & Cash Equivalent at Start of The Year	9A	2,741,187	-
Cash & Cash Equivalent at End of The Year		86,346,848	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 30/9 2024 and signed by:



Gitonga Mugambi, EBS

Principal Secretary



CPA Charles Minjire

Head of Accounting Unit

ICPAK M/No 4153

12. Statement of Comparison of Budget and Actual Amounts: Combined for FY 2023/24

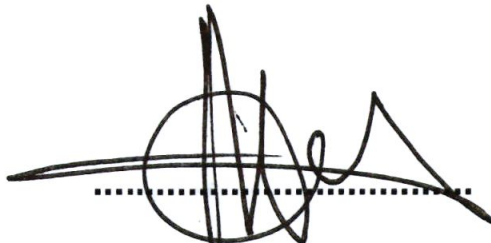
Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Exchequer releases	8,043,000,000	2,698,707,261	10,741,707,261	10,200,978,777	540,728,484	95%
AIA	4,550,000,000	(2,974,000,000)	1,576,000,000	1,574,996,999.25	1,003,002	99.9 %
Direct payments	1,786,000,000	(576,000,000)	1,210,000,000	743,665,381	466,334,619	62%
Total Receipts	14,379,000,000	(851,292,739)	13,527,707,261	12,519,641,157.25	1,008,066,104	93%
Payments						
Compensation of employees	158,000,000	5,779,400	163,779,400	103,617,911	60,161,488	62 %
Use of goods and services	153,000,000	(22,411,344)	130,588,656	108,174,322	22,414,334	85%
Transfers to other government entities	7,118,500,000	2,781,339,205	9,899,839,205	9,348,941,878	550,897,328	84%

State Department for Forestry
 Annual Report and Financial Statements for the year ended 30th June 2024

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 %
AIA	4,550,000,000	(2,974,000,000)	1,576,000,000	1,574,996,999.25	1,003,002	99.9 %
Direct payments	1,786,000,000	(576,000,000)	1,210,000,000	743,665,381	466,334,619	62%
Other grants and transfers	601,500,000	(60,000,000)	541,500,000	543,838,272	(2,338,272)	100%
Acquisition of assets	12,000,000	(6,000,000)	6,000,000	14,409,100	(8,409,100)	100%
Total Payments	14,379,000,000	(851,292,739)	13,527,707,261	12,437,643,863.25	1,090,063,399	94%
Surplus/ Deficit	-	-	-	81,997,292		

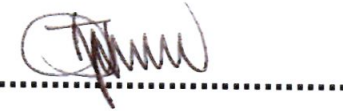
The under absorption of Compensation to employees is attributed to staff that were expected to be employed after the approval of the organization structure but the process is still ongoing and indent have been approved by the Public Service Commission

The entity financial statements were approved on 30/09/2024 and signed by:

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above a horizontal dotted line.

Gitonga Mugambi, EBS

Principal Secretary

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CPA Charles Minjire

Head of Accounting Unit

ICPAK M/No. 4153

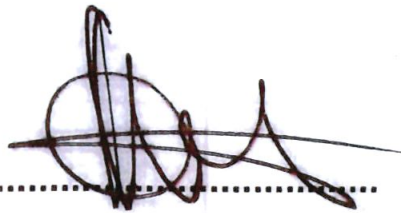
Statement of Comparison of budget and Actual Amounts: Recurrent for FY 2023/24

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	5,574,000,000	2,969,368,056	8,543,368,056	8,543,368,056	-	100%
AIA	4,550,000,000	(2,974,000,000)	1,576,000,000	1,574,996,999.25	1,003,002	99%
Total Receipts	10,124,000,000	(187,000,000)	10,119,638,056	10,118,365,055	1,003,002	99%
Payments						
Compensation of employees	158,000,000	5,779,400	163,779,400	103,617,912	60,161,488	62%
Use of goods and services	153,000,000	(22,411,344)	130,588,656	108,174,322	22,414,334	83%
Transfers to other Government entities	5,251,000,000	2,992,000,000	8,243,000,000	8,238,499,999	4,500,001	99%
AIA	4,550,000,000	(2,974,000,000)	1,576,000,000	1,574,996,999.25	1,003,002	99%
Acquisition of assets	12,000,000	(6,000,000)	6,000,000	14,409,100	(8,409,100)	100%
Total Payments	10,124,000,000	(187,000,000)	8,543,368,056	10,039,698,332	79,669,725	99%
Surplus/Deficit				78,666,722.80		

Note

The amount of Kshs. 8,541,300 used for Acquisition of Assets is included in the use of Goods and Services

The entity financial statements were approved on 30/09/ 2024 and signed by

A handwritten signature in dark ink, consisting of a large, stylized initial 'G' followed by several loops and a long horizontal stroke extending to the right. The signature is positioned above a horizontal dotted line.

Gitonga Mugambi, EBS

Principal Secretary

A handwritten signature in dark ink, featuring a circular initial 'C' followed by several vertical, wavy lines. The signature is positioned above a horizontal dotted line.

CPA Charles Minjire

Head of Accounting Unit

ICPAK M/No.4153

Statement of Comparison of budget and Actual Amounts: Development FY 2023/24

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	2,469,000,000	(270,660,795)	2,198,339,205	1,657,610,720.70	540,728,484.30	75%
Direct Receipts	1,786,000,000	(576,000,000)	1,210,000,000	743,665,381	466,334,619	62%
Total Receipts	4,255,000,000	(846,660,795)	3,408,339,205	2,401,276,101.70	1,007,063,108.3	
Payments						
Compensation of employees	-	-	-	-		
Transfers to other Government entity	1,867,500,000	(210,660,795)	1,656,839,205	1,110,441,878.50	546,397,326.50	67%
Direct payments	1,786,000,000	(576,000,000)	1,210,000,000	743,665,381	466,334,619	62%
Other grants and transfers	601,500,000	(60,000,000)	541,500,000	543,838,272	(1,844,074)	100.9%
Total Payments	4,255,000,000	(846,660,795)	3,408,339,205	2,397,945,531.50	1,010,887,871.50	
Surplus/Deficit				3,330,570.20		

(a) - Variance analysis:

EXPLANATION

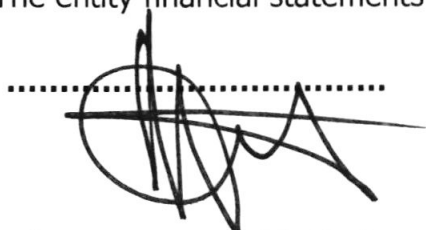
Transfer to other Government Entities

Exchequer funding for KEFRI and KFS were not fully issued hence the 67 % absorption rate.

There was budget cut in Supplementary II of Kshs.60M at the tail end of the financial year when Expenditure had been incurred.


(b) Reallocations within the year: There were no reallocations within the Development Budget.

The entity financial statements were approved on 30/09/ 2024 and signed by:



Gitonga Mugambi, CBS

Principal Secretary



CPA Charles Minjire

Head of Accounting Unit

ICPAK M/No 4153

Budget Execution by Programmes and Sub-Programmes for FY 2023-2024

Programme/Sub-programme	Final Budget	Indicators	Outcomes	Actual on comparable basis	Budget utilization difference
	2023-2024			2023-2024	
	Kshs			Kshs	Kshs
Programme 1002000000	-			-	-
1002040000	-			-	-
Programme 1018000000	13,527,707,261			12,437,643,862.60	1,090,063,398.40
1018010000	11,274,102,946			10,353,371,394.75	920,731,551.25
1018020000	2,110,576,800			1,993,074,797	117,502,003.00
1018030000	10,000,000			2,500,000	7,500,000.00
1018040000	133,027,515			88,697,670.85	44,329,844.15
Grand Total	13,527,707,261			12,437,643,862.60	1,090,063,398.40

13. Notes to the Financial Statement

The principal 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.

Significant Accounting Policies (Continued)

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.

(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 2024, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

Significant Accounting Policies (Continued)

(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.

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.

Significant Accounting Policies (Continued)

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.

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.

Significant Accounting Policies (Continued)

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 2024, this amounted to **Kshs. 4,349,555** compared to **Kshs 781,016** 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or 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.

Significant Accounting Policies (Continued)

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 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.

Significant Accounting Policies (Continued)

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 year ended 30th June 2024.

j) Prior Period Adjustment

Prior year adjustments adjusted accordingly.

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.

Significant Accounting Policies (Continued)

l) 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.

There were no contingent liabilities

Notes to the Financial Statements

1.Exchequer releases

Description	2023-2024	2022-2023
	Kshs	Kshs
Total Exchequer releases for quarter 1	3,012,327,782.40	-
Total Exchequer releases for quarter 2	674,841,448.70	-
Total Exchequer releases for quarter 3	3,365,849,819.15	-
Total Exchequer releases for quarter 4	3,147,959,725.45	2,532,028,818.95
Total	10,200,978,775.70	2,532,028,818.95

The Exchequer funding includes Kshs. 700,240,078.50 Africa Development Bank (ADF) Foreign borrowings through the National Treasury.

2. Proceeds from Foreign Borrowings

Description	2023-2024	2022-2023
	Kshs	Kshs
Foreign Borrowing - Direct payments- Green zone project	293,794,914.35	-
Green zone Project Funding through Exchequer	700,240,078.50	-
Green Zone Project funding included under Note 1 above as part oof Exchequer	(700,240,078.50)	
Foreign Borrowing - Direct Payments-Capacity Dev Project	449,870,466.90	
Total	743,665,381.25	-

The borrowing is from African Development Bank for conserving the country's forests and enhancing communities Livelihood for climate change resilience.

3 Proceeds from Sale of Assets

Description	2023-2024	2022-2023
	Kshs	Kshs
Receipts from Sale of Cultivated Assets (Plants & crops)-Kenya Forest services-KFS	1,495,999,001.25	-
Receipts from the Sale of Non-capital goods Kenya Forest Services (KFS)	2,000,000.00	
Receipts from the Sale of Plants Kenya Forest Services (KFS)	2,000,000.00	
Receipts from the Sale of Non-capital goods	74,997,997.00	-

Kenya Forest Research Institute Services (KEFRI)		
Total	1,574,996,998.25	-

4 Compensation to Employees

Description	2023-2024	2022-2023
	Kshs	Kshs
Basic salaries of permanent employees	69,652,151.25	-
Personal allowances paid as part of salary	33,965,760.00	-
Pension and other social security contributions	-	-
Employer contributions to compulsory national social security schemes	-	-
Total	103,617,911.85	-

5 Use of Goods and Services

Description	2023-2024	2022-2023
	Kshs	Kshs
Utilities, supplies and services	-	-
Communication, supplies and services	3,414,424	442,070
Domestic travel and subsistence	19,977,291	5,893,288
Foreign travel and subsistence	15,055,435	957,711
Printing, advertising and information supplies & services	3,093,289	291,662
Rentals of produced assets	18,132,087	6,072,975
Training expenses	3,079,400	75,000

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Description	2023-2024	2022-2023
	Kshs	Kshs
Hospitality supplies and services	12,744,509	1,844,356
Office and general supplies and services	10,984,016	3,653,233
Fuel Oil and Lubricants	6,527,551	2,252,541
Other operating expenses	3,000,060	500,000
Routine maintenance – vehicles and other transport equipment	1,932,560	1,844,053
Routine maintenance – other assets	10,233,700	11,080,790
Total	108,174,322	34,907,681

6 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	AIA	Total	
	2023-2024	2023-2024		2023-2024	2022-2023
	Kshs	Kshs		Kshs	Kshs
Transfers to SAGAs					
Kenya Forest Services	6,567,500,000	138,125,000.00	1,499,999,001.30	8,205,624,001.30	1,941,841,500
Kenya Forest Research Institute	1,670,999,999.25	272,076,800.00	74,997,997	2,018,074,796.25	480,612,405
Transfers to Projects-					
Green Zone Project Phase II-	-	700,240,078.50	-	700,240,078.50	-
Green Zone Direct Payments	-	293,794,914.35	-	293,794,914.35	-
Capacity Dev. Project- Direct payments	-	449,870,466.90	-	449,870,466.90	-
Total	8,238,499,999.25	1,854,107,259.75	1,574,996,998.30	11,667,604,257.30	2,422,453,905

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

7 Other Grants and Transfers

Explanation	2023-2024	2022-2023
	Kshs	Kshs
Suswa Lake Magadi-Migori Restoration Project	20,500,000	3,861,505
Kenya's Water Towers Protection & Climate change	-	7,461,261
National Tree Planting Campaign Project	317,356,041	46,931,000
Presidential Directive-Strategic	205,982,230	-
Total	543,838,271	58,253,862

8 Acquisition of Assets

Non -Financial Assets	2023-2024	2022-2023
	Kshs	Kshs
Purchase of Office Furniture and General Equipment	14,409,100	12,098,600
Purchase of Specialized Plant, Equipment and Machinery	-	2,354,600
Purchase of ICT Equipment, Software and other ICT Assets	-	-
Total	14,409,100	14,453,200

Note

There was a supplementary budget cut of Kshs. 6,000,000 in the acquisition of Assets that affected the budget hence resulting to negative.

9 Cash and Bank Accounts

9 A: 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)	2023-2024	2022-2023
				Kshs	Kshs
Central Bank 1000695528	Kshs	Recurrent	-	81,105,216.80	260,890.70
Central Bank 1000695552	Kshs	Development	-	892,075.50	1,699,280.30
Central Bank 1000695536	Kshs	Deposit	-	4,349,556.00	781,016.00
Total				86,346,848.30	2,741,187

9B. Cash on hand

Description	2023-2024	2022-2023
	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 2024.

A board of survey reports are attached

Notes to the Financial Statements (Continued)

10: Imprests and Advances

<i>Description</i>	2023-2024	2022-2023
	Kshs	Kshs
Government Imprests	-	-
Salary advances	-	-
Total	-	-

There were no outstanding Imprests at as at 30th June 2024.

11.Third party deposits and retention

<i>Description</i>	2023-2024	2022-2023
	Kshs	Kshs
Retention	2,983,008	781,016
Deposits (staff pension)	1,366,548	-
Total	4,349,556	781,016

The retention relates to alterations to Buildings and civil works done on 14th floor of NHIF building where State Department of Forestry is housed.

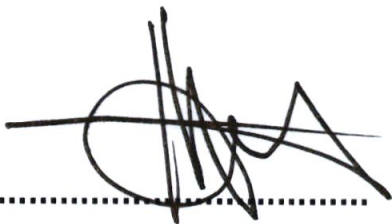
Deposits relates to Pension of staff (Mathias Chemonges).

12. Fund Balance Brought Forward

Description	2023-2024	2022-2023
	Kshs	Kshs
Bank Accounts	2,741,187	
Cash in hand	-	-
Accounts Receivables	-	-
Accounts Payables	(781,016)	-
Total	1,960,171	-

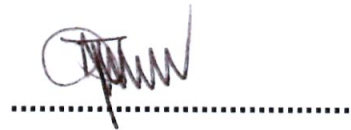
The Fund balances brought forward relates to Retention of Interpid Contractors Ltd of **Kshs.781,016** that was paid out within the financial year.

Bank account balances as at 30th June 2023 of **Kshs.1,960,171** was remitted to Exchequer Miscellaneous Revenue Account.



Gitonga Mugambi, EBS

Principal Secretary



CPA Charles Minjire

Head of Accounting Unit

ICPAK M/No 4153

7. 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.

8. Other Important Disclosures

8.1 Related party transactions:

Description	2023-2024	2022-2023
	Kshs	Kshs
Key Management Compensation	-	-
Transfers to Related Parties		
Transfers to SCs and SAGAs	8,648,701,799.25	-
AIA (KFS and KEFRI)	1,574,996,998.25	
Direct payments-green zone and Capacity Dev Projects	743,665,381.25	
Transfers to Development Project-Green Zone Project	700,240,078.50	-
Total Transfers to Related Parties	11,667,604,257.25	-
Purchase of Goods and Services		

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Training Fees paid to Govt Agencies	-	-
Total Goods and Services paid to Govt. Agencies	11,667,604,257.25	-
Transfers from Related Parties		
Transfers from the Exchequer	10,200,978,775.70	-
Total Transfers from Related Parties	10,200,978,775.70	-

9. 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.

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

Note:

The State Department had Unqualified Audit Report for 2022-2023 Financial year.

Appendix 1 – Summary of Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) 2023/2024	Additions during the year (Kshs)	Dispos als during the year (Kshs	Transfers in/(out) during the year	Historical Cost c/f (Kshs) 2023/24
Office equipment, furniture and fittings	7,749,100	10,664,100	-	-	18,513,200
ICT Equipment	4,349,500	3,745,000	-	-	8,094,500
ICT Networking and Communications Equipment	1,409,600	-	-	-	1,409,600
Specialized plant, Machinery and Equipment	2,384,600	-	-	-	2,384,600
Purchase of Software	975,000	-	-	-	975,000
Total	14,453,200	14,409,100	-	-	28,962,300

The balance as at the end of the year is the cumulative cost of all assets bought in prior years and currently by the State Department. Additions during the year have been tied to note 8 on acquisition of assets during the year.

Appendix 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	6,705,625,000	Yes
2	Kenya Forestry Research Institute	To conduct Research in Forestry and Allied Natural Resources	Ag. Director Dr. Jane Njuguna	1,943,076,799.25	Yes
	TOTAL			8,648,701,799.25	

Note

Kshs. 146,000,000 transferred as other Grants to KFS from Budget code (2640503)
Headquarters

Appendix 3 - Analysis of Pending Accounts Payable

Supplier of Goods or Services	Date invoiced/ contracted	Particulars	Original Amount	Balance at the beginning of the year	Addition During the year	Amount paid During the year	Outstanding Balance	Comments
				a	b	c	d=a+b-c	
Construction of civil works								
1. Interpid Contractors	30-6-2023			781,016	-	781,016	-	
2. Interpid Contractors	31-1-2024				283,008		283,008	
3. Bravery Homes Ltd	28-6-2024			-	2,699,000	-	2,699,000	
Sub-Total				781,016	2,983,008	781,016	2,983,008	
4. Unpaid pension-Mr. Chemonges	28-2-2024			-	1,366,548	-	1,366,548	
Sub-Total				-	1,366,548	-	1,366,548	
Grand Total							4,349,556	

Appendix 4 – List of Projects implemented by State Department for Forestry

Ref	Project Name	Principal activity of the project	Accounting Officer	Amount Transferred	Project consolidated in these financial statements(yes/no)
1	Green zone Project	Afforestation, conservation and improving the livelihood of Communities	Alex Lemarkoko	994,037,992.85	yes
2	Capacity Building for Modern Tech in Forest Fire Mngt	Forest Fire Management	Alex Lemarkoko	449,870,466.90	yes
	TOTAL			1,443,905,459.75	

14. Annex - Reports Generated from IFMIS

IFMIS financial reports to be presented on request.

Annex

1. Confirmations by SAGAS
2. Fixed Assets Register
3. Board of Survey Report