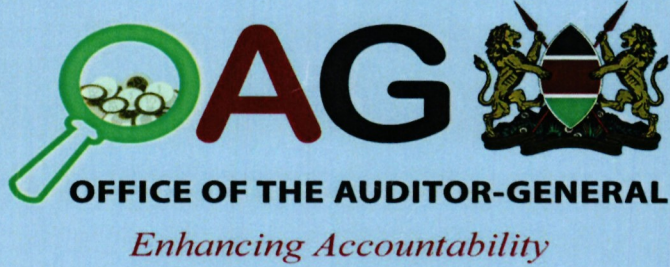


REPUBLIC OF KENYA



# REPORT

OF



THE AUDITOR-GENERAL

ON

PRISON INDUSTRIES REVOLVING FUND

FOR THE YEAR ENDED

30 JUNE, 2021

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 22 MAR 2022	DAY: TUESDAY
TABLED BY: MAJORITY LEADER	
CLERK-AT THE-TABLE:	



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
**REGISTRY**

17 MAR 2022

**RECEIVED**

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**KENYA PRISON SERVICE**  
*(Prison Industries Revolving Fund- (PIRF))*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**

**30<sup>TH</sup> JUNE 2021**

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

**Kenya Prisons Service (Prison Industry Revolving Fund)**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

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## **1. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

The Prisons Industries Revolving Fund (PIRF) is domiciled in the directorate of Prisons Enterprise, Industries section of Kenya Prisons Service. The Fund was established by Legal Notice No. 314 of the Exchequer and Audit Act (Cap 412) Regulations of 1988. The Directorate of Prisons Enterprise is situated at the Prisons Headquartered, Magereza House in Nairobi and has branches in 104 industrial prisons countrywide.

Section 11 of the Legal Notice No 314, requires the Officer administering the Fund to prepare financial statements in respect of the Prison Industries Revolving Fund, which gives a true and fair view of the state of affairs of the Fund at midyear and at the end of the financial period on operating results of the Fund for that period.

The officer fund administering is also required to ensure that Prison Industries Revolving Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund and safeguarding the assets of the Fund.

### **ESTABLISHMENT OF THE PRISONS INDUSTRIES REVOLVING FUND**

LEGAL NOTICE No. 314

#### **THE EXCHEQUER AND AUDIT ACT** *(Cap. 412)*

IN EXERCISE of the powers conferred by section 34 of the Exchequer and Audit Act, the Minister for Finance makes the following Regulations:-

#### **THE EXCHEQUER AND AUDIT (PRISONS INDUSTRIES FUND) REGULATIONS, 1988**

1. These Regulations may be cited as the Exchequer and Audit (Prison Industries Fund) Regulations, 1988 and shall be deemed to have come into operation on the 1<sup>st</sup> July, 1987.

2. In these Regulations, unless the context otherwise requires-

“Financial year” means the period from the 1<sup>st</sup> July in any year to the 30<sup>th</sup> June in the immediately succeeding year (both days inclusive);

“Fund” means the Prison Industries Fund established by the Treasury under section 32 (1) of the Act;

“Officer administering the fund” means the accounting officer responsible for the vote of the Office of the Vice President and Minister of Home Affairs and National Heritage or any other person appointed by him in writing to administer the fund on his behalf.

3. The purpose and object of the Fund shall be to train and rehabilitate prisoners and inmates and procure necessary raw materials, tools, plants and equipment required thereof; and offer for sale finished products in the open market.

4. The initial capital of the Fund shall be K£ 700,000 appropriated by Parliament in the 1987/88 financial year.

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5. The surplus realized in any year from the operations of the Fund shall be retained in the reserve account of the Fund pending Treasury's decision on its disposal, and a deficiency, if realized in any year, shall, subject to Treasury's concurrence, be off-set against the realized surplus.
6. The expenditure on operation of prison industries and maintenance of tools, plants and equipment shall be on the basis of, and be limited to, the annual budget (on receipts and expenditure) which shall be submitted to the Treasury for approval before the beginning of the financial year to which the budget relates.
7. The institutions which may obtain manufactured items from the Prison Industries Fund shall be-
- Government Ministries,
  - Government Departments,
  - Local Government Authorities,
  - Parastatal Organizations, and
  - Private Organizations and Individuals.
8. ~~The selling prices of finished goods shall be reviewed from time to time by the officer administering the Fund in consultation with the Treasury.~~
9. The Government procurement procedures shall strictly be adhered to when purchasing items referred to under Regulation 3.
10. All the receipts, savings and accruals of the Fund and balance of the Fund at the close of each financial year, shall be retained for the purpose of which the Fund is established subject to the provisions of Regulation 5.
11. The officer administering the Fund shall-
- supervise and control the administration of the Fund;
  - advise and obtain such advice from the Minister for the time being responsible for finance as may from time to time be required;
  - if he thinks fit, impose conditions as to the use to be made of any expenditure authorized by him or on his behalf and impose any reasonable prohibition, restriction or requirements concerning such use or expenditure;
  - approve the prices of finished products to be offered for sale;
  - cause to be kept all proper books of accounts and other books and records in relation to the Fund and to all various activities and undertakings financed by the Fund;
  - transmit to the Controller and Auditor General, in respect of each financial year within four months after the end thereof, a statement of account relating to the Fund, prepared and signed by him, specifying income to the Fund, and showing the expenditure incurred from the Fund, in such details and with such additional information as he may deem to be proper and sufficient for the purpose of examination and audit by the Controller and Auditor-General in accordance with section 18 (2) of the Act as the Treasury may from time to time direct, and every statement of account shall include details of the balance between the assets and liabilities of the Fund, and indicate the financial status of the Fund, as at the end of the financial year concerned.

Made on the 22<sup>nd</sup> July, 1988.

GEORGE SAITOTI,  
*Minister for Finance.*

**(b) Principal Activities**

The principal mandate of the *Prison Industries* is to train and rehabilitate prisoners and inmates, procure necessary raw materials, tools, plants and equipment required thereof and offer for sale finished products in the open market.

- **VISION :** A correctional service of excellence in Africa and beyond
- **MISSION:** Containment of offenders in humane and safe conditions in order to facilitate responsive administration of justice, rehabilitation and social integration for community protection
- **MOTTO :** Rehabilitation and Justice

**OUR CORE VALUES**

- 1. Fairness and Equality to all within the law**
- 2. Integrity**
- 3. Team work and collaboration**
- 4. Loyalty**
- 5. Gender sensitivity**
- 6. Discipline**
- 7. Meritocracy**
- 8. Leadership by example**

**(c) Key Management**

The *PIRF's* day-to-day management is under the following key organs:

- The Commissioner General of Prisons
- The Accounting Officer - Principal Secretary, State Department for Correctional Services
- The Director/Deputy Director Prisons Enterprise
- Officers in Charge - Prison Stations
- Officers in Charge - Prison Industries

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**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal Secretary	<b>Zeinab A. Hussein (Mrs.), CBS</b>
2.	Commissioner General of Prisons	<b>Wycliffe O. Ogallo, CBS, (RTD)</b>
3.	Director of Prison Enterprise	<b>Wairimu R. Thang'ate, HSC, SACGP</b>
4.	Deputy Director Prison Industries	<b>Peter N. Njoroge, OGW, ACP</b>

**(e) Fiduciary Oversight Arrangements**

**Audit and finance committee activities**

The purpose of Internal Audit is to assist an organisation in accomplishing its objectives by bringing a systematic, disciplined approach, to evaluate and improve the effectiveness of risk management, control, and governance processes. In accordance with Public Financial Management Act (2012) Regulations [Section 165], the main purpose of the Audit Committee shall be to provide oversight over the issues of risk management, system of internal control and governance and associated assurance. The responsibility over the management of risk, control and governance processes remains with the management.

The Audit Committee shall also oversee the process of follow up on the implementation of the recommendations proposed by the internal and external auditors respectively.

**CORE FUNCTIONS;**

- ❖ Establishing the governance mechanisms of the Fund for transparency and accountability with regard to the finances and assets;
- ❖ Conducting risk-based, value-for-money and systems audits aimed at strengthening internal control mechanisms that could have an impact on achievement of the strategic objectives of the Enterprise;
- ❖ Verifying the existence of assets administered by the Fund and ensuring that there are proper safeguards for their protection;

- ❖ Providing assurance that appropriate institutional policies and procedures and good business practices are followed by the Enterprise;
- ❖ Evaluating the adequacy and reliability of information available to management for making decisions with regard to the Fund and its operations.
- ❖ Account for results of the audit of the financial statements and the related report therein and, if applicable, a report on changes during the year in accounting principles and their application.
- ❖ Report on significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit. Inquire about the cooperation received by the outside auditors during their audit, including access to all requested records, data, and information.
- ❖ Ask the outside auditors if there have been any disagreements with staff that, if left unresolved, would have caused them to issue a nonstandard report on the organization's financial statements.
- ❖ Obtain annually from the outside auditors a letter regarding the adequacy of internal controls.

**(f) PIRF Headquarters**

MAGEREZA House

Bishop Road – Upperhill

P.O. Box 30175-00100

Nairobi, KENYA

**Registered Office**

Teleposta Building

Kenyatta Avenue

P.O. Box 30478-00100

Nairobi, KENYA

**(g) PIRF Contacts**

Telephone: (254) 20-2722900-6

E-mail: [commissioner.prisons.go.ke](mailto:commissioner.prisons.go.ke)

Website: [www.go.ke](http://www.go.ke)

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**(h) Entity Bankers**

1. Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

**NAIROBI, KENYA**

2. **Equity Bank of Kenya**

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**(i) Independent Auditors**

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**(j) Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

2. THE BOARD OF MANAGEMENT

Board Members photo and name.



**Hon. Safina Kwekwe Tsungu (CBS) (PS)**  
**Principal Secretary**

Board Members key qualifications and work experience.

Principal Secretary for Correctional Services in the Ministry of Interior and Coordination of National Government. Hon. Tsungu has served in various organizations and institutions both in civil society and the Public sector. Notably, she served as the Principal Secretary for Tourism in the Ministry of Tourism and Wildlife (January 2020- December 2021), Principal Secretary for Gender in the Ministry of Public Service, Youth and Gender (March 2018- January 2020). She worked as the County Executive Committee Member for Trade and Co-operative Development in Kwale County, worked with Action Aid International –Kenya for more than 8 years as a women’s rights coordinator. Hon. Tsungu also served the East African Community as a legislator in the second East African Legislative Assembly (EALA) and chaired the Parliamentary Standing Committee on Agriculture, Tourism and Natural Resources for two and a half years. Hon. Tsungu pioneered the establishment of the EALA Women's Parliamentarian’s Forum which she chaired for 5 years.

**EDUCATIONAL BACKGROUND**

- \* **MBA in International Trade Policy and Trade Law from Lund University, Sweden,**
- \* **Bachelor of Commerce degree from The University of Nairobi**
- \* **An Alumni of Alliance Girls High School.**



**Brig (Rtd) John K. Warioba, EBS**  
**Commissioner General of Prisons**

I am a self-motivated, dynamic, result oriented, and self-driven individual with an eye for details. My career in the Military spanned for a period of 36 years rising to the rank of Brigadier. My command experience in the military started as a young officer upon being commissioned as an officer then took over command of a platoon size force. I subsequently commanded a company, battalion and finally a brigade size force both in peacetime and operations environments including peacekeeping operations in Namibia and South Sudan.

As I take command of the Kenya Prisons Service as the **Commissioner General of Prisons (CGP)** in November, 2021, I aim at making significant contribution in the field of Human Resource Management, Policy formulation and Personnel training in order to enhance organisation performance.

I have undertaken a series of professional courses in security management, administration and management.

**Qualifications:**

- \* **MA(International Security and Strategy) – Kings College - London**

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**Mr. James K. Too, ndc(k), [ACGP]**  
**Director Prisons Enterprise**

I am a career corrections officer with solid credentials and a track record of public service spanning over thirty five years. My appointment as the Director of Prisons Enterprise (DPE) in December, 2021 capped my illustrious career that began in 1985 as Chief Officer Two (COII) and risen through ranks to the current rank of Assistant Commissioner General of Prisons (ACGP). Currently I am the Chairman of Magereza Sacco which is one of the largest SACCOs in the country. I have served the SACCO for over 17 years in various management capacities.

Prior to my appointment as the DPE, I was the Director Logistics and served in various capacities in various stations and as a Regional Commander Rift Valley & Central Regions respectively.

I have undertaken a series of professional courses in security management, administration and management.

I am a persuasive communicator with proven abilities in building teams that has since intensified our collaboration with the other criminal justice players in the development of common approaches to the matters of penal reforms.

**Qualifications:**

- \* Diploma in International Relations
- \* Advanced Level of Education
- \* Professional Courses in security Management
- \* Administration and Management Course



**Mr. Peter N. Njoroge, OGW [ACP]**  
**Deputy Director Prisons Enterprise (Industries)**

Enlisted in Kenya Prisons Service in 1987 as a Technical Officer (WDR) and risen through the ranks to the current rank of Assistant Commissioner of Prisons (ACP).

Has served in the following capacities:

- \* 1987-1991 – Kamiti Main Prison Industries
- \* 1991 – 2003 – officer in charge Kitui prison industries
- \* 2003 – 2005 - officer in charge Athi-River Prison Industry
- \* 2005 to July 2009– officer in charge Kamiti maximum security prison industries
- \* 2007 International Peace Support Training Centre Nairobi
- \* August 2009 to January 2011 – corrections advisor/mentor republic of Congo
- \* February 2011 to November 2011 - officer in charge marketing prisons enterprises PHQ
- \* 2011 to 2013 – officer in charge Naivasha maximum security Prisons Enterprise
- \* 23 June 2013 to 23 June 2016 – Corrections Officer in United Nations Mission In South Sudan
- \* 2016-2017 officer in charge marketing Prisons Enterprise PHQ
- \* 2017 2019 – Officer In charge Nairobi West Prison
- \* Nov 2019 to date Deputy Director Prisons Enterprise (Industries)

**Qualifications:**

- MBA (Strategic Management) KeMU 2013
- BBA(Hons) KeMU 2009
- Adv. Diploma - Kenya College Of Telecommunications –Nairobi -2008

### **3. STATEMENT BY THE PRINCIPAL SECRETARY**

It is my pleasure to release the Prison Industries Revolving Fund Annual Report and Financial Statement for the year ended 30th June, 2021. I am proud to note that the fund has continued to fulfil its set purpose and objective of training and rehabilitation of prisoners while operating in accordance with business principles. The Prisons Service has been a place for restorative justice unlike the colonial approach to prisons management which was about retribution, punishment, condemnation, stigmatization and pain; restorative justice is about correction.

During the year under review, over 3,000 prisoners participated in various industrial vocational training programs and a total of 127 were booked for Government Trade Tests where 1 Grade II and 126 Grade III respectively. The government committed Kshs. 320,090.00 for paying examination fees, training and testing materials. These prisoners are well skilled in their areas of trades and some of them have already been released from prisons to the society as skilled artisans ready to join their families and communities in nation building.

Besides offering vocational and on- the- job training to prisoners, prison industries make valuable contribution to the economy of the country by producing a pool of skilled artisan critical for the industrial and construction industry in line with vision 2030 and the government's BIG four agenda. Also, prison industries produce high quality furniture for the local market and save the economy of our country from importing both office and household furniture in line with the government policy of encouraging local manufacturers. Equally encouraging and also worth registering is the implementation of the cashless transaction to support Prisons Enterprise which has enabled seamless real-time deposition of the revenues into the CBK account. These are clear indications of a truly transformed Kenya Prisons Service -PE.

During the year under review, the fund experienced a marginal increase of sales to 397,006,637.16 as compared to Kshs, 319,494,021.77 realized in 2019/2020 financial year while net assets increased from Kshs. 633,943,593.57 in 2019/2020 to Kshs 792,857,755.00 in 2020/2021 financial year.

The continuous performance of the fund is a true testimony of its stability and sustainability. Establishing a stable and sustainable fund to finance prisons offender rehabilitation programs were the noble ideals of the founders of this fund in 1988.

In order to ensure sustainability of the industries, the state department has initiated reforms in revising the prison industries and farms policy and also re-equipping the enterprise. It is my hope

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that once the policy is finalised and modernization of the machineries, prison industries will witness unprecedented transformation in operations and management.

I want to reiterate my commitment to strengthening prison industries to become an efficient and effective business framework to fully support offender rehabilitation and reformation programs in our prisons and supplement government efforts in meeting the operational expenses of prisons.

Further, I am greatly impressed by the prudent measures the Commissioner General of Prisons and his team have put on the management of the fund. This fund has not only achieved its set purpose and objectives, but has also set a firm foundation for future prosperity. I urge prisons department to double its efforts to ensure that the fund not only fulfils its purpose, but also generates surplus funds that can be used to supplement the exchequer on the operational expenditure of prisons.

I will end by quoting this: "Let impossible not be in our vocabulary" and Indeed, "...Impossible is nothing if we believe that we can", the leadership of the service has demonstrated this ideal" –as said by His Excellency, Hon. Uhuru M. Kenyatta, CGH, President Of The Republic Of Kenya and Commander In Chief Of The Defence Forces during the 44th passing-out-parade of prisons recruits

Name **Hon. Safina Kwekwe Tsungu, CBS** Signature.......... Date.....19/1/2022.....

**Principal Secretary,**

**State Department for Correctional Services, Nairobi.**

#### **4. REPORT OF THE COMMISSIONER GENERAL OF PRISONS**

I am pleased to share this annual report and financial statement of Prisons Industries Revolving Fund for the year ended on 30<sup>th</sup> June 2021. Prison Industries Revolving Fund is crucial to the achievement of main prison objectives of rehabilitation and reformation of prisoners. The fund facilitates provision of vocational and on the job training to the Country's over 30,000 prisoners population. Prison industries provide practical technical and soft-skills training to prisoners while at the same time modelling appropriate workplace behaviours to prisoners. By providing this training, offenders learn "how to work" so as to successfully obtain and retain employment upon release from incarceration and reduce recidivism.

I feel greatly indebted to many Kenyans who have supported our industries by showing unwavering preference to our products. The support has made our rehabilitation programs achieve the success

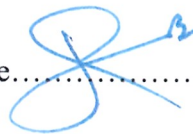
we are witnessing. Keep up your support and help us reduce crime in our country. We can only accomplish this through hard work, collaboration and winning partnerships.

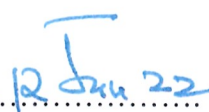
The performance of Prison Industries Revolving Fund during the financial year 2020/2021 was another milestone achievement though it did not operate at its optimal. The fund has continued to propagate from the initial seed capital of Kshs.14,000,000.00 appropriated by parliament in 1987/88 to the current net assets base of Kshs. 792,857,755.00. At the same time, the number of prisoners enrolling in industrial vocational training programs has witnessed remarkable decrease in the year due to the emergence of COVID 19 pandemic which engulfed prisons operations through closure/lockdown of workshops and showrooms.

During the year under review, the funds 104 industrial prisons across the country offered industrial vocational training to an average of 3,000 prisoners. As the country continues to embrace devolution, the service has taken steps to ensure that there is at least one industrial prison in each one of the 47 counties. These industrial prisons not only offer vocational training in different skills to prisoners at the grass root level but also provide employment opportunities to prisoners serving prison sentences and manufacture high quality products for sale in the local markets. The main beneficiary of prison industries products are schools, churches, hospitals, county governments, national government department , non-governmental organizations, private firms and individuals. Once released from prisons, the skilled prisoners are absorbed and integrate in society where they add to the national pool of artisans necessary for national development.

Further, during the year under review, the department did not participate in trade fairs and exhibitions due to COVID 19 disease invasion into the country which affected the events adversely. I am greatly indebted to the Principal Secretary, State Department for Correctional Services who is also the officer administering the fund for the great support and advice accorded us in the operations of the fund. I also take this opportunity to thank ministries, departments, government agencies and in a special way county governments who have continued to buy prison industries products. I appeal to all to continue supporting us as every time we buy prison industries products, we are helping in rehabilitation and reformation of offenders and making our society safer and secure.

Name **Brig (Rtd) John K. Warioba, EBS**  
**Commissioner General of Prisons,**  
**Kenya Prisons Service, Nairobi.**

Signature.....

Date.....

**5. STATEMENT OF PIRF's PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021**

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

*PIRF* has three (3) strategic objectives within the current Strategic Plan for the FY 2020- FY 2021.

These strategic themes/ issues are as follows:

*Pillar/theme/issue 1: To train and rehabilitate prisoners and inmates*

*Pillar/theme/issue 2: Procure necessary raw materials, tools, plants and equipment required*

*Pillar/theme/issue 3: Offer for sale finished products in the open market.*

*PIRF* develops its annual work plans based on the above 3 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *PIRF* achieved its performance targets set for the FY 2020/2021 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1:	train and rehabilitate	Rehabilitated prisoners	Training	7,000 inmates trained, 127 trade tested
Pillar/ theme/ issue 2:	Procure necessary materials	Availed/ equipped workshops	Procurement of the items	Timber & number plate raw materials procured
Pillar/ theme/ issue 3:	sale of finished products	Sales	Selling of products	Sales revenue realized

The organisation achievements on the thematic area are in tandem with the performance contract for the financial year.

## **6. CORPORATE GOVERNANCE STATEMENT**

To improve on quality of products and services the department has been engaging in undertaking the market research to determine the needs, tastes and preferences of the consumers and use of the feedback to develop improved products and services.

To enhance corporate governance and improve on processes the department ensured continued compliance with the legal and regulatory framework established by the Government in order to promote sustainable business practices.

In strengthening institutional capacity the department achieved much progress geared to enhance the institutional capacity to serve the increased needs and demands of our valued customers. The department continues to invest in human capital investment to ensure that we attract and retain competent and skilled employees. This has resulted in improved productivity levels.

Furthermore, in order to enhance the reporting and mitigation of the material risks impacting on the financial condition of the fund, the Authorities introduced cashless collection of revenue vide Safaricom MPESA platform to enhance the implementation of the risk based supervision model.

The industry and markets in Kenya are still evolving; the changing legal, social and political environment presents avenues for product development and innovation. The reforms within the government legal and structures for example, have significantly increased the responsibilities, markets and therein some risks that the directors face in running their firms.

The management shall continue to work closely with the various stakeholders to ensure the development and growth of the fund, coupled with the requisite dynamic and efficient regulation and supervision.

The number of debtors and creditors decreased as we endeavoured following our debtors in order to meet the demand to execute our core mandate of training prisoners and also fulfil the market demand of our customers. This came about due to non-wiring fund monies left with our former ministry. The management is still pursuing the matter with the relevant authorities.

## 7. MANAGEMENT DISCUSSION AND ANALYSIS

### STATEMENT BY THE DIRECTOR OF PRISONS ENTERPRISE

The Kenya Prison Enterprises comprise of Prisons Farms and Industries. Prisons Industries operate under the Prisons Industries Revolving Fund established by Legal Notice No. 314 of the Exchequer and Audit Act (Cap 412) Regulations, 1988.

The mission of Prison industries is to provide training opportunities to offenders that instil essential skills training and work ethics, while producing quality products and services for sale in the open market.

During the financial year 2020/2021, the operations of prison industries revolving fund registered yet again another impressive business report despite the closure of many of our sectors. The fund has been striving to achieve its purpose and objectives despite the challenges wherein the number plate sector which is the backbone of the fund thrived through the year and performed impressively. During the period under review, averages of 3,000 prisoners were registered for various vocational training skills in prison industries. Out of these, 127 were booked for government trade test grade II and III which they were examined and passed.

### PIRF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR F/Y 2020/2021

In the year under review, Prisons Industries Revolving Fund projected to spend **Kshs 459,734,889.00**, comprising of **kshs 317,847,547.00** for purchase of Raw Materials, **Kshs 33,756,320.00** for purchase of workshop tools and equipment and **kshs 108,131,022.00** for operations expenditure.

The budget was for one hundred and four (104) industry stations and two (2) administrative units viz PHQ & Timberyard Kiln. The approved budget was as below;

Purchase of number plate materials (aluminum sheets, foils,)	Kshs	197,330,540.00
Purchase of assorted timber & upholstery materials	Kshs	34,586,880.00
Purchase of Metal raw materials	Kshs	14,814,389.00
Purchase of Textile products raw materials	Kshs	10,140,582.00
Purchase of other assorted raw materials for paints/soaps	Kshs	8,208,936.00
Purchase of workshop tools and equipment	Kshs	32,043,320.00
Purchase of staff dust coats and show participants uniform	Kshs	1,713,000.00
Purchase of Water distilling/bottling raw materials	Kshs	9,055,000.00
Construction project & services	Kshs	<u>43,711,220.00</u>

	<b>Kshs</b>	<b>351,603,867.00</b>
Operating overheads/expenses	<u>Kshs</u>	<u>108,131,022.00</u>
	<u>Kshs</u>	<u><b>459,734,889.00</b></u>
Capital Expenditure	<u>Kshs</u>	<u>593,516,287.00</u>

By utilizing the above the Prison industries projected to realize revenue of **Kshs. 482,553,801.75.00** hence realizing a surplus of **Kshs 22,818,912.75** during the period.

The industries also intended to incur capital expenses in construction of buildings, purchase of motor vehicles, Computers, Machines and Equipment estimated to cost **Kshs 593,516,287.00**

### **ACTUAL PERFORMANCE**

#### **Purchase of Raw materials**

Prison Industries utilized raw materials worth kshs 208,105,396.16 in procurement of number plates raw materials, Metal raw materials, assorted timber & upholstery materials and textile raw materials during 2020/2021 financial year and generated revenue of Kshs. 397,006,637.16. The raw materials were utilized in manufacturing NTSA-Motor Vehicles number plates, furniture, staff uniforms, inmate's uniforms, and other public and private institutions tailoring orders. The budget absorption was low which led to revenue shortfall due to low demand of number plates from NTSA, furniture and our other products due to invasion of COVID 19 pandemic and other economic exigencies.

The fund incurred an expenditure of Kshs. 32,541,301.00 on the building construction projects while undertaking the contracts signed between the enterprise and state department for correctional services on the 23 projects across the country and earned revenue of kshs 40,676,626.00

#### **Operating overheads/expenditure**

The fund incurred an expenditure of **Kshs 25,152,574.55** (Kshs. 19,731,405.55 general expenses + 5,421,169.00 repairs & Maintenance) on operating expenses whilst managing the daily operations of the enterprises.

Besides, efforts have also been made to make prison industries sustainable and profitable businesses by adopting zero based budgeting for flagship stations. Moreover in order to diversify and increase

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revenue streams, the fund is constructing Water Purification & bottling plant at Ruiru. Towards this end, the industries has continued engaging in electricity meters separation from the main stations power supply and review of costing procedures to ensure actual cost of production and profitability of the industries.

It is my appeal to our esteemed customers who are private individuals, community based organizations and government entities to continue using our products. Indeed any time you purchase our products, you not only receive quality products and services, but also helping Kenya's local economy and contributing to the growth of the offender's rehabilitation programs. Prison industries on-the-job experiences teach trades and work ethic, as well as sparking interests and uncover talents. Bettering these offenders is not only beneficial to institutional security, but also facilitate offenders' successful re-entry into society, which in turn improves Kenyan communities' security and safety. Together, we can help offenders help themselves - and a better Kenya will result.

## **8. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

PIRF exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the prisoners/Citizen first, training the offenders to instil essential skills and work ethics for rehabilitation purpose, while producing quality products and services for sale in the open market and improving operational excellence.

Below is an outline of the organisation's policies and activities that promote sustainability.

### **i) Sustainability strategy and profile**

The Directorate of Prison Enterprises (DPE) is the technical division of the Department that manages industry business units in most of the State's prisons. It employs an average of 5,000 prisoners per day throughout the State's facilities. PE's workforce covers a broad range of processing operations including woodwork, metalwork, spray painting, general engineering and assembly textiles which contributes to the Department's needs in the provision of clothing.

### **ii) Environmental performance**

The development of a work ethic is regarded as significant prisoner rehabilitation issue. DPE fosters work ethics, develops prisoner skills and trains prisoners in modern work techniques. At the moment, the main focus of our Corporate Social Responsibility (CSR) environment activities is through production of different species food trees and the Greening Kenya initiative which emphasises on increasing the forest cover in the country. We supplied over 10m seedlings to KFS – planting of trees in Mara forest, provision of tree seedlings to schools.

### **iii) Employee welfare**

The Directorate of Prisons Enterprise (DPE) is a division in Kenya Prisons Service that manages industry and farms business units in most of the State's prisons. It employs an average of 5,000 prisoners per day throughout the State's facilities.

The development of a work ethic is regarded as significant prisoner rehabilitation issue. DPE fosters work ethics, develops staff/prisoner skills and trains prisoners in modern work techniques. KPS has stringent policies guiding the hiring process and which takes into account the gender ratio, takes in stakeholder engagements and often for continuous improvement. Staff

members are engaged on continuous in-service training in improving skills and managing careers, appraisal and reward systems. The organisation is guided by the GOK policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

**iv) Market place practices-**

These are outlined here below:

**a) Responsible competition practice.**

The organisation ensures responsible competition practices with issues like anti-corruption, fair competition and respect for competitors taken care i.e PE operates under a very clear directive to avoid competing with main stream business, but seeks opportunities that will deliver vocational training in an environment supervised by suitably qualified trades-people..

**b) Responsible Supply chain and supplier relations**

The organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices. All the procurement and disposals are guided by the PPDA Act. E.g. open tenders etc.

**c) Responsible marketing and advertisement**

PE(Industries) operates under a very clear directive to avoid competing with main stream business, but seeks opportunities that will deliver vocational training in an environment supervised by suitably qualified trades-people.

**d) Product stewardship**

The Industries produce are of the best quality wherein the enterprise employs efforts to safeguard consumer rights and interests.

**v) Corporate Social Responsibility / Community Engagements**

In executing its mandate, the Kenya Prisons Service, Prisons Industries revolving fund is committed to behaving ethically and responsibly, to contribute to economic development while

improving the quality of life of its immediate clients (prisoners), employees and their families as well as the local community, national government and the society at large.

It employs an average of 5,000 prisoners per day throughout the State's facilities though due to the COVID 19 protocols the number was limited.

PE's workforce covers a broad range of processing operations including woodwork, metalwork, spray painting, general engineering and assembly textiles which contributes to the Department's needs in the provision of clothing. Many prisoners are trained and receive qualifications endorsed by the National Industrial Training Authority (NITA).

At the moment, the main focus of our Corporate Social Responsibility (CSR) activities and projects is in the area of promoting the impact of technical knowledge to incarcerated prisoners. Our CSR policy also covers community relations, national events, education, and support to national disaster mitigation efforts.

Some of the Authority's most notable CSR activities include, provision of furniture to ASK during trade fairs, provision of tool kits and start-up furniture to released prisoners through collaboration with the welfare directorate and other stakeholders, repair and maintenance of furniture for prison's churches, primary and secondary schools, maintaining the national presidential Dias, donation of items during the annual uniformed discipline forces thanksgiving prayer ceremonies etc.

The Enterprise shall continue to forge public private sector partnerships to ensure that it uplifts the society.

## **9. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021, which show the state of the *PIRF's* affairs.

### **i) Principal activities**

The principal activities of the *PIRF* is training and rehabilitating inmates, procuring the necessary raw materials, tools, plants and equipment required thereof and offer for sale finished products in the market in order to fulfil the concept of “revolving fund”.

### **ii) Results**

The results of the entity for the year ended June 30, 2021, are set out on page on page 17 onwards.

### **iii) Directors**

The members of the management team who served during the year are shown on page 2' i.e. **Principal Secretary, Zeinab A. Hussein (Mrs.), CBS, Commissioner General of Prisons, Wycliffe O. Ogallo, CBS, CGP(RTD), Director Prisons Enterprise, Wairimu R. Thang'ate, HSC, [SACGP]** and Deputy Director **Mr Peter N. Njoroge, OGW[ACP]**.

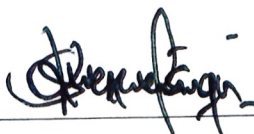
### **iv) Surplus remission**

The entity did not submit any surplus to the Consolidated Fund during the year (FY 2020/2021 i.e. Ksh Nil) since the surplus realized is directed to improvement and sustainability of the fund as guided by the establishing policy

### **v) Auditors**

The Auditor General is responsible for the statutory audit of the *PIRF* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the *entity* for the year/period ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Management



Hon. Safina Kwekwe Tsungu, CBS

Principal Secretary,

State Department for Correctional Services, Nairobi.

Date.....19/1/2022.....

## 10. STATEMENT OF OFFICER ADMINISTERING THE RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and The Exchequer and Audit Act CAP 412, section 11 of the Legal Notice Act No314, require the Officer administering the Fund to prepare financial statements in respect of the *Prison Industries Revolving Fund*, which give a true and fair view of the state of affairs of the *Fund* at the end of the financial period and the operating results of the *Fund* for that year. The Officer administering the Fund is also required to ensure that the *Prison Industries Revolving Fund* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Fund*. The Officer administering the Fund is also responsible for safeguarding the assets of the *Fund*.

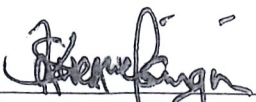
The Officer administering the Fund is responsible for the preparation and presentation of the *Prison Industries Revolving Fund* financial statements, which give a true and fair view of the state of affairs of the *Fund* for and as at the end of the financial year (period) ended on June 30, 2021. This 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 PIRF; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Fund* (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Officer administering the Fund accepts responsibility for the *Prison Industries Revolving Fund* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act. The Officer administering the Fund is of the opinion that the *Prison Industries Revolving Fund* financial statements give a true and fair view of the state of *Fund* transactions during the financial year ended June 30, 2021, and of the *Funds* financial position as at that date. The Officer administering the Fund further confirms the completeness of the accounting records maintained for the *Prison Industries Revolving Fund* which have been relied upon in the preparation of the *Funds* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Officer administering the Fund to indicate that the *Prison Industries Revolving Fund* will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The *Prison Industries Revolving Fund* financial statements were approved by the Principal Secretary State Department for Correctional Services, Ministry of Interior and Coordination of National Government. 19 Jan / 2022

  
\_\_\_\_\_  
Hon. Safina Kwekwe Tsungu, CBS  
PRINCIPAL SECRETARY  
STATE DEPARTMENT FOR CORRECTIONAL SERVICES

# REPUBLIC OF KENYA

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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON PRISON INDUSTRIES REVOLVING FUND FOR THE YEAR ENDED 30 JUNE, 2021

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### 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 Government achieves value for money and that such funds are applied for intended purpose.
- 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, the risk management environment, and the 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

### Qualified Opinion

I have audited the accompanying financial statements of the Prison Industries Revolving Fund set out on pages 1 to 33, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Prison Industries Revolving Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

### Basis for Qualified Opinion

#### 1. Inaccuracies in the Financial Statements

The financial statements for the year ended 30 June, 2021 presented for audit contained various inconsistencies and inaccuracies as indicated below:

- (i) The statement cash flows reflects an amount of Kshs.2,671,989 in respect of purchase of non-current asset under cash flow from investing activities while the property, plant and equipment schedule in Note 15 to the financial statements reflects nil additions during the year. The difference in the financial statements has not been explained or reconciled.
- (ii) The increase in accounts receivables is reflected in the statement of cash flows as negative balance of Kshs.30,318,827 instead of negative balance of Kshs.113,109,259 resulting in an unexplained variance of Kshs.82,790,432.
- (iii) Similarly, the decrease in payables is reflected in the statement of cash flows as negative balance Kshs.41,628,085 instead of negative balance of Kshs.69,509,274 resulting in an unexplained variance of Kshs.27,881,188.

In the circumstances, the accuracy and completeness of the balances reflected in the financial statements could not be confirmed.

## **2. Unsupported Cash and Cash Equivalents**

The statement of financial position, reflects cash and cash equivalents balance of Kshs.593,362,910 as at 30 June, 2021. Although the reporting date of the Fund is 30 June, 2021, the books of accounts for 2020/2021 financial year were closed on 19 July, 2021. As a result, the cut-off procedures were not complied with in determining the reported cash and cash equivalents balance.

Further, one cash book and a single bank account was maintained in the year under review for recording of financial transactions for both the Prison Farms Revolving Fund and the Prisons Industries Revolving Fund yet the two Funds are distinct and prepare separate sets of financial statements for audit purposes.

In addition, the reported cash and cash equivalents balance of Kshs.593,362,910 is a computed figure for the purposes of reporting and was not supported with cash book, bank reconciliations or certificate of bank balances.

In the circumstances, it has not been possible to confirm the accuracy, completeness, and existence of the reported cash and cash equivalents of Kshs.593,362,910 as at 30 June, 2021.

## **3. Unsupported Revenue from Exchange Transactions**

The statement of financial performance reflects sales of furniture and number plates totalling Kshs.397,006,637 for the year ended 30 June, 2021. However, the main cash book maintained for recording sales of furniture and number plates was the same one used to record sales from prison farms. The combined cash book reflects amounts received without indicating the source of revenue and the account to which it relates, whether prison industries or farms. Further, the cash book was updated using the entries in the bank statements instead of the source documents raised at the point of sale. As a result, the revenue generated in respect of sales of furniture and number plates was not supported with documentary evidence in the form of cash book extracts, miscellaneous receipt books or bank statements.

In addition, the manual revenue register maintained to support the amount of Kshs.397,006,637 could not be reconciled with the entries posted in the main cash book.

Consequently, the accuracy and completeness of the revenue from exchange transactions of Kshs.397,006,637 could not be confirmed.

## **4. Unsupported Non-Current Assets**

The statement of financial position reflects non-current assets balance of Kshs.60,475,786 as at 30 June, 2021 which is at variance with Note 15 to the financial statements on property plant and equipment figure of Kshs.57,549,346 resulting into an unreconciled variance of Kshs.2,926,440. Further, the assets register maintained for the Prison Industries Revolving Fund was last updated on 30 June, 2017.

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*Report of the Auditor-General on Prison Industries Revolving Fund for the year ended 30 June, 2021*

In the circumstances, the accuracy and completeness of the non-current assets of Kshs.60,475,786 as at 30 June, 2021 could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **1. Long Outstanding Creditors**

As disclosed in Note 16 to the financial statements, the statement of financial position as at 30 June, 2021 reflects trade and other payables - creditors of Kshs.312,345,174. The balance includes an amount of Kshs.82,921,500 owed to the other Government entities which have been outstanding for more than a year.

Management has not explained why the creditors were not paid despite the Fund having funds in its bank account as at 30 June, 2021.

#### **2. Unresolved Prior Year Matters**

##### **2.1. Stalled Project for Production of Modern Motorized Vehicle Number Plates and Supply and Delivery of Motorized Vehicle Number Plates Blanks**

As previously reported, records at Kamiti Main Prison Industry revealed that machines for producing modern motorized vehicle number plates which were supplied and delivered in the year 2016 at a cost of Kshs.15,295,500 have not been used for the intended purposes and have since remained idle to date. In addition, a three-year contract for supply and delivery of motorized vehicle number plate blanks was signed on 7 November, 2017 and the raw material supplied. However, the raw materials (motorized vehicle number plates blanks) are still held at the Kamiti Prison Industries Stores.

Information available indicates that a case relating to the supply and delivery of Motorized Vehicle Number Plate Blanks: Tender No. KPS/T/ICB/10/2014-2017 was filed in the Milimani High Court, Case No. E321 of 2020, between a technology

company and the Principal Secretary State Department for Correctional Services seeking specific performance of the contract or in the alternative compensation for the full contract value of Kshs.1,050,000,000. No information has been provided on the current status of this case. Further, the Management has not disclosed a contingent liability in these financial statements in relation to the case.

## 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 matter described in the 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**

#### **Failure to Use Information Technology in Finance and Procurement Sections**

The Prison Industries Fund was established by Legal Notice No.314 of the Exchequer and Audit Act (Cap 412) Regulations of 1988 and was deemed to be operational from 1 July, 1987. The Fund, despite being in operation for 34 years is yet to automate its operations especially for purposes of financial reporting and procurement of goods and services. The transaction processing, ledgers and financial statements is done manually.

Further, the Fund is yet to implement e-procurement for the management of the procurement processes as required by the Public Procurement and Assets Disposal Regulations, 2020 and the Executive Order No. 2 of 2018.

Management has not provided explanation for the failure to automate its operations.

### **Basis for Conclusion**

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me

to believe that internal controls, risk management and overall 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 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 (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund'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 Fund 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 are in compliance 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 Fund's financial reporting process, reviewing the effectiveness of how the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund'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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund'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 Fund 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 Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

14 March, 2022

12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE  
2021


	Notes	2020-2021	2019-2020
		Kshs	Kshs
<b>Revenue from exchange transactions</b>			
Sale of furniture and number plates	6	397,006,637.16	319,494,021.77
<b>Total revenue</b>		<b>397,006,637.16</b>	<b>319,494,021.77</b>
<b>Expenses</b>			
Use of goods and services	7	208,105,396.16	197,567,133.97
Depreciation and amortization expense	8	4,834,505.02	5,812,441.50
Repairs and maintenance	9	5,421,169.00	613,196.00
General expenses	10	19,731,405.55	35,581,501.74
<b>Total expenses</b>		<b>238,092,475.73</b>	<b>239,574,273.21</b>
<b>Other gains/(losses)</b>		0.00	0.00
<b>Surplus/( deficit) for the period/year</b>		<b>158,914,161.43</b>	<b>79,919,748.56</b>
Remission to National Treasury		0	0.00
<b>Net Surplus for the year</b>		<b>158,914,161.43</b>	<b>79,919,748.56</b>
Attributable to:			


The notes set out on pages 8 to 46 form an integral part of these Financial Statements.

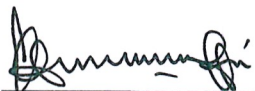
Prepared by

  
CPA Samfantony Kyalo (SP)  
ICPAK No 20416

The Financial Statements set out on pages 1 to 46 were signed on behalf of the management by:

  
Hon. Safina K. Tsungu, CBS  
PRINCIPAL SECRETARY  
DEPT OF CORRECTIONAL  
SERVICES

  
Brig (Rtd) John K. Warioba, EBS  
COMMISSIONER GENERAL  
OF PRISONS

  
James K. Too, ndc(k), ACGP  
DIRECTOR OF PRISONS  
ENTERPRISE

*Kenya Prisons Service (Prison Industry Revolving Fund) PIRF*  
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**For the year ended June 30, 2021.**

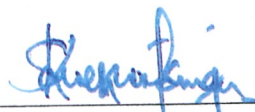
**13. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2021**


	Notes	2020-2021	2019-2020
		Kshs	Kshs
<b>NON CURRENT ASSETS</b>	<b>15</b>		
Motor Vehicles NBV		7,446,756.46	8,274,173.84
Machinery NBV		45,988,191.97	49,778,732.37
Computers		4,114,397.68	4,330,944.93
Scrap Machinery		2,926,440.00	2,926,440.00
<b>Total Fixed Assets</b>		<b>60,475,786.11</b>	<b>65,310,291.14</b>
<b>CURRENT ASSETS</b>			
Inventories - Raw Materials		75,038,329.89	91,036,393.70
Inventories - Work in progress	<b>14</b>	27,768,547.30	44,034,148.39
Inventories - Finished Goods		21,859,366.98	17,097,564.24
Cash and Cash Equivalent	<b>11</b>	593,362,910.39	584,721,065.48
Current portion of receivables from exchange transactions - Debtors	<b>13</b>	195,843,535.83	82,734,276.66
P.M.G.	<b>12</b>	175,987,430.00	175,987,430.00
<b>Total Current Assets</b>		<b>1,089,860,120.39</b>	<b>995,610,878.47</b>
<b>LESS CURRENT LIABILITIES</b>			
Refundable deposits from customers	<b>17</b>	45,132,977.50	70,332,327.04
Trade and other payables - Creditors	<b>16</b>	312,345,174.00	356,655,099.00
Net Current Assets		732,381,968.89	568,623,452.43
<b>NET ASSETS</b>		<b>792,857,755.00</b>	<b>633,943,593.57</b>
<b>FINANCED BY;</b>			
Capital Fund	<b>1</b>	14,000,000.00	14,000,000.00
Accumulated Revenue		619,943,593.57	540,023,845.01
Net Profit/(Loss)		158,914,161.43	79,919,748.56
		<b>792,857,755.00</b>	<b>633,943,593.57</b>

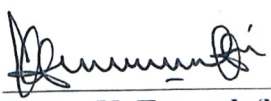
Prepared by

  
**CPA Samfantony Kyalo (SP)**  
**ICPAK No 20416**

The Financial Statements set out on pages 1 to 46 were signed on behalf of the management by:

  
**Hon. Safina K. Tsungu, CBS**  
**PRINCIPAL SECRETARY**  
**DEP'T OF CORRECTIONAL**  
**SERVICES**

  
**Brig (Rtd) John K. Warioba, EBS**  
**COMMISSIONER GENERAL**  
**OF PRISONS**

  
**James K. Too, ndc(k), ACGP**  
**DIRECTOR OF PRISONS**  
**ENTERPRISE**

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14. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	notes	Ordinary share capital	Revaluation reserve	Fair value adjustment (LOSS)/GAIN	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
As at July 1, 2020		14,000,000.00	00	00	619,943,594.17	00	00	619,943,594.17
Issued new capital		00	-	-	-	-	-	00
Revaluation gain		-	-	-	-	-	-	00
Transfer of excess depreciation on revaluation		-	(00)	-	00	-	-	00
Deferred tax on excess depreciation		-	00	-	-	-	-	00
Fair value adjustment on quoted investments		-	-	00	-	-	-	00
Surplus/ Deficit for the year		-	-	-	158,914,161.43	-	-	158,914,161.43
Capital/Development grants received during the year		-	-	-	-	-	00	00
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	00	-	(00)	-
Dividends paid – 2020		-	-	-	-	(00)	(00)	(00)
Interim dividends paid – 2021		-	-	-	(00)	-	-	(00)
Proposed final dividends		-	-	-	(00)	00	00	-
As at June 30, 2021		14,000,000.00	00	00	778,857,755.60	00	00	778,857,755.60
As at July 1, 2021		14,000,000.00	00	00	778,857,755.60	00	00	778,857,755.60
Issue of new share capital		00	00	00	00	00	00	00
Revaluation gain		-	00	-	-	-	-	00
Transfer of excess depreciation on revaluation		-	(00)	-	00	-	-	-
Deferred tax on excess depreciation		-	00	-	-	-	-	00
Fair value adjustment on quoted investments		-	-	00	-	-	-	00
Surplus/ deficit for the year		-	-	-	158,914,161.43	-	-	158,914,161.43
Capital/Development grants received during the year		-	-	-	-	-	00	00
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	00	-	(00)	-
Dividends paid – 2021		-	-	-	-	(00)	(00)	(00)
Interim dividends paid – 2021		-	-	-	(00)	-	-	(00)
Proposed final dividends		-	-	-	(00)	00	00	-
As at June 30, 2021		14,000,000.00	00	00	778,857,755.60	00	00	778,857,755.60

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**15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

			2020-2021	2019-2020
		Notes	Kshs	Kshs
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>	Sales	6	289,016,855.45	395,951,362.10
	Transfer from development		-	-
<b>Total receipts</b>			289,016,855.45	395,951,362.10
<b>Payments</b>		7,8,9 & 10		
	Electricity		1,655,377.55	1,823,063.74
	Water & Sewerage Charges		-	36,727.00
	Telephone Telex Mobile Charges		163,405.00	256,000.00
	Travel Costs		208,000.00	200,000.00
	Accommodation, Domestic Travel		6,439,040.00	2,676,710.00
	Daily Subsistence		675,400.00	1,741,380.00
	Foreign Travel		-	-
	Consultancy		-	-
	Foreign Travel Accommodation		-	-
	Advertising Awareness and Publicity		12,070.00	80,000.00
	Trade Shows & Exhibition		-	1,069,350.00
	Subscription to Newspaper		86,995.00	-
	Book Allowances		-	-
	Project Allowance		-	-
	Tuition Fees		217,130.00	-
	Catering Services		130,300.00	651,170.00
	Purchase of uniform & clothing (staff)		-	-
	Supplies for Production		180,603,534.00	183,910,552.50
	General Office Supplies		317,720.00	977,350.00
	Supplies and Accessories for Computers		1,105,100.00	1,273,779.00
	Refined Fuel and Lubricants for Transport		3,646,908.00	1,190,110.00
	Other Fuel (wood)		3,760,000.00	-
	Bank Charges		102,960.00	48,960.00
	School Fees Examination		1,211,000.00	0.00
	Maintenance of Motor Vehicles		409,200.00	551,996.00
	Maintenance of plant, Mech. & Equipment		450,000.00	5,000.00
	Maintenance of Building (None residential)		4,561,969.00	46,200.00
	Maintenance of Computers		-	10,000.00
<b>Total Payments</b>			<b>205,756,108.55</b>	<b>196,548,350.24</b>

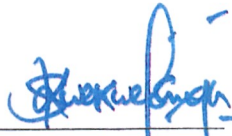
**Annual Reports and Financial Statements  
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<b>Net cash flows from operating activities</b>		<b>83,260,746.90</b>	<b>199,403,011.86</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Non-Current Asset		- 2,671,989.00	341,000.00
Proceeds from sale of property, plant and equipment		-	-
Decrease/(Increase) in non-current receivables		- 30,318,827.00	
Decrease in payables		- 41,628,085.99	51,310,166.00
Decrease in non-current receivables		-	-
<b>Net cash flows used in investing activities</b>		<b>- 74,618,901.99</b>	<b>51,651,166.00</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings			-
Repayment of borrowings			-
Increase in deposits		-	-
<b>Net cash flows used in financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>8,641,844.91</b>	<b>147,751,845.86</b>
Cash and cash equivalents at 1 July, 2020		760,708,495.48	612,956,649.62
<b>Cash and cash equivalents at 30 June, 2021</b>		<b>769,350,340.39</b>	<b>760,708,495.48</b>
	<i>PMG A/C carrying amount</i>	175,987,430.00	175,987,430.00
	<i>Cash &amp; cash equivalent</i>	593,362,910.39	584,721,065.48

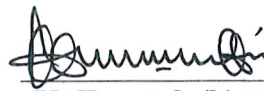
Prepared by

  
CPA Samfantony Kyalo (SP)  
ICPAK No 20416

The Financial statements set out on pages 1 to 46 were signed on behalf of the management by:

  
Hon. Safina K. Tsungu, CBS  
PRINCIPAL SECRETARY  
DEP'T OF CORRECTIONAL  
SERVICES  
Date.....19/1/2022.....

  
Brig (Rtd) John K. Warioba, EBS  
COMMISSIONER GENERAL  
OF PRISONS  
.....

  
James K. Too, ndc(k), ACGP  
DIRECTOR OF PRISONS  
ENTERPRISE  
.....

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16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

Item	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>REVENUE</b>						
Government grants and subsidies	-	-	-	-	-	0.00
Rendering of services	-	-	-	-	-	0.00
Sale of goods and services	482,553,801.75	-	482,553,801.75	397,006,637.16	85,547,164.59	0.82
<b>Total income</b>	482,553,801.75	-	482,553,801.75	397,006,637.16	85,547,164.59	0.82
<b>EXPENDITURE FOR PRODUCTION &amp; OPERATIONS</b>						
2210101 Electricity expenses	6,275,000.00		6,275,000.00	1,655,377.55	4,619,622.45	0.26
2210102 Water and sewerage charges	148,000.00		148,000.00	-	148,000.00	0.00
2210202 Telephone, Telex, Facsimile & mobile phone services	478,500.00		478,500.00	163,405.00	315,095.00	0.34
2210301 Travel costs (Bus/Railway etc)	3,098,200.00		3,098,200.00	208,000.00	2,890,200.00	0.07
2210302 Accommodations Domestic travels	5,975,000.00		5,975,000.00	6,439,040.00	-464,040.00	1.08
2210303 Daily subsistence allowance	7,250,000.00		7,250,000.00	675,400.00	6,574,600.00	0.09
2210305 Consultancy Services	5,000,000.00		5,000,000.00	-	5,000,000.00	0.00
2210401 Travel costs (bus/Railway etc)	1,000,000.00		1,000,000.00	-	1,000,000.00	0.00
2210402 Accommodations-Foreign travel	5,000,000.00		5,000,000.00	-	5,000,000.00	0.00
2210403 Daily subsistence	-		-	-	-	0.00
2210503 Subscription newspapers, periodic	370,000.00		370,000.00	86,995.00	283,005.00	0.24
2210505 Advertising awareness and publicity campaigns	1,265,500.00		1,265,500.00	12,070.00	1,253,430.00	0.01
2210505 Trade shows and exhibitions	3,210,000.00		3,210,000.00	-	3,210,000.00	0.00
2210706 Book Allowance	100,000.00		100,000.00	-	100,000.00	0.00
2210708 Project allowance	100,000.00		100,000.00	-	100,000.00	0.00
2210711 Tuition fees allowance	3,000,000.00		3,000,000.00	217,130.00	2,782,870.00	0.07
2210802 Catering services (reception accommodation Gifts, Food and drinks)	2,000,000.00		2,000,000.00	130,300.00	1,869,700.00	0.07
2211006 Purchase of workshop tools, spares and small equipment	32,043,320.00		32,043,320.00	-	32,043,320.00	0.00
2211016 Purchase of Uniform and clothing staff	1,713,000.00		1,713,000.00	-	1,713,000.00	0.00

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2211023	Supplies for production	317,847,547.00		317,847,547.00	180,603,534.00	137,244,013.00	0.57
2211101	General Office supplies e.g. Pens, papers etc	2,548,830.00		2,548,830.00	317,720.00	2,231,110.00	0.12
2211102	Supplies & accessories for computers and printers	1,467,350.00		1,467,350.00	1,105,100.00	362,250.00	0.75
2211201	Refined fuel and lubricants for transport	8,141,050.00		8,141,050.00	3,646,908.00	4,494,142.00	0.45
2211204	Other fuel(wood charcoal)	3,600,000.00		3,600,000.00	3,760,000.00	-160,000.00	1.04
2211301	Bank charges and commissions	300,000.00		300,000.00	102,960.00	197,040.00	0.34
2211302	School examination and invigilation fees	26,849,320.00		26,849,320.00	1,211,000.00	25,638,320.00	0.05
2220101	Maintenance expenses - motor vehicles	6,169,272.00		6,169,272.00	409,200.00	5,760,072.00	0.07
2220201	Maintenance of plant, machinery and equips	10,304,600.00		10,304,600.00	450,000.00	9,854,600.00	0.04
2220205	Maintenance of buildings and stations (Non Residential)	3,492,400.00		3,492,400.00	4,561,969.00	-1,069,569.00	1.31
2220210	Maintenance Of computers, software and Communication Equipment	988,000.00		988,000.00	-	988,000.00	0.00
	<b>Total production &amp; operating expenditure</b>	<b>459,734,889.00</b>	<b>-</b>	<b>459,734,889.00</b>	<b>205,756,108.55</b>	<b>253,978,780.45</b>	<b>0.45</b>
	<b>Surplus for the period(Income-Expenditure)</b>	<b>22,818,912.75</b>	<b>-</b>	<b>22,818,912.75</b>	<b>191,250,528.61</b>	<b>-168,431,615.86</b>	<b>8.38</b>
	<b>CAPITAL EXPENDITURE</b>						
3110701	Purchase of motor vehicles	17,000,000.00		17,000,000.00	-	17,000,000.00	0.00
3111003	Purchase of computers, printers & other IT equipment	4,049,000.00		4,049,000.00	-	4,049,000.00	0.00
3111201	Overhaul of plant, machinery equip.	477,647,405.00		477,647,405.00	2,220,989.00	475,426,416.00	0.00
3111204	Construction & refurbishment of buildings	94,819,882.00		94,819,882.00	-	94,819,882.00	0.00
	<b>Total Capital Expenditure</b>	<b>593,516,287.00</b>	<b>-</b>	<b>593,516,287.00</b>	<b>2,220,989.00</b>	<b>591,295,298.00</b>	<b>0.00</b>

**Budget notes**

**Explanation of material variances**

We were not able to meet our budget targets because many of the PI Stations were not funded in the year because of Adoption of Manufacture on Order policy which minimized manufacture of on the shelf stock. The invasion of COVID 19 Pandemic worsened the situation since the Ministry of Health Protocols limited inmate's movement who are the primary source of labour.

## **17. NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

The Prisons Industries Revolving Fund (PIRF) was established by Legal Notice No. 314 of the Exchequer and Audit Act (Cap 412) Regulations of 1988. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya (Prison Enterprises, Industries section of Kenya Prisons Service). The Directorate of Prisons Enterprise is positioned at the Prisons Headquarters, Magereza House in Nairobi and has branches in 105 industrial prisons countrywide.

The entity's principal activity of the fund is training and rehabilitation of prisoners on various skills.

Section 11 of the Legal Notice No 314, requires the Officer administering the Fund to prepare financial statements in respect of that Prison Industries Revolving Fund, which gives a true and fair view of the state of affairs of the Fund at the end of the financial period on operating results of the Fund for that period.

The officer administering fund is also required to ensure that Prison Industries Revolving Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund and safeguarding the assets of the Fund

#### **Capital Fund**

Authorized capital is Kshs 14,000,000.00 initially appropriated by Parliament vide Legal Notice no. 314 of 1992/93.

### **2. Statement of Compliance and Basis of Preparation**

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*.

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

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

**3. Adoption of New and Revised Standards**

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

Standard	Impact
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.                      Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.                      Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).                      Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.                      (No impact FS)</p>

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>No impact</i></p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows.</li> </ol> <p><i>(No impact)</i></p>
<p>Amendments</p>	<p><b>Applicable: 1st January 2023:</b></p>

**Kenya Prisons Service (Prison Industry Revolving Fund) PIRF**  
**Annual Reports and Financial Statements**  
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Standard	Effective date and impact:
to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
	<p><i>(No impact of the standard to the entity)</i></p>

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020/2021.

#### **4. Summary of Significant Accounting Policies**

##### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

##### **Rendering of services**

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

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

##### **Sale of goods**

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

##### **Interest income**

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

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

**Summary of Significant Accounting Policies (Continued)**

**ii) Revenue from exchange transactions**

**a) Budget information**

The original budget for FY 2020-2021 was approved by the Principal Secretary for State Department for correctional Services on 14th October 2020.

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on pages 1-7 of these financial statements.

Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section m of these financial statements.

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

**Summary of Significant Accounting Policies (Continued)**

**b) Taxes**

**Current income tax**

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

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

**Summary of Significant Accounting Policies (Continued)**

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

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

*Sales tax*

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

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included  
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**c) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

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

Transfers are made to or from investment property only when there is a change in use.

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

**Summary of Significant Accounting Policies (Continued)**

**d) Property, plant and equipment**

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

**a) Non-current/Fixed assets**

Fixed assets are stated at Net Book Value or cost less accumulated depreciation. Depreciation is calculated on reducing balance as follows:-

- Motor Vehicles            10%
- Machinery                 5%
- Tools                        33 1/3%
- Computers                 5%

**b) Intangible assets**

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

The useful life of the intangible assets is assessed as either finite or indefinite.

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

**Summary of Significant Accounting Policies (Continued)**

**c) Research and development costs**

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

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

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

**d) Financial instruments**

**a) Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

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

**Summary of Significant Accounting Policies (Continued)**

**Held-to-maturity.**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

**Impairment of financial assets**

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i) The debtors or an entity of debtors are experiencing significant financial difficulty.
- ii) Default or delinquency in interest or principal payments
- iii) The probability that debtors will enter bankruptcy or other financial reorganization.
- iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)

**b) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

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

**Summary of Significant Accounting Policies (Continued)**

**c) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

*After initial recognition, inventory is measured at the lower of cost and net realizable value.*

However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**d) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**e) Contingent liabilities**

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)**

**Summary of Significant Accounting Policies (Continued)**

**f) Contingent assets**

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

**g) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements i.e Retained earnings

**h) Changes in accounting policies and estimates**

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**i) 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**j) Comparative figures**

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

**k) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

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

**Summary of Significant Accounting Policies (Continued)**

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

**Provisions**

*Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.*

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

**6. Sale of Goods**

Sales represent revenue collected by respective stations and surrendered at Prison Headquarters

Description	2020-2021	2019-2020
	Kshs	Kshs
Sale of goods – Cash sales	243,883,877.95	375,427,592.10
Sale of goods – credit sales	136,185,518.00	35,470,685.00
Other( prepayments)	70,332,327.04	0.00
Previous debt collected during the year	-53,395,085.83	(91,404,255.33)
<b>Total sales from the sale of goods</b>	<b>397,006,637.16</b>	<b>319,494,021.77</b>

NB. The amount of Kshs 243,883,877.95 excludes Kshs 45,132,977.50 which was a prepayment hence was not included in the sales of the financial year

**7. Use of Goods and Services**

Description	2020-2021	2019-2020
	Kshs	Kshs
<b>Opening Stock (1-7-2020)</b>		
Raw Materials	91,036,393.70	109,907,032.24
Work in Progress	44,034,148.39	27,144,177.14
Finished goods	17,097,564.24	25,109,291.42
Purchases - (2211023)	180,603,534.00	187,574,739.50
<b>Total Cost of Materials</b>	<b>332,771,640.33</b>	<b>349,735,240.30</b>
<b>Less Closing Stock (30-06-2021)</b>		
Raw Materials	75,038,329.89	91,036,393.70
Work in progress	27,768,547.30	44,034,148.39
Finished goods	21,859,366.98	17,097,564.24
<b>Sub-Total</b>	<b>124,666,244.17</b>	<b>152,168,106.33</b>
<b>Cost of goods sold</b>	<b>208,105,396.16</b>	<b>197,567,133.97</b>

**8. Depreciation and Amortization Expense**

Description	2020-2021	2019-2020
	Kshs	Kshs
Motor Vehicles	827,417.38	919,352.65
Carpentry	341,969.81	359,968.22
Tailoring	746,749.83	786,052.45
Printing	104,532.40	110,034.10
Metal	97,655.36	102,795.12
Number plates	681,548.02	717,418.97
Other Machinery	0.00	0.00
Leather	276,134.96	290,668.38
Coconut	10,624.44	11,183.62
Computer	216,547.25	227,944.47
Tools & Equipment	1,531,325.58	2,296,873.53
<b>Total depreciation and amortization</b>	<b>4,834,505.02</b>	<b>5,822,291.51</b>

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

**9. Repairs and Maintenance**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Maintenance of property, building	4,561,969.00	46,200.00
Maintenance of equipment and machinery	450,000.00	5,000.00
Maintenance of motor Vehicles	409,200.00	551,996.00
Maintenance of computers and accessories	0.00	10,000.00
<b>Total repairs and maintenance</b>	<b>5,421,169.00</b>	<b>613,196.00</b>

**10. General expenses**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Catering services	130,300.00	1,101,170.00
Tuition fees	217,130.00	0
Newspapers subscriptions	86,995.00	0
Other fuels - wood fuel	3,760,000.00	0
Refined fuels	3,646,908.00	1,190,110.00
Travel cost	208,000.00	200,000.00
Accommodation domestic	6,439,040.00	2,676,710.00
Daily subsistence	675,400.00	3,857,780.00
Daily subsistence(Foreign)	0.00	0.00
Electricity expenses	1,655,377.55	1,823,065.74
Water & Sewerage	0.00	36,727.00
Purchase of uniforms	0.00	0.00
Office supplies - Stationeries	317,720.00	1,072,350.00
Supplies computers	1,105,100.00	1,273,779.00
Publicity & advertisements	12,070.00	80,000.00
Trade shows	0.00	1,069,350.00
Telephone expenses	163,405.00	256,000.00
Bank Charges	102,960.00	48,960.00
School examinations (NITA)	1,211,000.00	20,895,500.00
<b>Total general expenses</b>	<b>19,731,405.55</b>	<b>35,581,501.74</b>

**11. Cash and Cash Equivalents**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Current account( CBK)	593,362,910.39	554,402,238.48
Uncleared payment vouchers	0.00	30,318,827.00
Others(PMG)	175,987,430.00	175,987,430.00
<b>Total cash and cash equivalents</b>	<b>769,350,340.39</b>	<b>760,708,495.48</b>

**NB.** PMG Account represents the amount that is held in the former Ministry of Home Affairs Deposit Account on behalf of the Fund.

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

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

		2020-2021	2019-2020
Financial institution	Account number	Kshs	Kshs
<b>a) Current account</b>			
Central Bank of Kenya	1000307498	593,362,910.39	554,402,238.48
Paymaster General (PMG)		175,987,430.00	175,987,430.00
<b>Total</b>		<b>770,561,340.39</b>	<b>730,389,668.48</b>
<b>b) Others(specify)</b>			
Uncleared payment vouchers		-	30,318,827.00
<b>Sub- total</b>		-	30,318,827.00
<b>Grand total</b>		<b>769,350,340.39</b>	<b>760,708,495.48</b>

**13 Receivables from Exchange Transactions**

The debtors represent the amount owed to the fund from credit sales. These constitute Government Ministries, Departments as well as private individuals

Description	2020-2021	2019-2020
	Kshs	Kshs
<b>Current receivables</b>		
Sale of goods debtors – Government institutions	195,765,775.83	82,656,516.66
Sale of goods debtors – Private customers	77,760.00	77,760.00
Less: impairment allowance	0.00	0.00
<b>Total current receivables</b>	<b>195,843,535.83</b>	<b>82,734,276.66</b>
<b>Total receivables</b>	<b>195,843,535.83</b>	<b>82,734,276.66</b>

**PIRF GOVERNMENT/PRIVATE OUTSTANDING DEBTS ANALYSIS**

PRISONS INDUSTRIES GOVERNMENT/PRIVATE TOTAL OUTSTANDING DEBTS AS AT 30-06-2021						
STATION	NAME OF DEBTOR	ITEMS DESCRIPTION	QTY	LPO NO	INVOICE NO	AMOUNT
Kitengela	Commissioner of Prisons	Palm bar	10,000		36574/9-6-2009	750,000.00
	Commissioner of Prisons	Bar Soaps				4,995,000.00
	Ministry of Transport	Office Furniture				3,523,348.83
Kitengela	Commissioner of Prisons	Prisoners bar soaps		2541601 of 20/5/2016	0921 of 1/11/2010	3,500,000.00
Kapenguria	OIC Kapenguria	Coffee Table	1		3619	30,000.00
	OIC Kapenguria	Wine Stool	1		3618	3,600.00
	OIC Kapenguria	Dinning Set	1		3622	55,000.00
Kisumu main	District Surveyor -Siaya	Jackets & Trousers	26	25286 / 23-11-81	58057 / 15-02-82	6,560.00
Kisumu main	magistrates	shelves	24	2939853 of 19.5.09		63,072.00
Kisumu main	Kakamega County	Office furniture				3,750,000.00
Kisumu main	Bomet County	Office furniture				695,000.00
Rachuonyo	OIC Rachuonyo	Office Furniture				16,100.00
Kamiti Main	State Dept of Interior-harambee ave	Office furnitures		33207 OF 6/0/2018		1,102,000.00
Kamiti Main	Parliament	Repairs		psc/proc/2/vol iii/6		2,001,550.00

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Kamiti Main	Clerk of the senate	Intercontinental Hotel Repair				1,886,000.00
Kamiti Main	Clerk of the National Assembly	Parliament Repair		043 of 26/03/2018	0080 of 11/10/018	980,000.00
Kamiti Main	Commissioner of Prisons	Stitching Prisoners Uniforms				5,343,200.00
PHQ showroom	PS Min of Interior & Cord	Office furniture			4610-29/11/2018	561,000.00
PHQ showroom	Commissioner of Prisons	Imprests / Payment vouchers	various	N/A	Imprests	30,318,827.00
Kamiti Main	NTSA	Number Plates				136,185,518.00
		<b>TOTAL</b>				<b>195,765,775.83</b>
<b>PRIVATE OUTSTANDING DEBTS FOR THE PERIOD ENDED 30-06-2021</b>						
Kitui Rem.	Simon K.Kingor	Furniture	1		10,400.00	10,400.00
	E.M Guantai			S/bed,D/set,C/set		67,360.00
						77,760.00
						<b>195,843,535.83</b>

**14 Inventories**

Description	2020-2021	2019-2020
	Kshs	Kshs
Raw materials	75,038,329.89	91,036,393.70
Work in Progress	27,768,547.30	44,034,148.39
Manufactured goods held for sale	21,859,366.98	17,097,564.24
<b>Total inventories at the lower of cost and net realizable value</b>	<b>124,666,244.17</b>	<b>152,168,106.33</b>

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

**15 Property, Plant and Equipment**

Details	Motor Vehicles	Carpentry	Tailoring	Printing	Metal	Number plates	Leather	Coconut	Computer	Tools & Equipt	Total
Balance B/f 1 July 2020	8,274,173.84	6,839,396.14	14,934,996.61	2,090,647.92	1,953,107.28	13,630,960.34	5,522,699.18	212,488.70	4,330,944.93	4,594,436.20	62,383,851.14
Additions during the year											0.00
Disposal											0.00
Total assets	8,274,173.84	6,839,396.14	14,934,996.61	2,090,647.92	1,953,107.28	13,630,960.34	5,522,699.18	212,488.70	4,330,944.93	4,594,436.20	62,383,851.14
Depreciation	827,417.38	341,969.81	746,749.83	104,532.40	97,655.36	681,548.02	276,134.96	10,624.44	216,547.25	1,531,325.58	4,834,505.02
<b>N.B. V. as at 30th June 2021</b>	<b>7,446,756.46</b>	<b>6,497,426.33</b>	<b>14,188,246.78</b>	<b>1,986,115.52</b>	<b>1,855,451.92</b>	<b>12,949,412.32</b>	<b>5,246,564.22</b>	<b>201,864.27</b>	<b>4,114,397.68</b>	<b>3,063,110.61</b>	<b>57,549,346.11</b>
<b>N.B. V. as at 30th June 2019</b>	<b>9,193,526.49</b>	<b>7,199,364.35</b>	<b>15,721,049.07</b>	<b>2,200,682.02</b>	<b>2,055,902.40</b>	<b>14,348,379.30</b>	<b>5,813,367.56</b>	<b>223,672.32</b>	<b>4,361,889.40</b>	<b>6,747,309.73</b>	<b>67,865,142.64</b>

**Summary**

Carpentry	6,497,426.33
Tailoring	14,188,246.78
Printing	1,986,115.52
Metal	1,855,451.92
Numberplate	12,949,412.32
Leather	5,246,564.22
Coconut	201,864.27
Tools&equipment	3,063,110.61
<b>Total</b>	<b>45,988,191.97</b>

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

**16 Trade and Other Payables - Creditors**

Description	2020-2021	2019-2020
	Kshs	Kshs
Trade payables (exchange creditors)	312,345,174.00	356,655,099.00
Payments received in advance (Gov't)	45,121,977.50	70,110,037.04
Payments received in advance (private)	11,000.00	222,290.00
<b>Total trade and other payables</b>	<b>357,478,151.50</b>	<b>426,987,426.04</b>

**Analysis of the creditors**

S/NO	SUPPLIER	DISCRIPTION	LPO no	INVOICE date	AMOUNT	TOTAL
1	ROKAI AGENCIES	Number Plates Materials	2774765	5/22/2017	1,991,025.00	
4	WEB ENTERPRISES	Number Plates Materials	2774894	6/8/2018	10,800,000.00	
7	APEX COATING LTD	Number Plates Materials	2774887	1/24/2018	2,100,000.00	
8	KERICON EAST AFRICA LTD	Number Plates Materials	3119620	4/26/2018	730,000.00	
9	WEB ENTERPRISES	Number Plates Materials	2774991	6/22/2018	247,500.00	
10	GIYAN ENTERPRISES LTD	Number Plates Materials	2774975	7/20/2018	89,000.00	
11	ORGAM ENTERPRISES	Number Plates Materials	2774976	7/20/2018	92,500.00	
		<b>SUB-TOTAL (KSHS)</b>				<b>16,050,025.00</b>
12	NAIRE ENTERPRISES	Timber	2572016	11/21/2016	2,762,500.00	
13	RATIO MERCHANTS	Timber	2774758	6/21/2017	3,900,000.00	
14	BANTU IMPLEX	Timber	2774782	8/14/2017	4,697,500.00	
15	BANTU IMPLEX	Timber	2774751	8/15/2017	2,850,000.00	
16	TRAM TECH SERVICES	Timber	2572033	12/21/2017	5,515,000.00	
17	SUPPLYMAX AGENCIES	Timber	2774880	12/28/2017	5,235,000.00	
18	REALTIME CAPITAL INVEST	Timber	2774885	2/16/2018	3,812,500.00	
19	ALFRE SUPPLIERS	Timber	2755442	3/20/2018	1,900,739.00	
20	SUPPLYMAX AGENCIES	Timber	2755427	4/10/2018	4,575,000.00	
21	KAKULE GENERAL	Timber	3119615	4/10/2018	3,092,500.00	
22	ALFRE SUPPLIERS	Timber	2755430	4/24/2018	1,577,500.00	
23	ELVORIAN ENTERPRISES	Timber	2755432	4/24/2018	1,600,000.00	
24	Bright Vantage	Timber	2755439	5/2/2018	3,420,000.00	
25	KEYMAT AGENCIES	Timber	2755437	5/14/2018	2,100,000.00	
26	Decra Est Africa Ltd	Timber	2755431	5/17/2018	1,652,500.00	
27	Decra Est Africa Ltd	Timber	2755445	5/17/2018	2,420,000.00	
28	MARA RAJA SPRINGS	Timber	2755435	5/17/2018	1,720,000.00	
29	CHENNAI FABRICATORS	Timber	2755438	5/21/2018	1,950,000.00	
30	KEYMAT AGENCIES	Timber	2755446	6/7/2018	1,697,500.00	
31	MOITA GENERAL	Timber	3119636	6/11/2018	8,100,000.00	
32	SKYWEB LTD	Timber	3119638	6/11/2018	10,450,000.00	
33	TIMBER TANK ENT	Timber	3119639	6/12/2018	5,235,000.00	
34	TIMBER TANK ENT	Timber	3119640	6/12/2018	4,802,500.00	
35	PAKAJE ENTERPRISE	Timber	3119641	6/12/2018	8,012,000.00	
36	NOVAS KENYA LTD	Timber	2774752	6/16/2018	1,706,796.00	
37	Decra Est Africa Ltd	Timber	3119707	6/26/2018	3,084,954.00	

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38	TIMBER TANK ENT	Timber	3119705	6/26/2018	3,180,000.00	
39	TIMBER TANK ENT	Timber	3119704	6/26/2018	5,080,000.00	
40	Decra Est Africa Ltd	Timber	3119708	6/26/2018	1,200,000.00	
41	MOITA GENERAL	Timber	3119649	7/4/2018	2,645,000.00	
42	TIMBER TANK ENT	Timber	C/Note		9,794,850.00	
43	KAKULE GENERAL	Timber	C/Note		3,247,500.00	
		<b>SUB-TOTAL (KSHS)</b>				<b>123,016,839.00</b>
44	APEX COATING LTD	Supply of wood varnish	2774573	5/10/2017	2,180,000.00	
45	APEX COATING LTD	Sanding sealer	2774780	6/30/2017	5,850,000.00	number plate
46	WEB ENTERPRISES	Polythene paper	2774770	8/31/2017	1,245,000.00	number plate
47	NOWDYS ENTERPRISES	Upholstery Materials	2774853	10/16/2017	569,000.00	
48	LEISURE SUPPLIES	Conta Adhesive	2755418	1/23/2018	644,000.00	
49	WEABS VENTURES	H/D Cushions	2755415	3/6/2018	750,000.00	
50	SAJAM DUBON	machine oil	3119621	3/26/2018	325,000.00	number plate
51	ASK	Membership Badges	737482	3/29/2018	300,000.00	
52	HILDAMA CONSTRUCTION	Foam Sheets	3119606	20/7/2018	3,025,000.00	
53	DAINA KIKOME GEN.	Veneer chipboard	3119617	4/11/2018	3,195,000.00	
54	HAMHAM GEN MERCHANTS	Rubber foam	3119611	4/18/2018	2,140,000.00	
55	FORTUNE RELIANCE	Machine sand paper	2774973	4/18/2018	356,000.00	
56	LEASURE PLAN	stationeries	2774969	4/18/2018	28,130.00	
57	RICHIN TRADERS	MDF Boards	3119624	4/23/2018	1,958,000.00	
58	RICHIN TRADERS	Plaques	3119630	4/23/2018	3,119,500.00	
59	M/S TRADE CIRCLES LTD	Tubeless Tyres	3119635	4/26/2018	1,509,800.00	
60	CELLCUR CONSTRUCTION LTD	Machines Engine Oil	3119619	4/26/2018	200,000.00	number plate
61	ABINA INVESTMENTS LTD	Block Boards	3119603	5/2/2018	2,750,000.00	
62	ABINA INVESTMENTS LTD	MDF Boards	3119609	5/3/2018	2,225,000.00	
63	RAMACA INVESTMENTS	Embossed Velvet	3119601	5/3/2018	3,190,000.00	
64	APEX COATING LTD	Sanding sealer	3119604	5/10/2018	3,155,000.00	
65	RICHIN TRADERS	Square Tubes	3119632	5/15/2018	1,929,400.00	
66	DOUBLE K ENT	Long Life Milk	2774962	5/15/2018	900,000.00	
67	CONSIGNMENT GEN	Boiler materials	2755422	5/20/2018	64,500.00	
68	CONSIGNMENT GEN	Boiler materials	2755424	5/20/2018	61,000.00	
69	CONSIGNMENT GEN	Boiler materials	2755421	5/20/2018	300,680.00	
70	FORTUNE RELIANCE	Synthetic leather	3119631	5/23/2018	1,545,000.00	
71	ONE WAY TRADING	Rubber foam	3119626	5/28/2018	2,140,000.00	
72	LOURO ENT	H/D Cushions	3119627	5/28/2018	900,000.00	
73	TANDI ENTERPRISES	Rubber Belt	3119625	5/28/2018	225,000.00	
74	TWINLEX TEXTILES	Suiting Material	2774986	5/29/2018	297,000.00	
75	SQUARE EDGE	Flat bar	3119637	6/5/2018	2,926,000.00	
76	NOWDYS ENTERPRISES	H/D Cushions	3119612	6/8/2018	654,000.00	
77	GIYAN ENTERPRISES LTD	Plain velvet	2774990	6/22/2018	440,000.00	
78	DOUBLEK ENTERPRISES	Long lasting milk	3119709	6/26/2018	900,000.00	number plate
79	APEX COATING LTD	Sanding sealer	3119648	6/26/2018	5,050,000.00	
80	REDDAMAC LEATHER LTD	Leather	3119702	6/26/2018	780,000.00	
81	APEX COATING LTD	Professional wood glue	3119647	6/26/2018	4,500,000.00	
82	HILDAMA CONSTRUCTION	Professional wood glue	2774966	7/20/2018	800,000.00	

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83	RAMACA INVESTMENTS	Embossed Velvet	2755403	29/02/2018	2,500,000.00		
		<b>SUB-TOTAL (KSHS)</b>				<b>65,627,010.00</b>	
84	JUNIOR PET INVESTMENT	Aluminium tube, flat bars	3119701	4/7/2018	850,000.00		
85	MEGISTEP ENTERPRISES	Ballast, dump proof,DPC 1000g	3119714	5/7/2018	102,900.00		
86	ZEDRI AGENCIES	Tiles	3119712	4/4/2018	420,000.00		
87	JUNIOR PET INVESTMENT	Aluminium tube, flat bars	3119715	5/9/2018	930,600.00		
88	RAMACA INVESTMENTS	Embossed Velvet	3119650	7/2/2019	3,855,000.00		
89	ZEDRI AGENCIES	Cement, Iron sheets, Sand	3119713	4/7/2018	864,000.00		
90	MEGISTEP ENTERPRISES	Paints	3119711	5/7/2018	302,200.00		
91	JUNIOR PET INVESTMENT	Building Materials	3119646	5/31/2018	453,500.00		
92	N.I.TA.	Trade Test Cost	Proforma INV 015	3/17/2019	<b>10,305,000.00</b>		
93	N.I.TA.	Trade Test Cost	Proforma INV 016	3/18/2019	<b>13,107,500.00</b>		
94	N.I.TA.	Trade Test Cost	Proforma INV 017	3/19/2019	<b>11,170,000.00</b>		
95	N.I.T.A	Trade Test cost	Proforma INV 007	6/6/2017	<b>14,141,500.00</b>		
96	N.I.TA.	Trade Test Cost	Proforma INV 014	8/16/2016	<b>13,250,000.00</b>		
		<b>SUB-TOTAL (KSHS)</b>				<b>69,752,200.00</b>	
	<b>F/Y 2018/2019/2020</b>						
1	TWINLEX TEXTILES	Ordinary Block Boards	3045001		2,700,000.00		
2	GREAT HEIGHTS SERVICES	Contac Adhesive	3045003		894,000.00		
3	RAGE SUPPLIES LIMITED	Embossed Velvet	3119743		2,380,000.00		
4	REDDAMAC LEATHER CENTRE	Pure Grade Leather	3119747		420,000.00		
5	TANDI ENTERPRISE	Welding rods	3045014		400,000.00		
6	FORTUNE RELIANCE	Upholstery material	3045004		144,000.00		
7	LIBERTY GROUP EA	Upholstery Materials	3119744		1,748,000.00		
8	ANGEL BROOK MERCHANTS	Thinner	3119741		5,775,000.00	number plates	
9	TANDI ENTERPRISES	Mutton clothe	3119739		330,000.00	number plates	
10	TANDI ENTERPRISES	Mutton clothe	3119748		550,000.00	number plates	
11	FORTUNE RELIANCE	Upholstery Materials	3119746		1,577,000.00		
12	ICPAK	Subscription			33,600.00		
13	NITA	Prisoners Trade Test	August 2019 series		<b>10,610,500.00</b>		
14	NITA	Prisoners Trade Test	Dec 2019 series		<b>10,285,000.00</b>		
		<b>SUB-TOTAL (KSHS)</b>				<b>37,847,100.00</b>	
	<b>F/Y 2019/2020</b>						
1	NITA	Trade test			52,000.00	<b>52,000.00</b>	
	<b>GRAND TOTAL</b>						<b>312,345,174.00</b>

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**17 Refundable Deposits and Prepayments from Customers**

Description	2020-2021	2019-2020
	Kshs	Kshs
Consumer deposits - Government	<b>45,121,977.50</b>	70,110,037.04
Consumer deposits - Private	<b>11,000.00</b>	222,290.00
<b>Total deposits</b>	<b>45,132,977.50</b>	<b>70,332,327.04</b>

**Prepayment/customers deposits analysis**

PREPAYMENT ANALYSIS					
S/NO	DESCRIPTION	Contract sum 100%	Amount	Status	
1	Shimo Medium - Probation works	15,320,500.00	7,660,250.00	WIP	50% of Contract sum not disbursed
2	Thika Main- Probation works	1,048,750.00	524,375.00	WIP	
3	Nakuru Main- Probation works	8,000,000.00	4,000,000.00	WIP	
4	Kamiti Main- Probation works	5,042,550.00	2,521,275.00	WIP	
	<b>Sub total</b>	<b>29,411,800.00</b>	<b>14,705,900.00</b>		
5	PHQ - UNESCO project		18,999,427.50	WIP	
6	Kamiti Main- various customers		10,451,650.00	WIP	
7	Langata women Industries		8,500.00	WIP	
8	Nyeri Medium		1,500.00	WIP	
9	Kericho Medium		1,000.00	WIP	
10	Eldoret main		<u>965,000.00</u>	WIP	
	<b>Grand total</b>		<b><u>45,132,977.50</u></b>		

**18 CAPITAL EXPENDITURE**

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

**19 Financial Risk Management**

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

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

**i) Credit risk**

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

**ii) Liquidity risk management**

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

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

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

**Financial Risk Management**

**iii) Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

**a) Foreign currency risk**

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

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

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

**Financial Risk Management**

**Fair value of financial assets and liabilities**

**a) Financial instruments measured at fair value.**

**Determination of fair value and fair values hierarchy**

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- **Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.** This level includes listed equity securities and debt instruments on exchanges.
- **Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).**
- **Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).** This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

**iv) Capital Risk Management**

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

	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	0	0
Retained earnings	619,943,594.17	540,023,845.61
Capital reserve	14,000,000.00	14,000,000.00
<b>Total funds</b>	<b>633,943,594.17</b>	<b>554,023,845.61</b>
Total borrowings	0.00	0.00
Creditors	312,345,174.00	356,143,099.00
<b>Gearing/Acid test ratio</b>	<b>49.27 %</b>	<b>64.28%</b>

20 Related Party Disclosures

**Nature of related party relationships**

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

**Government of Kenya**

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) The Kenya Prisons Service department;
- iv) Key management;
- v) Board of directors
- vi) Key management;
- vii) Board of directors;

21 Contingent Assets and Contingent Liabilities

**Contingent Assets**

	2020-2021	2019-2020
	KSh	KSh
<b>Contingent assets</b>		
Insurance reimbursements	Nil	Nil
Assets arising from determination of court cases	Nil	Nil
Reimbursable indemnities and guarantees	Nil	Nil
Receivables from other government entities	Nil	Nil
Others (Specify)	Nil	Nil
<b>Total</b>	<b>Nil</b>	<b>Nil</b>

**Contingent Liabilities**

	2020-2021	2019-2020
	KSh	KSh
<b>Contingent liabilities</b>	<b>Nil</b>	<b>Nil</b>
Court case xxx against the entity	Nil	Nil
Bank guarantees in favour of subsidiary	Nil	Nil
Contingent liabilities arising from contracts including PPPs	Nil	Nil
Others (Specify)	Nil	Nil
<b>Total</b>	<b>Nil</b>	<b>Nil</b>

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

**22 Surplus Remission**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. *The entity did not submit any surplus during the year (FY 2020 Nil) and hence no remittance to the Consolidated Fund.*

**23 Events after the Reporting Period**

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

**24 Ultimate And Holding Entity**

The entity is a Revolving Fund at Kenya Prisons Service, State Department for Correctional Services under the Ministry of Interior and Coordination of National Government. Its ultimate parent is the Government of Kenya.

**25 Currency**

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

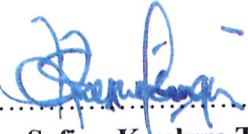
**APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
301. Unsupported cash (P.M.G) balance kshs. 175,987,430	The statement of financial position as at 30 June, 2019 reflects a balance of Kshs 175,987,430 against a Paymaster General Account as at 30 June 2019. This balance represents amounts held on behalf of the Fund in the former Ministry of Home Affairs Deposit Account and which was yet to be transferred to the Fund's new account as of 30 June 2019. However, no documentary evidence in the form of bank certificate or bank reconciliation statements of the said deposit account has been provided to support this balance.	The mngt has continued engaging relevant authorities seeking transfer of Kshs 175,987,430.00 The non- transfer, was affected by the reorganization of government in the financial year 2013/14 where the MOHA was merged with OP to form the new Ministry of Interior and Co-ordination of National government.	HAU-state dept for correctional services	Not Resolved	Awaiting PAC recommendation
302. Cash in transit	Note 12 of the financial statements under cash and cash equivalents is a balance of Kshs 30,318,827 being cash in transit as at 30 June 2019. Although the same amount was also reflected in the previous year's financial statements as cash in transit, no documentary evidence has been provided to support this balance of kshs. 30,318,827 Consequently, it has not been possible to confirm the existence, validity and accuracy of the cash in transit balance of KSh.30,318,827 as at 30 June 2019	This is revenue collected from sale of manufactured products received but not yet deposited to the fund account. The cash is being held up in unpaid payment vouchers. Every effort is being made to ensure that the amount is deposited in the revenue account.	HAU & Accountant PIRF	Not Resolved	Awaiting PAC recommendation
303. Budget Control And Performance	The statement of comparison of budget and actual amounts revealed that the prison industries budget for 2018/2019 financial year was Kshs.493,797,981.84 however, the total expenditure as at 30 <sup>th</sup> June 2019 was Kshs. 251,351,321.00 or 51% of total budget against an under expenditure of kshs 242,446,660.84 or 49% of the budgeted expenditure. Consequently, the fund did not implement all programs and work plan as approved in the budget thus, delaying provisions of the objectives & purposes of the fund.	Prison Industries revolving fund despite having an approved budget does not rely on funding from exchequer but on cash collected from the revolving fund income generating activities. These activities were affected by the invasion of the COVID 19 pandemic and other exigencies in the country resulting to low business.	HAU-state dept for correctional services	Not Resolved	Awaiting PAC recommendation
304. Stalled projects - supply and delivery of motorized vehicle number	During audit inspection and verification at Kamiti main prison industry it was noted that there is a three (3) year contract for tender supply and delivery of motorized vehicle number plate blanks tender no. KPS/T/ICB/10/2014-2017 which	It is true that the machines were procured and installed in 2016 at a cost of Kshs.15,295,500.00. The required machines, equipment and raw materials for new generation number plates	HAU-state dep't for correctional services	Not Resolved	Awaiting PAC recommendation

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
plate blanks Tender NO. KPS/T/ICB/10/2014-2017	had stalled but contract validity period is still running. The contract was signed on 7 <sup>th</sup> November 2017 and the modern number plate's production machine was officially installed and officers trained on how to operate the machines. However, as indicated in the commissioner General of prisons' response Ref.17/17/vol.iv datd30yh October 2019, proceed once the laser marking machines are in place.	are ready except laser marking machine used for final validation of number plates. The roll out of the project is expected to commence once the laser marking machine is in place.			
305. Unequal treatment of suppliers	<p>Examination of payment register for Magereza Headquarters for the financial year 2018/2019 revealed that invoices totaling to kshs.238,601,175.00 were sent to the state department headquarters for payment of various suppliers but only kshs.102,671,940.00 was paid during the year, leaving pending bills of kshs. 135,929,235.00.</p> <p>Further, out of 74 suppliers, it was observed that only 12 suppliers were paid during the year. However, reasons for prioritizing the payments were not clearly stipulated by management as expected thus reflecting unfair distribution of the payments contrary to Article 227 (1) of the constitution which states that a "State organs or any other public entity contracts for goods or services, it should do so in accordance With a system that is fair, equitable, transparent competitive and cost efficient"</p>	<p>It is true that during the financial year 2018/19, Prison Industries forwarded for payment invoices amounting to Kes 238,601,175.00 to the State Department Headquarters. Payments amounting to Kes 102,671,940.00 were made and reflected in the Prison Fund's bank account statement. The unpaid invoices amounting to Kes 135,929,235.00 were processed late and therefore could not be settled before 30th June 2019. Hitherto the management has managed to settle kshs 97,782,135.00 leaving a balance of kshs 38,147,100.00 and the SDCS is following up with the settlement of the remaining debts.</p>	HAU-state dept for correctional services	Not Resolved	Awaiting PAC recommendation

  
 .....  
**Hon. Safina Kwekwe Tsungu, CBS**  
**Principal Secretary,**  
**State Department for Correctional Services,**  
**Nairobi.**

Date..... 19/1/2022 .....

**Kenya Prisons Service (Prison Industry Revolving Fund) PIRF**  
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**APPENDIX II: PRISON INDUSTRIES PAID & NEW DEBTS AS AT 30-06-2021**

<b>PRISON INDUSTRIES PAID DEBTS AS AT 30-06-2021</b>							
	<b>STATION</b>	<b>NAME OF DEBTOR</b>	<b>ITEMS DESCRIPTION</b>	<b>QTY</b>	<b>LPO NO</b>	<b>INVOICE NO</b>	<b>AMOUNT</b>
1	Kamiti Main	Vigilance House	Office Furniture				2,952,800.83
2	Kamiti Main	Kenya Airports Police	Office Furniture		2386160 of 2/3/2015	645/6/7 of 10/11/2015	5,550,600.00
3	Kamiti Main	UNESCO	Office Repairs				9,421,000.00
4	Kamiti Main	NTSA	Number Plates				35,470,685.00
			<b>TOTAL</b>				<b>53,395,085.83</b>

<b>PRISON INDUSTRIES NEW DEBTS AS AT 30-6-2021</b>						
<b>S.NO</b>	<b>STATION</b>	<b>NAME OF DEBTOR</b>	<b>ITEM DESCRIPTION</b>	<b>LPO NO. &amp; DATE</b>	<b>INVOICE &amp; DATE</b>	<b>AMOUNT</b>
1	Kamiti Main	NTSA	Number plates	5931/32		136,185,518.00
					<b>TOTAL</b>	<b>136,185,518.00</b>

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**APPENDIX V: PRISON INDUSTRIES REVOLVING FUND STOCK VALUATION & REVENUE AS AT 30TH JUNE, 2021**

PRISON INDUSTRIES REVOLVING FUND STOCK VALUATION AS AT 30-06-2021													
OPENING STOCK AS AT 1ST JULY-2020					CLOSING STOCK AS AT 30TH JUNE-2021								
COD	STATION	OPENING	WORK IN	FINISHED GOODS	CUSTOMER'S	PURCHASE	CLOSING	WORK IN	FINISHED GOODS	INVOICED	REVENUE	CUSTOMER'S	
E		R/MAT.	PROGRESS	AT COST	DEPOSIT	OF R/MAT.	R/MAT.	PROGRESS	AT COST	PRICE	MANUAL	GOVT.	PRIVATE
1.	COMPRISONS	5,298,210.00				128,881,435.00	35,628,899.00	-	-	-	-	33,705,327.50	
2.	PHQ S/ROOM			5,876,096.15				-	7,098,770.00	7,427,770.00			
3.	TIMBER-YARD	114,680.00					8,383,800.00	-	-				
4.	KAMITIM'	68,601,456.90	28,782,892.05	5,976,413.00	19,006,480.00	6,600,000.00	18,407,918.03	14,457,730.79	8,767,905.95	110,221,379.00	283,409,138.45	10,451,650.00	
5.	KAMITI 'MED'		116,730.00			590,000.00		116,720.00			130,500.00		
6.	LANGATA 'W'	44,894.00	24,989.00	144,668.79	7,000.00	100,000.00	132,357.00	33,772.00	149,305.30	194,445.00	127,902.00		8,500.00
7.	KAMAE GIRLS	4,945.00	1,575.00	2,159.00		100,000.00	62,285.00	6,100.00	7,640.00	5,400.00	5,100.00		
8.	NBI/WEST	403,424.50	1,045,452.90		140,000.00	100,000.00	100,000.00	1,320,661.90					
9.	KIAMBU	113,133.00		50,000.00		100,000.00	184,213.00				54,760.00		
10.	KERUGOYA	9,641.00	14,700.00	81,583.00		100,000.00	62,731.00	14,700.00	81,484.40	107,960.00	2,000.00		
11.	MWEA	734,366.00				100,000.00	686,667.50		40,000.00	52,000.00	76,700.00		
12.	MURANGAM'	248,299.50	309,003.40	342,999.57		100,000.00	304,390.70	226,528.60	265,461.53	345,160.00	120,670.00		
13.	MURANGA'W'					100,000.00	90,441.00	7,660.00	17,577.00	22,850.00	39,950.00		
14.	T/FALLS'W'	18,100.00	69,629.00	75,658.46		100,000.00	3,550.00	88,335.00	66,827.60	86,876.00	190,100.00		
15.	T/FALLS'W'	35,703.00	3,775.00	47,358.00		100,000.00	113,356.25	9,043.00	10,542.00	17,300.00	42,250.00		
16.	NYERI'W'	514,200.00	179,108.00	197,488.95		100,000.00	148,570.00	54,790.00	107,717.70	150,200.00	185,800.00		
17.	NYERI'W'	2,267.00	3,322.00	13,044.00		100,000.00	93,960.00		10,781.00	10,391.00	55,577.00		
18.	NYERI MED	675,891.00	4,950.00	68,555.00		1,481,460.00	771,032.00		65,195.00	85,000.00	81,100.00		1,500.00

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19.	RURU	774,301.00	276,416.00	-		100,000.00	598,408.00	-	-	-	-	69,932.00	
20.	THIKAM'	822,976.70	69,199.90	202,199.90		100,000.00	806,559.58	69,200.00	133,000.00	280,000.00	142,236.00		
21.	THIKAW'	4,907.50	-	12,386.00		100,000.00	4,907.50	-	1,238.46	1,610.00	106,590.00		
22.	MARANJAU	342,573.20	62,303.50			100,000.00	329,601.50	56,192.00	-	-	75,500.00		
23.	KILIFI	-	-	34,615.38		100,000.00	45,820.00	-	15,769.23	20,500.00	18,400.00		
24.	KWALE 'M'	-	-	-		2,940,000.00	100,000.00	7,111.00	-	-	-		
25.	KWALE 'W'	-	-	-		100,000.00	21,060.00	25,800.00	10,445.00	12,100.00	1,200.00		
26.	HINDI	10,500.00	-	-		100,000.00	10,500.00	93,010.00	93,010.00	124,000.00	1,600.00		
27.	KINGORANI					100,000.00							
28.	SHIMO MED	-	7,000.00	28,000.00		100,000.00	88,300.00	11,700.00	21,308.00	27,700.00	5,949.00		
29.	SHIMO'M'	821,160.00	3,108,649.25	-		100,000.00	366,600.00	3,108,649.25	-	-	1,500.00		
30.	SHIMOB I	26,234.00	8,855.00	64,192.00		100,000.00	26,234.00	8,855.00	164,192.00	190,000.00	-		
31.	SHIMO 'W'	300.00	24,145.00	10,477.00		100,000.00	31,050.00	29,000.00	40,820.00	52,848.00	10,120.00		
32.	MANYANI	150,200.00	32,614.00	-		100,000.00	150,200.00	-	-	-	9,100.00		
33.	VOI S	45,985.00	-	-		100,000.00	50,375.00	58,000.00	-	-	14,900.00		
34.	WUNDANYI	118,456.00	-	-		100,000.00	198,764.00	-	-	-	42,226.00		
35.	WUNDANYI'W'	1,650.00	-	10,350.00		100,000.00	90,050.00	4,700.00	7,070.00	10,000.00	2,700.00		
36.	HOLA					100,000.00	80,000.00	20,000.00	-	-	22,980.00		
37.	MALINDI'M'					100,000.00	164,434.00	65,086.00	136,558.05	177,750.00	87,930.00		
38.	MALINDI'W'					100,000.00	54,505.00	12,250.00	5,300.00	11,380.00	800.00		
39.	TAVETA	75,420.00	-	-		100,000.00	117,495.00	36,000.00	-	-	1,000.00		
40.	EMBU'M'	767,016.50	137,313.00	192,307.40	131,250.00	100,000.00	568,404.00	228,459.00	192,306.60	250,000.00	436,750.00		
41.	EMBU'W'	18,140.00	-	-		100,000.00	82,278.00	4,066.00	3,504.00	11,100.00	39,250.00		
42.	ISIOLO	4,345.00	3,000.00	39,497.06		100,000.00	25,345.00	168,000.00	39,494.40	48,500.00	5,000.00		

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43.	KITUI 'M'	91,951.10	40,763.20	96,581.66	100,000.00	180,719.80	38,759.00	45,541.46	32,000.00	97,500.00
44.	KITUI 'W'	40.00	-	3,538.46	100,000.00	78,755.00	11,750.00	3,167.00	6,700.00	4,050.00
45.	MACHAKOS 'M'	2,144,778.50	172,422.00	210,000.00	2,060,000.00	715,254.90	129,027.00	340,230.77	412,300.00	664,950.00
46.	MACHAKOS 'W'	37,616.00	-	8,515.00	100,000.00	93,470.00	5,000.00	4,385.00	3,700.00	-
47.	MARSABIT				100,000.00					
48.	YATTA	114,750.48	18,879.75	26,876.92	2,884,859.00	106,181.98	120,025.65	30,331.65	31,479.00	52,435.00
49.	MAKUENI	391,790.00	43,910.00	219,607.69	180,520.00	360,645.00	50,030.00	186,366.30	244,900.00	53,910.00
50.	MERU 'M'	569,149.20	91,795.30	93,745.80	100,000.00	152,228.23	125,206.30	67,065.80	87,000.00	39,150.00
51.	MERU 'W'	-	-	-	100,000.00	81,924.00	-	-	-	116,110.00
52.	URUKU	-	-	-	100,000.00	-	-	-	-	33,800.00
53.	MOYALE				100,000.00					
54.	MWINGI	58,685.00	57,945.00	19,884.62	2,890,000.00					28,410.00
55.	KANGETA	59,276.00	-	55,373.00	100,000.00	29,360.00	-	32,273.00	40,000.00	7,200.00
56.	GARISSA	-	-	-	100,000.00	72,000.00	26,000.00	-	-	20,500.00
57.	MANDERA	-	-	5,846.15	100,000.00	50,100.00	-	3,538.46	5,600.00	6,400.00
58.	WAJIR	7,834.00	-	14,700.00	3,000,000.00	100,000.00	-	-	-	-
59.	KISII 'M'	-	-	3,588.64	1,434,000.00	-	-	-	-	196,350.00
60.	KISII 'W'	855.00	-	-	100,000.00	58,950.00	15,220.00	5,076.90	6,500.00	33,300.00
61.	KISUMU 'M'	646,710.00	4,481,000.10	705,846.15	100,000.00	277,500.00	4,481,000.10	380,885.00	450,150.00	900.00
62.	KISUMU 'W'	15,265.00	7,500.00	50,843.46	100,000.00	-	7,370.00	36,854.00	47,800.00	-
63.	KIBOS	-	-	-	100,000.00	-	-	-	-	108,000.00
64.	RACHUONYO	15,955.00	7,780.00	9,983.00	100,000.00	45,164.00	-	4,600.00	6,000.00	-
65.	HOMA-BAY	-	61,502.95	36,639.20	100,000.00	-	-	12,000.00	16,000.00	6,800.00
66.	SIAYA	-	-	-	100,000.00	-	-	-	-	16,000.00

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67.	MIGORI'M	153,183.61	-	45,112.00	-	100,000.00	211,522.50	39,840.00	45,112.00	68,427.00	33,930.00	
68.	MIGORI'W	-	-	1,617.00	-	100,000.00	-	-	1,617.00	2,102.00	17,070.00	
69.	KITENGELA	2,481,179.25	3,674,501.00	672,253.85		700,000.00					219,823.00	
70.	KERICHO'M	20,900.00	-	36,307.70		100,000.00	7,530.00	74,142.00	20,923.00	27,200.00	21,500.00	
71.	KERICHO'W	-	-	16,368.00		100,000.00	87,900.00	9,020.00	6,864.00	9,000.00	14,400.00	
72.	KERICHO MIED	-	-	-	5,790.00	100,000.00	41,000.00	20,000.00			110,000.00	1,000.00
73.	KILGORIIS					100,000.00	87,500.00	-	4,550.00	7,000.00	13,900.00	
74.	NANYUKI'M	38,700.00	21,040.00	-		100,000.00	101,376.80	21,040.00	234,076.90	304,300.00	181,000.00	
75.	NANYUKI'W	11,128.00	-	27,239.00		100,000.00	102,480.00	2,800.00	22,852.50	29,615.00	37,610.00	
76.	RUMURUTI	-	-	-		100,000.00	-	-	-	-	43,000.00	
77.	NAKURUM'	474,930.00	325,790.50	96,153.85		100,000.00	243,380.00	155,029.00	61,538.00	80,000.00	221,900.00	
78.	NAKURU'W	16,830.00	-	7,395.00		100,000.00	102,714.00	7,507.00	-	-	107,067.00	
79.	NAIVASHAM'	435,078.00	143,322.10	26,923.08	60,000.00	100,000.00	273,801.50	79,885.80	26,920.00	35,000.00	249,615.00	
80.	NAIVASHA'W	1,710.00	-	3,930.90		100,000.00	78,555.00	10,535.00	7,296.00	9,600.00	-	
81.	NAIVASHAMIE D'	-	-	-		100,000.00	15,700.00	60,000.00	-	-	21,100.00	
82.	NAROK	14,000.00	-	37,010.00		100,000.00	5,400.00	27,000.00	9,230.08	12,000.00	7,750.00	
83.	KITALE'MIED'	63,437.97	56,920.07	17,849.40		100,000.00	42,368.35	56,920.07	17,849.40	23,250.00	-	
84.	KITALE'M	172,553.00	6,600.00	137,153.86		100,000.00	172,553.00	6,600.00	136,807.69	177,850.00	1,450.00	
85.	KITALE'W	7,092.00	1,090.00	1,776.92	1,750.00	6,324,331.00	70,175.00	8,405.00	10,580.00	13,755.00	18,150.00	
86.	KITALE'A	68,115.90	3,059.73	193,652.62		100,000.00	141,745.00	17,060.00	120,915.35	157,190.00	26,000.00	
87.	ELDORET'M	743,916.16	74,934.40	24,230.77		2,275,500.00	59,705.00	1,350,000.00	157,692.30	205,000.00	30,350.00	965,000.00
88.	ELDORET'W	4,166.00	-	10,165.00		100,000.00	73,248.00	14,760.00	8,325.00	11,010.00	38,950.00	
89.	BOMET	-	-	-		100,000.00	-	-	-	-	11,370.00	
90.	TAMBACH	4,284.00	58,900.00			100,000.00	4,284.00	52,000.00	-	-	25,000.00	

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91.	KAPSABET	156,600.00	33,870.00	57,993.00		937,500.00	212,136.00	27,390.00	81,010.00	110,500.00	53,400.00		
92.	MARALAL'M					100,000.00					-		
93.	MARALAL'W	9,770.00	-	9,461.54		100,000.00					-		
94.	LODWAR					100,000.00	-	42,000.00	-		-		
95.	KAPENGURIA	-	-	-		100,000.00	-	-	-		39,650.00		
96.	KABARNET					100,000.00	7,700.00	11,540.00	54,292.00	110,000.00	-		
97.	ELDAMA- RAYINE	-	-	-		100,000.00	-	-	-		46,300.00		
98.	KAJIADO	149,625.00	53,903.50	154,490.00		100,000.00	116,470.00	111,158.50	-		5,000.00		
99.	NGERIA FARM	54,290.00	-	-		100,000.00	50,000.00	50,000.00	-		25,250.00		
100.	CHUKA					0.00					0.00		
101.	BUNGOMA	-	164,616.00	154,490.00		3,100,000.00	-	84,616.00	154,790.00	2,000,000.00	34,750.00		
102.	BUSIA	-	4,838.00	266,791.34		100,000.00	98,000.00	2,337.30	255,251.88	230,000.00	167,050.00		
103.	BUSIA WOMEN	-	-	-		100,000.00	-	-	-		12,000.00		
104.	KAKAMEGA'M	839,694.43	98,298.04	103,786.55	1,155,000.00	562,000.00	828,613.47	63,229.04	1,597,052.87	3,000,000.00	22,250.00		
105.	KAKAMEGA'W					100,000.00					4,020.00		
106.	SHIKUSAB I	157,079.30	43,344.75	118,282.45	16,500.00	100,000.00	155,248.30	12,225.00	118,282.45	150,000.00	13,095.00		
107.	SHIKUSA S S	-	-	-		316,120.00					-		
108.	VIHIGA	-	-	-		4,060,000.00	59,910.00	-	-		40,200.00		
109.	MARIMANTI					785,809.00					-		
110.	KEHANCHA					0.00					-		
	GRAND TOTAL	91,036,393.70	44,034,148.39	17,097,564.24	20,523,770.00	180,603,534.00	75,038,329.89	27,768,547.30	21,859,566.98	340,450,877.00	289,016,855.45	45,121,977.50	11,000.00

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**APPENDIX VI: PRISON INDUSTRIES EXPENDITURE RETURNS AS AT 30TH JUNE 2021**  
**PRISON INDUSTRIES EXPENDITURE RETURNS AS AT 30TH JUNE 2021**

	ELECTR.	WATER / SERV AREA GE	TELEPHO NE	TRAVEL COST	ACCOMM	D/SUB ALOWA NCE	TRAV EL FOR EIGN	ACC OMI M.	SUBN/ PAPER S	ADV ERT PUB	TBA DE SHO WS	BOOK ALL	PR OIE CT	TUIT ION	PUR FOR M	CATERIN G S	OTH ER S	OFFICE SUPPLIES	AC/FOR COMP.	FUELS & LUBRICANT	BANK FEES CHANG ES	EXA M FEE	MAIN T. M/V	MAI NT. P/E G/D F.	MAINT. BUILDING	MAI NT. CO MP	TOTAL
1	1,655,377.5		143,400.0	8,000.0	6,439,040.0	375,400.00			86,995.00	12,070				217,130		130,300	3,760,000	297,720.00	1,105,100.00	3,616,908.00	102,960	1,211.00	309,200	50,000	4,561,969		24,082,575
2			20,000.0	200,000		300,000.												20,000.		30,000.		1,211.00	100,000	400,000			1,070,000
	<b>GRAND TOTAL:-</b>		<b>163,400.5</b>	<b>208,000</b>	<b>6,439,040.0</b>	<b>675,400</b>			<b>86,995</b>	<b>12,070</b>				<b>217,130</b>		<b>130,300</b>	<b>3,760,000</b>	<b>317,720</b>	<b>1,105,100</b>	<b>3,646,908</b>	<b>102,960</b>	<b>1,211.00</b>	<b>409,200</b>	<b>450,000</b>	<b>4,561,969</b>		<b>25,152,574.55</b>