

REPUBLIC OF KENYA



# OFFICE OF THE AUDITOR-GENERAL



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| REPORT BY:                                                                                                                  | Majority Party Whip<br>Hon. Benjamin Natchulu |
| CLERK-AT<br>THE TABLE:                                                                                                      | Minam Mado                                    |

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
STATE DEPARTMENT FOR CORRECTIONAL  
SERVICES**

**FOR THE YEAR ENDED  
30 JUNE 2018**





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**MINISTRY OF INTERIOR AND COORDINATION  
STATE DEPARTMENT FOR CORRECTIONAL SERVICES**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2018**

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



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**State Department For Correctional Services**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

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**I. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

The State Department for Correctional Services was formed by Executive Order No. 1 of May 2016. At cabinet level, the State Department for Correctional Services is represented by the Cabinet Secretary for Interior and Coordination of National Government, who is responsible for the general policy and strategic direction of the State Department for Correctional Services.

The vision of the state Department is to be “An institution of excellence in offender management and regulation of gaming industry”.

Its mission is to contribute to the promotion of just, secure and good governance through containment, rehabilitation and re-integration of offenders and regulation of gaming.

The State Department for Correctional Services’ Core Values are based on six principles namely;

1. Quality service
2. Transparency
3. Integrity
4. Professionalism
5. Teamwork
6. Partnerships and
7. Responsiveness.

**(b) Key Management**

The State Department for Correctional Services’ day-to-day management is under the following key organs:

- Kenya Prison Service;
- Probation and After Care Services;
- Betting Control and Licencing; and
- General Administration.

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

| No. | Designation                   | Name                          |
|-----|-------------------------------|-------------------------------|
| 1   | Accounting Officer            | Zeinab A. Hussein (Mrs.), CBS |
| 2   | Commissioner General, Prisons | Isiah M. Osugo, CBS           |
| 3   | Director, Administration      | Joseph Kirubi, MBS            |
| 4   | Director Probation            | Mary W. Mbau                  |
| 5   | Director Betting Control      | Liti Wambua                   |
| 6   | Director, HRM/HRD             | Wilfred F O Omolo             |
| 7   | Chief Finance Officer         | Sarah Kemunto Kerandi         |
| 8   | Head of Accounting Unit       | Daniel Mwangi                 |
| 9   | Head, Central Planning Unit   | James Nyabochoa               |
| 10  | Head, Supply Chain Management | David Njoroge                 |

**(d) Fiduciary Oversight Arrangements**

– **Finance committee activities**

The State Department has established a Budget Implementation Committee (BIC) and Project Implementation Committee (PIC) as per Treasury circular no. 08/2015 dated 10th June, 2015 and treasury circular no. 14/2016 dated 13th July, 2016 respectively.

The BIC is mandated to oversee the budget implementation process and advise the Accounting Officer on the performance of the entire budget during the implementation phase and to oversee production of performance reports. The Terms of Reference for BIC is as below;

1. To review and consider the cash flow plans which involves regular review of the ministerial cash plan and approval of any changes to the initial cash flow plan and advise the National Treasury appropriately to enable processing of the State Department's exchequer.
2. To review the utilization of cash limits and consider any changes as may be required.
3. To advise the Accounting officer on any challenges related to the budget implementation.
4. To review and recommend re-allocation of expenditure items.
5. To review and approve the submission of expenditures returns, IPPD, pending bills and AIA returns and recommend actions to be taken.
6. To participate in Sector Working Group.
7. To prepare the budget for the State Department in consultations with the implementing agents.

The membership of the BIC is constituted of;

- i. Accounting officer– Chairperson
- ii. Head of Planning - Secretary
- iii. Head of Finance - Member
- iv. Head of Administration
- v. A maximum of six representatives from technical department.

The BIC's Terms of Reference include;

1. Prioritisation of projects based on the MDAs Strategic Plan, Medium Term Plan of the Vision 2030, and the Jubilee Transformative Agenda,
2. Assessment of the viability and sustainability of new projects,
3. Approval of projects to be implemented based on established criteria,
4. Identification of the potential projects 'risks and mitigating measures,
5. Providing guidance on any changes in the project's design during implementation and
6. Monitoring and evaluating the achievement of programmes/projects outputs and outcomes.

– **Parliamentary committee activities**

**Parliamentary Budget Committee**

The State Department followed the guidelines and circulars issued by the National Treasury in the preparation of the Financial Year 2017/18 Budget under the guidance of the Accounting Officer. The State Department's Head of Planning and Finance Units prepared the 2017/2018 budget which was



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considered and approved by the by the National Assembly and assented to by H.E. The President on 8th May 2018.

**Parliamentary Account Committee**

The committee was mandated to respond to matters raised by Parliamentary Account Committee in relation to budgetary allocations and appropriations.

The members of state department for correctional services who were mandated by the accounting officer to prepare responses to the parliamentary account committee briefs included,

1. The Commissioner General Prisons
2. Director probation and After Care Services
3. Director Betting and Licencing Board
4. Director Administration
5. Head Planning Unit
6. Head of Accounting Unit
7. Head Finance Unit
8. Head Supply Chain Management
9. Head Legal Unit.

The state department was able in consultation with the National Treasury able to receive clearance from the Auditor General on audit issues concerning the 2012/2013 and earlier balances and responded to Public Accounts Committee Recommendations for the years 2010/2011, 2011/2012 and 2012/2013 on 23 march 2016 vide letter ref no SDC/SEC/FIN/3/12/(39).

**(e) Entity Headquarters**

P.O. Box 30478-00100  
Teleposta Plaza  
Kenyatta Avenue  
Nairobi, KENYA

**Entity Contacts**

Telephone: (254) 228411  
E-mail: ps@correctional.go.ke  
Website: www.go.ke

**(f) Entity Bankers**

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

**(g) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way

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P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**(h) Principal Legal Adviser**

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

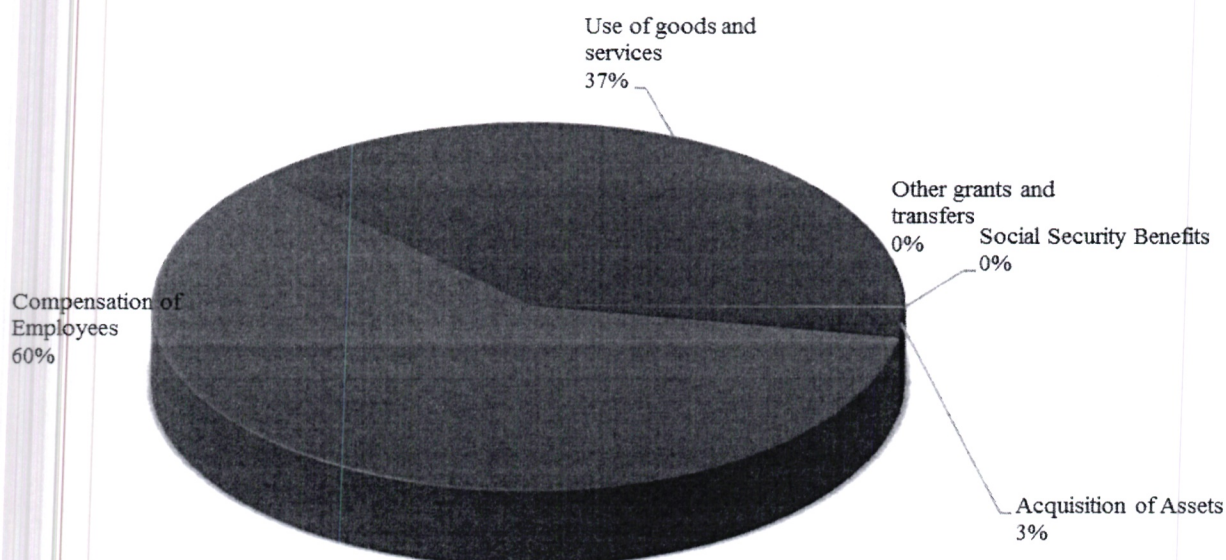


## **II. FORWARD BY THE CABINET SECRETARY**

The State Department of Correctional Services is domiciled in the Ministry of Interior and Coordination of National Government. In the financial year 2017/18, the State Department for Correctional Services had an approved total budget allocation amounting to KES. 23,350,893,243. The Recurrent Vote had KES. 22,797,569,313 while Development Vote amounted to KES 553,323,930. During the period under review, the State Department's total Expenditure amounted to KES 23,125,625,142, attaining an absorption rate of 99% of the allocated funds. Recurrent and Development Expenditures amounted to KES 22,664,104,528 and KES 461,520,614 respectively.

It is important to note that the State Department has endeavoured to execute the budget in the most prudent manner despite the fact that employees compensation took up 60% of the total funds received while implementation of programmes and sub-programmes took up the remaining 40%.

### **Budget Utilisation as Per Economic Items**



During the financial year 2017/18, the State Department intensified efforts to fully implement projected key activities under the various programmes. These programmes include Correctional Services, General Administration & Support Services and Betting Control, Licensing and Regulation

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Services and their cumulative expenditure were KES.22,528,614,430, KES 484,745,642 and KES 115,804,418 respectively.

Offender Services Sub-programme took the largest share of 83% of the total budget. This was occasioned by the crucial nature of the activities funded under this sub-programme that include: inmates healthcare, purchase of food and rations; provision of welfare kits which included soap, toilet paper, tissue and sanitary towels for women prisoners in order to improve the welfare of inmates. The total expenditure under capacity development, probation and aftercare services was at 7% and 6% of the total budget whereby the funds were utilized to improve training facilities, prison communication infrastructure, facilitation of administration of justice and rehabilitation of offenders. Betting Control, Licensing and Regulation Services programme was allocated a small share of 0.05% for all its technical functions given that most of these functions were devolved to the counties with only the regulation function being carried out by the national government.

**Table: Summary of Programmes and Sub-Programmes**

| S/No | ANALYSIS OF PROGRAMME EXPENDITURE                                             | APPROVED BUDGET       | ACTUAL EXPENDITURE    |
|------|-------------------------------------------------------------------------------|-----------------------|-----------------------|
|      |                                                                               | 2017/18               | 2017/18               |
|      |                                                                               | KES                   | KES                   |
| 1    | <b>PROGRAMME NAME 1 CORRECTIONAL SERVICES</b>                                 | <b>22,732,022,725</b> | <b>22,528,614,430</b> |
|      | Sub-Programme 1. Offenders Services                                           | 19,560,467,594        | 19,389,949,352        |
|      | Sub-Programme 2. Capacity Development                                         | 1,684,562,908         | 1,683,086,370         |
|      | Sub-Programme 3. Probation And Aftercare Services                             | 1,486,992,223         | 1,455,578,708         |
| 2    | <b>PROGRAMME 2:GENERAL ADM.PLANNING &amp; SUPPORT SERVICES</b>                | <b>498,937,294</b>    | <b>484,745,642</b>    |
|      | Sub-Programme 1.: Planning, Policy Coordination & Support Services            | 498,937,294           | 484,745,642           |
| 3    | <b>PROGRAMME NAME 3. BETTING CONTROL, LICENSING &amp; REGULATION SERVICES</b> | <b>119,933,224</b>    | <b>115,804,418</b>    |
|      | Programme Name 1. Betting Control, Licensing & Regulation Services            | 119,933,224           | 115,804,418           |
|      | <b>Total For VOTE</b>                                                         | <b>23,350,893,243</b> | <b>23,129,164,490</b> |

The State Department made major milestones in terms of achievements of its core mandate of offering effective correctional services as well as facilitating efficient, effective, expeditious administration of the criminal justice and regulation of gaming activities. Key among these include: provision of basic necessities such as uniforms, blankets, mattresses, soap, shoes and toiletries to 56,000 inmates; enhanced rehabilitation of inmates through provision of formal education to 8,050; vocational training to 9,101 and professional training to 3,602 contained offenders. The State



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Department also facilitated administration of criminal justice through preparation and submission of 81,847 social reports to courts and other statutory penal organs.

It further enhanced the enforcement of court orders through supervision of 153,691 non-custodial offenders serving probation orders; community service orders and Power of Mercy supervision respectively. During the same period, the State Department enhanced the security of penal institutions by constructing and upgrading of perimeter walls and fences, watch towers in various prisons across the country. In addition, the department deployed horses and sniffer dogs to seven (7) principal stations namely; Kamiti, Nyeri, Kisumu, Lang'ata and Shimo maximum security prisons, Nakuru and Ngeria main prison,. The institutions have also installed walk through metal detector and 300 hand held metal detectors. Further, the department has installed Closed Circuit television (CCTV) cameras in Naivasha maximum security prison and Prisons Staff Training College (PSTC), Ruiru. BCLB has collected and remitted revenue from permits and licences totalling to KES. 280,475,800.

The State Department through the Kenya Prison Service has doubled efforts to construct prison wards and improved prisons infrastructure welfare through construction of workshops, dining halls, perimeter walls and classrooms in over 50 stations to decongest prisons. These on-going projects are located in various stations including Ngeria, Makueni, Kilgoris, Rachuonyo, Garissa, Voi, Thika and a probation hostel in Siaya for probationers. All the projects in these prisons are earmarked for completion in the FY 2017/18. The following graphical demonstrations capture some of the projects:

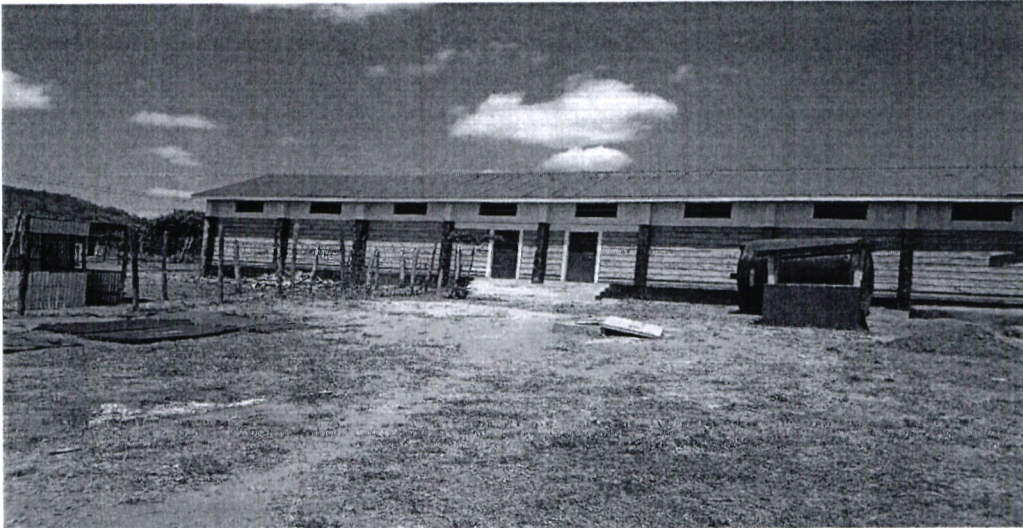


***Ngeria prison: Completed Mixed block***



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**Makueni Prison: Completed Mixed block**



***Shikusa Borstal Institution: Completed Welding Workshop***





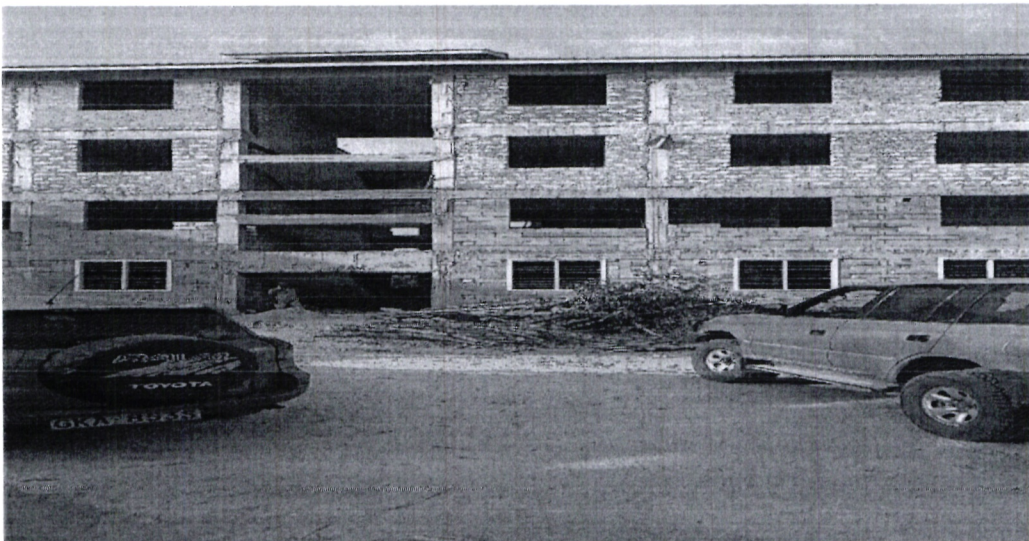
***Siaya probation: Ongoing construction of a probation hostel***

During the financial year 2017/18, the State Department through the Kenya Prisons Service and the Probation and Aftercare Services initiated Staff Welfare improvement programme that consisted a Public Private Partnership housing project at Shimo la Tewa Maximum Prison to provide housing for staff. More prison labour based housing projects have been initiated in various Prisons including Eldama Ravine, Mwingi and Kakamega among others. Constructions of more training facilities have been initiated to equip prison officers with in service training such facilities include the executive wing at Ruiru Prisons Service Training College.





*PSTC Ruiru: Executive Training wing*



*Shimo Maximum Security Prison: Storey houses being constructed under PPP police/prisons housing program*

During the period under review the State Department faced a myriad of challenges coupled with emerging issues in the management of offenders. These included:

- i. Emerging sophistication in crime including terrorism, extremism/radicalization, cybercrimes, mushrooming of illegal gambling machines and computer network hackings leading to negative implications in offender management. The State Department has strengthened



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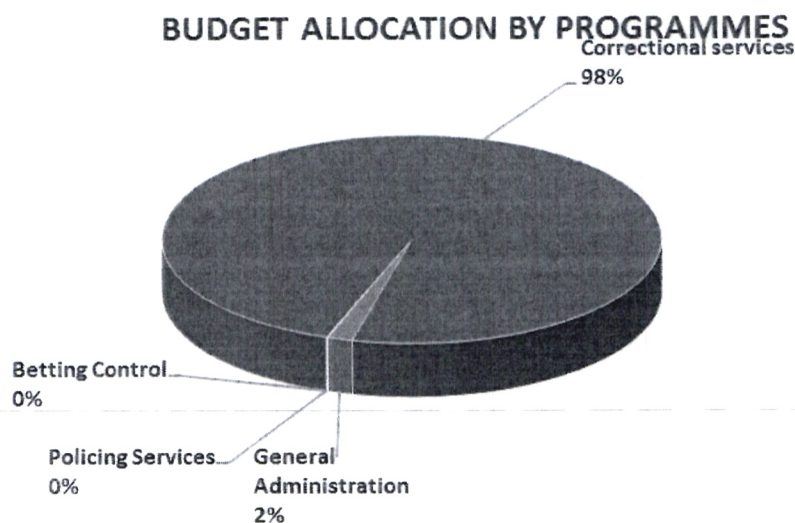
coordination and partnerships with other state agencies to eradicate these crimes with a view to addressing these challenges of emerging crimes.

- ii. Use of Information Communication Technology including Mobile phones and internet in criminal activities has increased the complexity of crimes resulting to offenders propagating criminal activities while serving their sentences in penal institutions. Kenya Prison Service has enhanced efforts to minimise these challenges through modernisation and acquiring new security equipment to increase security and improve the level of supervision and detection of these modern crimes.
- iii. The phenomenon of Drug and Substance Abuse in society has affected members of staff and offenders' alike leading to more resources being re-allocated to address the problem at the expense of the other planned programs.
- iv. Austerity measures imposed by the Government from time to time during the financial years affect the effective implementation of the planned activities. To address this, the State Department will lobby treasury and parliament to classify correctional services as key priority area because of the security nature of the State Departments operations so as to ring fence the affected critical operational areas.
- v. Pending bills have posed a major challenge to the State Department in an attempt to balance current expenditure and payment of accrued pending bills amounting KES. 6,204,906,534 as at 2017/2018 financial year. The State Department has continued to engage treasury through various foras with a view to seeking additional fund allocation in order to settle the pending bills.

#### **BUDGET ALLOCATION**

In the financial year 2017/18 the State Department for Correctional Services had a gross budget of **KES 23,350,893,243** which was made up of **KES 22,797,569,313** and **KES 553,323,930** for recurrent and development vote respectively.

The State Department was to expend the gross budget of KES 23,350,893,243 under the following four programmes:



### I. Programme 1: Correctional Services

**Objective:** To facilitate increased access to justice, provide quality services for custody, containment, supervision, rehabilitation and reintegration of all categories of offenders.

### II. Programme 2: General Administration

**Objective:** To provide better planning, policy direction and support services for improved service delivery

### III. Programme 3: Betting Control

### Key Performance Highlights

Below is an overview of the financial performance for the year ended 30<sup>th</sup> June 2017 as reported in the detailed financial statements together with the commentary and comparative analysis against budget and prior year for the key items in the financial statements.

### Financial Performance Summary

#### Actual Performance against Budget for Year to 30<sup>th</sup> June 2018

| Financial Performance       | Printed Estimates | Actual            | Variance            | %                       |
|-----------------------------|-------------------|-------------------|---------------------|-------------------------|
|                             | KES               | KES               | KES                 | Utilisation<br>Variance |
| Total Receipts              | 23,350,893,243    | 23,201,408,732    | 149,484,511         | 99%                     |
| Total Payments              | 23,350,893,243    | 23,125,625,142    | 225,268,101         | 99%                     |
| <b>Surplus for the Year</b> | -                 | <b>75,783,590</b> | <b>(75,783,590)</b> | -                       |

Actual receipts by the MDAs stood at 99% of the budget while actual payments were at 99% of the budget.



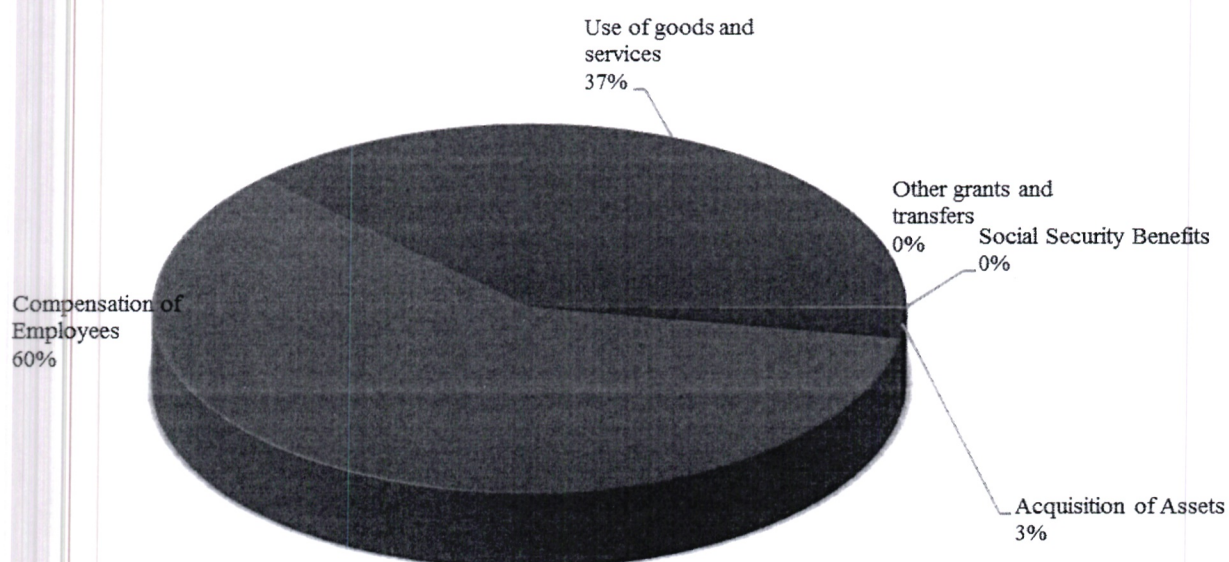
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**Budget Utilisation**

The State Department spent **KES 23,125,625,142** against an approved budget of **KES 23,350,893,243** representing an absorption rate of **99%**. The economic activities supported by the budget are as illustrated in the chart below:

|                            | Approved Budget Allocation | Actual Payments       | Variance           |
|----------------------------|----------------------------|-----------------------|--------------------|
| Compensation of Employees  | 13,979,290,306             | 13,979,350,305.00     | (59,999)           |
| Use of goods and services  | 8,608,096,907              | 8,512,721,266.00      | 95,375,641         |
| Other grants and transfers | 15,007,100                 | 14,889,807.00         | 117,293            |
| Social Security Benefits   | 33,151,500                 | 19,158,742.00         | 13,992,758         |
| Acquisition of Assets      | 715,347,430                | 599,505,022.00        | 115,842,408        |
| <b>Total Payments</b>      | <b>23,350,893,243</b>      | <b>23,125,625,142</b> | <b>225,268,101</b> |

**Budget Utilisation as Per Economic Items**



It is noted that 60% of the State Department's budget was used in compensation of employees. 37% of the budget was utilised on purchase of goods and services while 3% was utilised in acquisition of assets.



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**Current Year Performance against Prior Year**

| <b>Financial Performance</b>          | <b>Year to 30<sup>th</sup> June 2018</b> | <b>Year to 30<sup>th</sup> June 2017</b> | <b>Change</b>        | <b>%</b>      |
|---------------------------------------|------------------------------------------|------------------------------------------|----------------------|---------------|
|                                       | <b>KES</b>                               | <b>KES</b>                               | <b>KES</b>           | <b>Change</b> |
| Total Receipts                        | 23,201,408,732                           | 20,744,800,000                           | 2,456,608,732        | 12%           |
| Total Payments                        | 23,125,625,142                           | 20,489,350,613                           | 2,636,274,529        | 13%           |
| <b>Surplus/(Deficit) for the Year</b> | <b>75,783,590</b>                        | <b>255,449,387</b>                       | <b>(179,665,797)</b> | <b>(70%)</b>  |

Total receipts increased by 12% due to increase funding to the MDA through exchequer releases while there was a substantial amount of pending bills paid during the year.

**Receipts**

The State Department's receipts comprise of exchequer releases from the National Treasury. The total receipts for FY 2017/2018 stood at KES 23.20 Million, representing a 12% increase from KES 20.74 Million for FY 2016/2017.

|                       | <b>Year to 30<sup>th</sup> June 2018</b> | <b>Year to 30<sup>th</sup> June 2017</b> | <b>Change</b>        | <b>%</b>      |
|-----------------------|------------------------------------------|------------------------------------------|----------------------|---------------|
| <b>Receipts</b>       | <b>KES</b>                               | <b>KES</b>                               | <b>KES</b>           | <b>Change</b> |
| Total Receipts        | 23,201,408,732                           | 20,744,800,000                           | 2,456,608,732        | 12%           |
| <b>Total Receipts</b> | <b>23,201,408,732</b>                    | <b>20,744,800,000</b>                    | <b>2,456,608,732</b> | <b>12%</b>    |

Total receipts increased by 12% due to increase funding to the MDA through exchequer releases.

**Payments**

The State Department's payments mainly comprise of employee compensation and acquisition of assets.

The total payments for FY 2017/2018 stood at KES 23.12 Million, representing a 13% increase from KES 20.48 Million for FY 2016/2017.

**Total Payment Breakdown**

|                            | <b>Year to 30<sup>th</sup> June 2018</b> | <b>Year to 30<sup>th</sup> June 2017</b> | <b>Change</b>        | <b>%</b>      |
|----------------------------|------------------------------------------|------------------------------------------|----------------------|---------------|
|                            | <b>KES</b>                               | <b>KES</b>                               | <b>KES</b>           | <b>Change</b> |
| Compensation of Employees  | 13,979,350,305                           | 12,168,615,797                           | 1,810,734,508        | 15%           |
| Use of goods and services  | 8,512,721,265                            | 7,643,747,942                            | 868,973,323          | 11%           |
| Other grants and transfers | 14,889,808                               | 3,120,000                                | 11,769,808           | 377%          |
| Social Security Benefits   | 19,158,742                               | 4,269,256                                | 14,889,486           | 349%          |
| Acquisition of Assets      | 599,505,022                              | 669,597,618                              | (70,092,596)         | (10%)         |
| <b>Total Payments</b>      | <b>23,125,625,142</b>                    | <b>20,489,350,613</b>                    | <b>2,636,274,529</b> | <b>13%</b>    |

The increase in payments is attributable to a significant increase in exchequer releases. Further, there was also an increase in compensation of employees attributed to recruitment of staff during the year, other grants and transfers and social security benefits increased due to an increase in scholarships and payment of pension.



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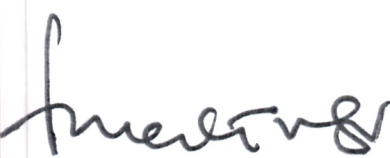
**Financial Assets Summary**

| Financial Assets                            | As at<br>30 <sup>th</sup> June 2018 | As at<br>30 <sup>th</sup> June 2017 | Change            | %         |
|---------------------------------------------|-------------------------------------|-------------------------------------|-------------------|-----------|
|                                             | KES                                 | KES                                 | KES               | Change    |
| Bank Balances                               | 52,164,667                          | 32,182,335                          | 19,982,332        | 62%       |
| Cash Balances                               | 314,020                             | 3,929,249                           | (3,615,229)       | (92%)     |
| Accounts Receivables –<br>District suspense | 674,545,397                         | 673,392,624                         | 1,152,773         | 0%        |
| <b>Total Financial Assets</b>               | <b>727,024,084</b>                  | <b>709,504,208</b>                  | <b>17,519,876</b> | <b>2%</b> |

Bank balances increased by 62% as a result of decreased spending during the year.

Cash balances decreased by 92% due to banking of remaining cash at the year end.

Accounts receivables increased insignificantly as a result of district expenditure capturing which is still ongoing.

Sign   
Cabinet Secretary

### III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

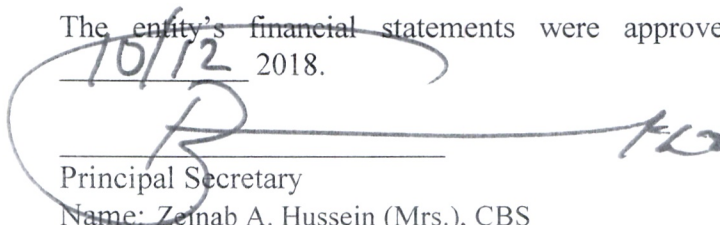
The Accounting Officer in charge of the *State Department for Correctional Services* is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2018. 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 entity; (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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the *State Department for Correctional Services* accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2018, and of the entity's financial position as at that date. The Accounting Officer charge of the *State Department for Correctional Services* further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

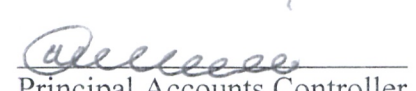
The Accounting Officer in charge of the *State Department for Correctional Services* confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were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

#### Approval of the financial statements

The entity's financial statements were approved and signed by the Accounting Officer on 10/12 2018.

  
Principal Secretary

Name: Zelnab A. Hussein (Mrs.), CBS

  
Principal Accounts Controller

Name: Daniel Mwangi

ICPAK Member Number: 9061



# REPUBLIC OF KENYA

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## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR CORRECTIONAL SERVICES FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

##### Qualified Opinion

I have audited the accompanying financial statements of State Department of for Correctional Services set out on pages 18 to 42, which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and summary statements of appropriation account – recurrent, development and combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the 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 State Department for Correctional Services as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

##### Basis for Qualified Opinion

###### 1. Use of Goods and Services

The statement of receipts and payments for the year ended 30 June 2018 reflects expenditure totalling Kshs.8,512,721,265 in respect of use of goods and services and as summarized and disclosed in Note 3 to the financial statements. The audit has revealed the following irregularities and anomalies as regards the expenditure:

###### 1.1. Food and Rations Paid for but not Accounted For - Kshs. 69, 892,400

Included in Note 3 to the financial statements for the year ended 30 June 2018 under the use of goods and services is an expenditure of Kshs.4,074,213,142 for specialized materials. The expenditure includes an amount of Kshs.69,892,400 which the State Department for Correctional Services paid to various suppliers for supply of food and rations to six Prisons within Nairobi. However, during an audit verification exercise undertaken in the month of October 2018 delivery, receipt and taking on charge of the food and rations could not be traced in the records maintained at the Prisons. As a result,

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*Report of The Auditor-General on the Financial Statements of State Department for Correctional Services for the year ended 30 June 2018*



the propriety of the expenditure of Kshs. 69,892,400 on food and rations cannot be confirmed.

#### **1.2. Clothing Materials Paid for but not Delivered - Kshs. 1,150,000**

The State Department for Correctional Services ordered for supply and delivery of 32,000 metres of blue stripped material 60" wide, 100% cellulose from Liberty Professional Services vide Local Purchase Order No. 2774906 dated 26 September, 2017 for Kshs.18,400,000. The firm was paid the total amount of Kshs.18,400,000, vide payment voucher number 4352 dated 8 May, 2018. However, an audit verification exercise carried out at the Quarter Master on 8 October 2018 revealed that only 30,000 metres of the clothing materials were delivered and taken on charge. The balance of 2000 metres valued at Kshs.1,150,000 were paid for but not delivered resulting to loss of public funds. Consequently, the propriety of the expenditure of Kshs.1,150,000 in respect of undelivered clothing materials cannot be confirmed.

#### **1.3. Unsupported Payments to Staff Through Imprests and Expenditure Claims - Kshs.118,642,950**

During 2017/2018 financial year, the State Department for Correctional Services made payments totalling Kshs.118,642,950 to various members of staff through imprests to undertake some activities or as refund claims for activities already undertaken. However, the following anomalies were observed:

- i) Some officers received payments on behalf of others. No explanation has been given for failure to issue imprest to each officer individually after making formal application.
- ii) Further, the officers on whose behalf imprests were taken did not sign the payment schedules to confirm receipt of the money.
- iii) Personal employment numbers of the officers were not indicated against the names of payees in the payment schedules, thus creating doubts as to whether the names were genuine.
- iv) Attendance registers of workshops or training were not attached as evidence that the workshops took place.

In view of the above observations, the validity and propriety of the payments amounting to Kshs.118,642,950 cannot, therefore, be confirmed.

#### **1.4. Facilitation of Counter Violence and Radicalization Program -Kshs.42,682,500**

Included in Note 3 to the financial statements for the year ended 30 June 2018 under the use of goods and services is an expenditure of Kshs.331,170,951 relating to other operating expenses. This amount includes Kshs.42,682,500 which the State Department for Correctional Services paid for facilitation of counter violent extremism and radicalization program in the Prisons. The program was to be implemented by a team of



officers drawn from Prisons Headquarters and the State Department's Headquarters in various counties.

However, it was observed that the payment vouchers were not supported with relevant information and documents such as names of the participants and personal/national identity card numbers; evidence of per diem payments; invoices for conference and hotel facilities; and evidence of travel (work-tickets and air/bus tickets). In the circumstances, it has not been possible to confirm the propriety of the cash payments amounting Kshs.42,682,500.

### **1.5. Unsupported Cash Payments for Prison Officers Mess - Kshs. 13,490,850**

Included in Note 3 to the financial statements for the year ended 30 June 2018 under the use of goods and services are expenditure of Kshs.365,756,271 and Kshs.114,320,276 relating to training and hospitality, supplies and services, respectively. The State Department for Correctional Services made cash payments relating to Prison Officers Mess - Nairobi West totalling Kshs.13,490,850 for conference charges, lunches, tea and snacks for various activities undertaken at the facility during the financial year and charged the amount to training and hospitality, supplies and services.

These cash payments were claimed to have been made to members of staff who had submitted claims for refund of money already spent for the aforementioned activities and which they claimed to have spent at the officers' mess. No reasons have been given for failure to transfer funds directly to Prison Officers Mess instead of giving cash to staff. Further, there was no record to confirm that the various activities were undertaken. In the circumstances, it has not been possible to confirm the propriety of the expenditure of Kshs.13,490,850.

## **2. Compensation of Employees**

### **2.1. Irregular Payment of Allowances**

Examination of payment records revealed that the State Department incurred expenditure totalling Kshs.87,467,849 in form of various allowances as shown below:

|                           |                   |
|---------------------------|-------------------|
| Gratuity – Civil Servants | 14,334,976        |
| Hardship Allowance        | 2,796,179         |
| Inmates Allowance         | 262,555           |
| Police / Prison Allowance | 3,164,800         |
| Top up House Allowance    | 28,323,382        |
| Trainee Allowance         | 28,671,855        |
| Board Allowances          | <u>9,914,102</u>  |
| Total                     | <u>87,467,849</u> |



However, relevant documents in support of the payments have not been provided for audit review. In the circumstances, it has not been possible to ascertain the validity and propriety of the expenditure of Kshs.87,467,849.

### 3. Prepayments – Kshs.27,800,630

IFMIS records show that payments amounting to Kshs.27,800,630 were made by the State Department for Correctional Services to various institutions and individuals and posted in the ledger as prepayments. However, no documentary evidence has been provided to explain the nature of the payments and what they relate to. Consequently, it has not been possible to confirm the validity and propriety of the payments of Kshs.27,800,630.

### 4. Un-vouched Expenditure - Kshs.174,989,039

Examination of expenditure records revealed that during the year under review, the State Department paid a total of Kshs.174,989,039 to some staff and various suppliers as shown below:

| Payee                      | Voucher  | Sub Item Description                                     | Payment Date | Amount Kshs |
|----------------------------|----------|----------------------------------------------------------|--------------|-------------|
| Vaghjiyani Enterprises Ltd | 80018541 | Purchase of Police & Security Equipment                  | 22-May-18    | 8,847,600   |
| Vaghjiyani Enterprises Ltd | 80018541 | Purchase of Police & Security Equipment                  | 22-May-18    | 5,603,480   |
| Twenty Twenty Ventures Ltd | 80009798 | Purchase of Uniforms & Clothing                          | 2-Jul-17     | 6,200,225   |
| Twenty Twenty Ventures Ltd | 80009798 | Purchase of Uniforms & Clothing                          | 2-Jul-17     | 5,699,975   |
| Sunday Namisi Musa         | 80018452 | Wood, Charcoal & Cooking Gas                             | 17-May-18    | 1,561,200   |
| Sunday Namisi Musa         | 80018452 | Catering Services, Accommodation, Gifts, Foods & Drinks  | 17-May-18    | 1,450,000   |
| Skyweb Enterprises Ltd     | 80015927 | Supplies For Women Inmates                               | 27-Feb-18    | 1,845,810   |
| Skyweb Enterprises Ltd     | 80015927 | Medical Drugs                                            | 27-Feb-18    | 1,283,940   |
| Samuel Kiplangat Rutto     | 80020236 | Daily Subsistence                                        | 28-Jun-18    | 1,656,850   |
| Samuel Kiplangat Rutto     | 80020236 | Travel Costs(Airlines, Bus, Railway, Mileage Allowances) | 28-Jun-18    | 1,000,000   |
| Samuel Kimaiyo Kigen       | 80016842 | Purchase of Uniforms & Clothing                          | 26-Mar-18    | 2,010,000   |
| Samuel Kimaiyo Kigen       | 80016842 | Purchase of Beddings & Linen                             | 26-Mar-18    | 1,938,000   |
| Saeju Enterprises          | 80016488 | Maintenance Expenses-Motor Vehicles                      | 9-Mar-18     | 1,900,000   |
| Saeju Enterprises          | 80016488 | Maintenance Expenses-Motor Vehicles                      | 9-Mar-18     | 1,325,000   |



|                                   |          |                                                         |           |            |
|-----------------------------------|----------|---------------------------------------------------------|-----------|------------|
| Raphael Musyoki Nzoka             | 80017437 | Purchase of Uniforms & Clothing-Staff                   | 19-Apr-18 | 1,500,000  |
| Raphael Musyoki Nzoka             | 80017437 | Food & Rations                                          | 19-Apr-18 | 1,400,800  |
| Mungo Murgor Emmanuel             | 80011910 | Wood, Charcoal & Cooking Gas                            | 9-Oct-17  | 2,120,000  |
| Mungo Murgor Emmanuel             | 80011910 | Food & Rations                                          | 9-Oct-17  | 1,285,000  |
| Mungo Murgor Emmanuel             | 80015799 | Security Operations                                     | 16-Feb-18 | 1,635,000  |
| Mungo Murgor Emmanuel             | 80015799 | Catering Services, Accommodation, Gifts, Foods & Drinks | 16-Feb-18 | 1,635,000  |
| Mungo Murgor Emmanuel             | 80017376 | Electricity                                             | 16-Apr-18 | 1,000,000  |
| Mungo Murgor Emmanuel             | 80017376 | Daily Subsistence                                       | 16-Apr-18 | 1,000,000  |
| Liberty Professional Services Ltd | 80018236 | Purchase of Uniforms & Clothing- Inmates                | 10-May-18 | 13,708,575 |
| Liberty Professional Services Ltd | 80018236 | Purchase Of Uniforms & Clothing- Staff                  | 10-May-18 | 4,691,425  |
| Julius Kiilu Mwalili              | 80009712 | Transport Allowance                                     | 2-Jul-17  | 2,183,000  |
| Julius Kiilu Mwalili              | 80009712 | House Allowance                                         | 2-Jul-17  | 2,000,000  |
| John Mwendwa Muthengi             | 80018306 | Daily Subsistence                                       | 11-May-18 | 2,000,000  |
| John Mwendwa Muthengi             | 80018306 | Daily Subsistence                                       | 11-May-18 | 1,310,000  |
| Jane Wangari Irungu               | 80017298 | Electricity                                             | 9-Apr-18  | 1,200,000  |
| Jane Wangari Irungu               | 80017298 | Purchase of Beddings & Linen                            | 9-Apr-18  | 1,003,600  |
| Great Two (K)                     | 80020275 | Purchase of Beddings & Linen                            | 29-Jun-18 | 9,649,458  |
| Great Two (K)                     | 80020275 | Purchase Of Uniform & Clothing- Staff                   | 29-Jun-18 | 7,959,042  |
| Fred Moreka Mokono                | 80011322 | Maintenance Expenses- Motor Vehicles                    | 14-Sep-17 | 1,200,000  |
| Fred Moreka Mokono                | 80011322 | Food & Rations                                          | 14-Sep-17 | 1,125,600  |
| Fred Moreka Mokono                | 80019545 | Security Operations                                     | 18-Jun-18 | 2,000,000  |
| Fred Moreka Mokono                | 80019545 | Trainee Allowance                                       | 18-Jun-18 | 1,288,000  |
| Commissioner Of Prisons           | 80013105 | Maintenance Expenses- Motor Vehicles                    | 22-Nov-17 | 1,800,000  |
| Commissioner Of Prisons           | 80013105 | Veterinary Supplies & Materials                         | 22-Nov-17 | 1,196,959  |



|                                              |          |                                                          |           |                    |
|----------------------------------------------|----------|----------------------------------------------------------|-----------|--------------------|
| Chepkwony Hillary                            | 80011908 | Maintenance Expenses-Motor Vehicles                      | 9-Oct-17  | 1,869,000          |
| Chepkwony Hillary                            | 80011908 | Medical Expenses                                         | 9-Oct-17  | 1,000,000          |
| Chepkwony Hillary                            | 80018778 | Travel Costs(Airlines, Bus, Railway, Mileage Allowances) | 29-May-18 | 1,915,500          |
| Chepkwony Hillary                            | 80018778 | Accommodation- Domestic Travel                           | 29-May-18 | 1,000,000          |
| Besma Ltd                                    | 80019620 | Refined Fuels & Lubricants for Transport                 | 21-Jun-19 | 2,100,020          |
| Besma Ltd                                    | 80019620 | Maintenance Expenses-Motor Vehicles                      | 10-Apr-18 | 1,999,980          |
| Al-alhi Merchants                            | 80012151 | Food & Rations                                           | 19-Oct-17 | 3,100,000          |
| Beldon Agencies                              | 80013725 | Food & Rations                                           | 14-Dec-17 | 1,800,000          |
| Beldon Agencies                              | 80016659 | Food & Rations                                           | 15-Mar-18 | 1,260,000          |
| Beldon Agencies                              | 80019231 | Food & Rations                                           | 12-Jun-18 | 1,260,000          |
| Belkings Butchery & Supplies Company Limited | 80009886 | Food & Rations                                           | 2-Jul-17  | 2,100,000          |
| Belkings Butchery & Supplies Company Limited | 80012662 | Food & Rations                                           | 2-Nov-17  | 2,100,000          |
| Castro Supplies                              | 80012309 | Food & Rations                                           | 31-Oct-17 | 3,200,000          |
| Castro Supplies                              | 80012308 | Food & Rations                                           | 31-Oct-17 | 3,200,000          |
| Davidson Mtai Kapkory                        | 80011160 | Food & Rations                                           | 11-Sep-17 | 1,358,000          |
| Davidson Mtai Kapkory                        | 80015399 | Food & Rations                                           | 1-Feb-18  | 1,358,000          |
| Hezron Macharia Nderitu                      | 80011362 | Food & Rations                                           | 14-Sep-17 | 1,180,000          |
| Hezron Macharia Nderitu                      | 80013300 | Food & Rations                                           | 5-Dec-17  | 1,180,000          |
| Joslil General Supplies                      | 80012140 | Food & Rations                                           | 19-Oct-17 | 3,750,000          |
| Kanini Merchants                             | 80016832 | Food & Rations                                           | 23-Mar-18 | 1,020,000          |
| Kanini Merchants                             | 80019204 | Food & Rations                                           | 12-Jun-18 | 1,020,000          |
| Kimgen Supplies Company Limited              | 80011886 | Food & Rations                                           | 6-Oct-17  | 1,450,000          |
| Kimgen Supplies Company Limited              | 80013993 | Food & Rations                                           | 20-Dec-17 | 1,450,000          |
| Majem Supplies                               | 80012026 | Food & Rations                                           | 18-Oct-17 | 5,975,000          |
| Majem Supplies                               | 80014929 | Food & Rations                                           | 29-Jan-18 | 5,975,000          |
| Majem Supplies                               | 80014930 | Food & Rations                                           | 29-Jan-18 | 5,975,000          |
| Stemu Supplies                               | 80012874 | Food & Rations                                           | 2-Nov-17  | 3,750,000          |
| Zombe Supplies                               | 80012145 | Food & Rations                                           | 19-Oct-17 | 3,430,000          |
| <b>TOTAL</b>                                 |          |                                                          |           | <b>174,989,039</b> |



Payment vouchers and documentation in respect of these payments have not been provided for audit examination. In the circumstances, it has not been possible to confirm the propriety of the payments amounting to Kshs 174,989,039 to the staff and suppliers.

#### **5. Unsupported District Suspense**

The accounts receivables balance of Kshs.674,545,397 disclosed in Note 8 to the financial statements includes an amount of Kshs.674,134,610 relating to district suspense. However, the district suspense balance has not been supported by verifiable source documents. As a result, it has not been possible to ascertain the validity, completeness and accuracy of the amount of Kshs.674,134,610 included in the accounts receivables.

#### **6. Prior Year Adjustments**

The statement of assets and liabilities as at 30 June 2018 reflects a prior year adjustment of Kshs.103,141,638 and as disclosed in Note 11 to the financial statements. The adjustment is explained in the notes as relating to the district data that was processed after 2016/2017 accounts had been prepared. However, analysis of the negative balance of Kshs.103,141,638 has not been provided and therefore, it is not possible to ascertain the composition of the balance or what it represents.

#### **7. Pending Bills**

Other Important Disclosures under Note 13 to the financial statements includes pending bills amounting to Kshs.6,204,906,534 as at 30 June 2018 which were not settled in the year under review but carried forward to 2018/2019 financial year. Had these bills been settled and the expenditure charged to the account for 2017/2018, the statement of receipts and payments for the year ended 30 June 2018 would have reflected a deficit of Kshs.6,129,122,944 instead of a surplus of Kshs.75,783,590 now shown. Failure to settle bills in the year to which they relate adversely affects the following years' provisions to which they have to be charged.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of State Department for Correctional Services in accordance with ISSAI 30 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 judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections, I have determined that there are no other key audit matters to communicate in my report.



## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections 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 of Conclusion

#### **1. Procurement of Goods and Services Through Direct Cash Purchases - Kshs.27,699,330**

The State Department procured goods and services from various suppliers through direct cash purchases totalling to Kshs. 27,699,330 during 2017/2018 financial year. However, the following anomalies were observed:

- i) Suppliers of goods and services were paid in cash through temporary imprest issued to various officers.
- ii) Procurement procedures for identifying suppliers of the goods and services were not followed contrary to the Public Procurement and Disposal Act, 2015.
- iii) Goods purchased through imprests were not inspected, certified and taken on charge contrary to Section 48 of the Public Procurement and Asset Disposal Act, 2015.

#### **2. Payment for Goods and Services from Unregistered Suppliers - Kshs.54,220,061**

The State Department procured and paid for goods and services amounting to Kshs.54,220,061 from various suppliers who had not been registered as required under Sections 56 and 57 of the Public Procurement and Asset Disposal Act, 2015. No reasons have been provided for this irregularity.

### **3. Wasteful Expenditure**

#### **3.1. Procurement of Seventy MK3112G Locks and Eighty-Eight 4L56 Locks - Kshs.42,572,000**

During the financial year 2015/2016, the State Department for Correctional Services procured seventy MK3112G locks for Naivasha Main G.K. Prisons and eighty-eight 4L56 locks for Kibos Main G.K. Prisons at a cost of Kshs.18,900,000 and Kshs.23,672,000, respectively totalling to Kshs.42,572,000. The security locks were received in the stores vide Counter Receipt Voucher Nos. 8080010 and 8080009 dated 10 June, 2016. However, an audit verification undertaken on 1 October, 2018 revealed that the security locks were still being held in the stores (Quarter Master-Nairobi). In the circumstances,



value for money appear not to have been obtained in respect of the expenditure of 42,572,000 on locks which have remained unused.

### **3.2. Procurement of Firefighting All-Terrain Vehicles Water Based - Kshs.11,886,570**

The State Department for Correctional Services procured fifteen firefighting all-terrain vehicles water based at a total cost of Kshs.11,886,570 from M/S Car Experts Ltd vide Local Purchase Order No. 1307895 dated 16 June 2014. The firefighting vehicles were received vide Counter Receipt Voucher (S13) No. 7003667 on 25 June 2014 and distributed to various G.K. Prisons across the country. However, a copy of the contract for the supply of these vehicles was not provided for audit review.

Audit verification exercise carried out in the month of March, 2018 revealed that all the fifteen fire fighting vehicles have never been used because they were supplied without the water tanks which are essential components of the vehicles. In the circumstances, value for money appear not to have been obtained in respect of the expenditure of 11,886,570 on the firefighting all-terrain vehicles which have remained idle.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and Those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash



Basis) and for maintaining effective internal 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 ability of State Department for Correctional Services to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

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 financial reporting process, reviewing the effectiveness of how the entity 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 policies and procedures may deteriorate.

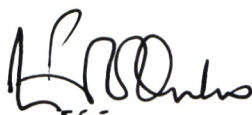
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 going concern 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 ability of State Department for Correctional Services to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the State Department to cease sustaining 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 State Department 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.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**04 March 2019**

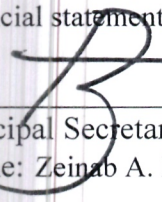


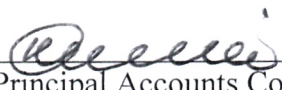
**State Department For Correctional Services**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

**V. STATEMENT OF RECEIPTS AND PAYMENTS**

|                                  | Note | 2017-2018             | 2016-2017             |
|----------------------------------|------|-----------------------|-----------------------|
|                                  |      | KES                   | KES                   |
| <b>RECEIPTS</b>                  |      |                       |                       |
| Transfers from National Treasury | 1    | 23,201,408,732        | 20,744,800,000        |
| <b>TOTAL REVENUES</b>            |      | <b>23,201,408,732</b> | <b>20,744,800,000</b> |
| <b>PAYMENTS</b>                  |      |                       |                       |
| Compensation of Employees        | 2    | 13,979,350,305        | 12,168,615,797        |
| Use of goods and services        | 3    | 8,512,721,265         | 7,643,747,942         |
| Other grants and transfers       | 4    | 14,889,808            | 3,120,000             |
| Social Security Benefits         | 5    | 19,158,742            | 4,269,256             |
| Acquisition of Assets            | 6    | 599,505,022           | 669,597,618           |
| <b>TOTAL PAYMENTS</b>            |      | <b>23,125,625,142</b> | <b>20,489,350,613</b> |
| <b>SURPLUS/DEFICIT</b>           |      | <b>75,783,590</b>     | <b>255,449,387</b>    |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 10/12 2018 and signed by:

  
Principal Secretary  
Name: Zeinab A. Hussein (Mrs.), CBS

  
Principal Accounts Controller  
Name: Daniel Mwangi  
ICPAK Member Number: 9061

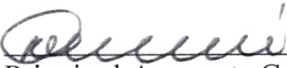
State Department For Correctional Services  
Reports and Financial Statements  
For the year ended June 30, 2018

**VI. STATEMENT OF ASSETS AND LIABILITIES**

|                                                                      | Note | 2017-2018<br>KES   | 2016-2017<br>KES   |
|----------------------------------------------------------------------|------|--------------------|--------------------|
| <b>FINANCIAL ASSETS</b>                                              |      |                    |                    |
| <b>Cash and Cash Equivalents</b>                                     |      |                    |                    |
| Bank Balances                                                        | 7A   | 52,164,667         | 32,182,335         |
| Cash Balances                                                        | 7B   | 314,020            | 3,929,249          |
| <b>Total Cash And Cash Equivalents</b>                               |      | <b>52,478,687</b>  | <b>36,111,584</b>  |
| Accounts Receivables - Outstanding<br>Imprest and Clearance Accounts | 8    | 674,545,397        | 673,392,624        |
| <b>TOTAL FINANCIAL ASSETS</b>                                        |      | <b>727,024,084</b> | <b>709,504,208</b> |
| <b>LESS: FINANCIAL LIABILITIES</b>                                   |      |                    |                    |
| Accounts Payables - Deposits                                         | 9    | 51,556,177         | 6,678,253          |
| <b>NET FINANCIAL ASSETS</b>                                          |      | <b>675,467,907</b> | <b>702,825,955</b> |
| <b>REPRESENTED BY</b>                                                |      |                    |                    |
| <b>Fund balance b/fwd</b>                                            | 10   | 702,825,955        | 2,968,046,618      |
| <b>Prior year adjustments</b>                                        | 11   | (103,141,638)      | (2,520,670,050)    |
| <b>Surplus/Deficit for the year</b>                                  |      | 75,783,590         | 255,449,387        |
| <b>NET FINANCIAL POSITION</b>                                        |      | <b>675,467,907</b> | <b>702,825,955</b> |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 10/12 2018 and signed by:

  
Principal Secretary  
Name: Zainab A. Hussein (Mrs.), CBS

  
Principal Accounts Controller  
Name: Daniel Mwangi  
ICPAK Member Number: 9061

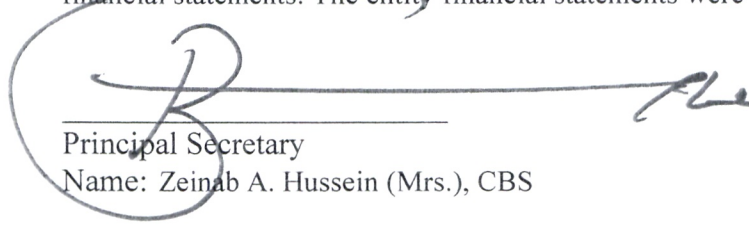


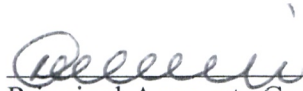
State Department For Correctional Services  
Reports and Financial Statements  
For the year ended June 30, 2018

VII. STATEMENT OF CASH FLOWS

|                                                          | Note | 2017-2018<br>KES      | 2016-2017<br>KES      |
|----------------------------------------------------------|------|-----------------------|-----------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>               |      |                       |                       |
| <b>Receipts for operating income</b>                     |      |                       |                       |
| Transfers from National Treasury                         | 1    | 23,201,408,732        | 20,744,800,000        |
|                                                          |      | <b>23,201,408,732</b> | <b>20,744,800,000</b> |
| <b>Payments for operating expenses</b>                   |      |                       |                       |
| Compensation of Employees                                | 2    | 13,979,350,305        | 12,168,615,797        |
| Use of goods and services                                | 3    | 8,512,721,265         | 7,643,747,942         |
| Other grants and transfers                               | 4    | 14,889,808            | 3,120,000             |
| Social Security Benefits                                 | 5    | 19,158,742            | 4,269,256             |
|                                                          |      | <b>22,526,120,120</b> | <b>19,819,752,995</b> |
| <b>Adjusted for:</b>                                     |      |                       |                       |
| Changes in receivables                                   |      | (1,152,773)           | 2,243,140,846         |
| Changes in payables                                      |      | 44,877,924            | (1,935,564)           |
| Adjustments during the year                              | 11   | (103,141,638)         | (2,520,670,050)       |
| <b>Net cash flows from operating activities</b>          |      | <b>615,872,125</b>    | <b>645,582,237</b>    |
| <b>CASHFLOW FROM INVESTING ACTIVITIES</b>                |      |                       |                       |
| Acquisition of Assets                                    | 6    | (599,505,022)         | (669,597,618)         |
| <b>Net cash flows from Investing Activities</b>          |      | <b>(599,505,022)</b>  | <b>(669,597,618)</b>  |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>          |      | <b>16,367,103</b>     | <b>(24,015,381)</b>   |
| <b>Cash and cash equivalent at BEGINNING of the year</b> |      | <b>36,111,584</b>     | <b>60,126,965</b>     |
| <b>Cash and cash equivalent at END of the year</b>       |      | <b>52,478,687</b>     | <b>36,111,584</b>     |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 10/12 2018 and signed by:

  
Principal Secretary  
Name: Zeinab A. Hussein (Mrs.), CBS

  
Principal Accounts Controller  
Name: Daniel Mwangi  
ICPAK Member Number: 9061

VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

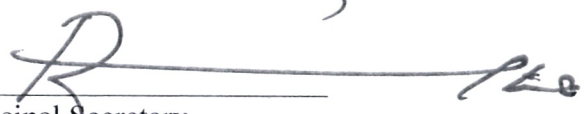
| Revenue/Expense Item       | Original Budget<br>a  | Adjustments<br>b      | Final Budget<br>c=a+b | Actual on<br>Comparable Basis<br>d | Budget<br>Utilisation<br>Difference<br>e=c-d | % of<br>Utilisation<br>Difference to<br>Final Budget<br>f=d/c % |
|----------------------------|-----------------------|-----------------------|-----------------------|------------------------------------|----------------------------------------------|-----------------------------------------------------------------|
| <b>RECEIPTS</b>            |                       |                       |                       |                                    |                                              |                                                                 |
| Exchequer releases         | 11,275,022,046        | 12,075,871,197        | 23,350,893,243        | 23,201,408,732.00                  | 149,484,511.00                               | 99%                                                             |
| <b>Total Receipts</b>      | <b>11,275,022,046</b> | <b>12,075,871,197</b> | <b>23,350,893,243</b> | <b>23,201,408,732.00</b>           | <b>149,484,511.00</b>                        | <b>99%</b>                                                      |
| <b>Payments</b>            |                       |                       |                       |                                    |                                              |                                                                 |
| Compensation of Employees  | 6,702,276,037         | 7,277,014,269         | 13,979,290,306        | 13,979,350,305.00                  | (59,999.00)                                  | 100%                                                            |
| Use of goods and services  | 3,996,056,545         | 4,612,040,362         | 8,608,096,907         | 8,512,721,266.00                   | 95,375,641.00                                | 99%                                                             |
| Other grants and transfers | 6,503,550             | 8,503,550             | 15,007,100            | 14,889,807.00                      | 117,293.00                                   | 99%                                                             |
| Social Security Benefits   | 11,565,625            | 21,585,875            | 33,151,500            | 19,158,742.00                      | 13,992,758.00                                | 58%                                                             |
| Acquisition of Assets      | 558,620,289           | 156,727,141           | 715,347,430           | 599,505,022.00                     | 115,842,408.00                               | 84%                                                             |
| <b>Grand Total</b>         | <b>11,275,022,046</b> | <b>12,075,871,197</b> | <b>23,350,893,243</b> | <b>23,125,625,142.00</b>           | <b>225,268,101.00</b>                        | <b>99%</b>                                                      |
| <b>Surplus/Deficit</b>     | <b>-</b>              | <b>-</b>              | <b>-</b>              | <b>75,783,590.00</b>               | <b>(75,783,590.00)</b>                       |                                                                 |

Notes

Social Security Benefits – There were no support documents to enable settlement of government pension and retirement benefits by the end of the financial year.

Acquisition of Assets – The State Department did not receive the total budgeted development exchequer issues hence the low utilization percentage.

The entity financial statements were approved on 10/12 2018 and signed by:

  
Principal Secretary

Name: Zainab A. Hussein (Mrs.), CBS

  
Principal Accounts Controller

Name: Daniel Mwangi

ICPAK Member Number: 9061



**IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT**

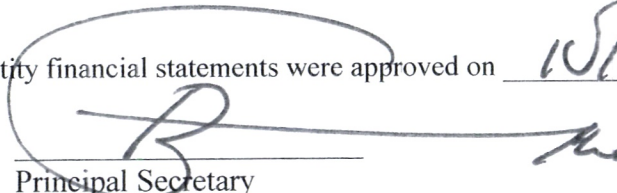
| Revenue/Expense Item       | Original Budget       | Adjustments           | Final Budget          | Actual on Comparable Basis | Budget Utilisation Difference | % of Utilisation Difference to Final Budget |
|----------------------------|-----------------------|-----------------------|-----------------------|----------------------------|-------------------------------|---------------------------------------------|
|                            | a                     | b                     | c=a+b                 | d                          | e=d-c                         | f=d/c %                                     |
| <b>RECEIPTS</b>            |                       |                       |                       |                            |                               |                                             |
| Exchequer releases         | 10,783,913,507        | 12,013,655,806        | 22,797,569,313        | 22,797,253,532             | 315,781                       | 100%                                        |
| <b>Total Receipts</b>      | <b>10,783,913,507</b> | <b>12,013,655,806</b> | <b>22,797,569,313</b> | <b>22,797,253,532</b>      | <b>315,781</b>                | <b>100%</b>                                 |
| <b>PAYMENTS</b>            |                       |                       |                       |                            |                               |                                             |
| Compensation of Employees  | 6,702,276,037         | 7,277,014,269         | 13,979,290,306        | 13,979,350,305             | (59,999)                      | 100%                                        |
| Use of goods and services  | 3,996,056,545         | 4,612,040,362         | 8,608,096,907         | 8,512,721,266              | 95,375,641                    | 99%                                         |
| Other grants and transfers | 6,503,550             | 8,503,550             | 15,007,100            | 14,889,807                 | 117,293                       | 99%                                         |
| Social Security Benefits   | 11,565,625            | 21,585,875            | 33,151,500            | 19,158,742                 | 13,992,758                    | 58%                                         |
| Acquisition of Assets      | 67,511,750            | 94,511,750            | 162,023,500           | 137,984,408                | 24,039,092                    | 85%                                         |
| <b>Grand Total</b>         | <b>10,783,913,507</b> | <b>12,013,655,806</b> | <b>22,797,569,313</b> | <b>22,664,104,528</b>      | <b>133,464,785</b>            | <b>99%</b>                                  |
| <b>Surplus/Deficit</b>     | -                     | -                     | -                     | <b>133,149,004</b>         | <b>(133,149,004)</b>          |                                             |

*Notes*

Social Security Benefits – There were no support documents to enable settlement of government pension and retirement benefits by the end of the financial year.

Acquisition of Assets – The State Department did not receive the total budgeted development exchequer issues hence the low utilization percentage.

The entity financial statements were approved on 10/10/2018 and signed by:

  
 Principal Secretary

Name: Zeinab A. Hussein (Mrs.), CBS

  
 Principal Accounts Controller

Name: Daniel Mwangi

ICPAK Member Number: 9061

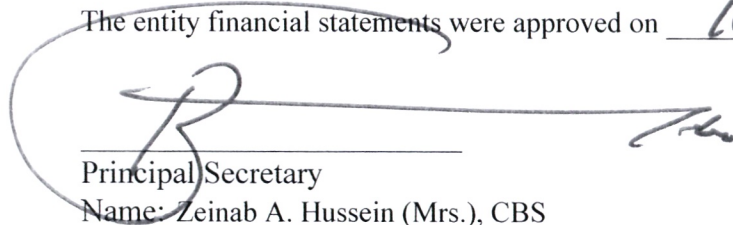
**X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT**

| Revenue/Expense Item   | Original Budget    | Adjustments       | Final Budget       | Actual on Comparable Basis | Budget Utilisation Difference | % of Utilisation Difference to Final Budget |
|------------------------|--------------------|-------------------|--------------------|----------------------------|-------------------------------|---------------------------------------------|
|                        | a                  | b                 | c=a+b              | d                          | e=d-c                         | f=d/c %                                     |
| <b>RECEIPTS</b>        |                    |                   |                    |                            |                               |                                             |
| Exchequer releases     | 491,108,539        | 62,215,391        | 553,323,930        | 404,155,200                | 149,168,730                   | 73%                                         |
| <b>Total Receipts</b>  | <b>491,108,539</b> | <b>62,215,391</b> | <b>553,323,930</b> | <b>404,155,200</b>         | <b>149,168,730</b>            | <b>73%</b>                                  |
|                        |                    |                   |                    |                            |                               |                                             |
| <b>PAYMENTS</b>        |                    |                   |                    |                            |                               |                                             |
| Acquisition of Assets  | 491,108,539        | 62,215,391        | 553,323,930        | 461,520,614                | 91,803,316                    | 83%                                         |
| <b>Grand Total</b>     | <b>491,108,539</b> | <b>62,215,391</b> | <b>553,323,930</b> | <b>461,520,614</b>         | <b>91,803,316</b>             | <b>83%</b>                                  |
| <b>Surplus/Deficit</b> | -                  | -                 | -                  | (57,365,414)               | 57,365,414                    |                                             |

The change from KES 491,108,539 to KES 553,323,930 was as a result of development budget (2017/2018) supplementary budget.

Exchequer releases and acquisition of Assets – The State Department did not receive the total budgeted development exchequer issues hence the low utilization percentage.

The entity financial statements were approved on 10/12 2018 and signed by:

  
Principal Secretary  
Name: Zeinab A. Hussein (Mrs.), CBS

  
Principal Accounts Controller  
Name: Daniel Mwangi  
ICPAK Member Number: 9061



**XI. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES**

| Programme/Sub-programme          | Original Budget       | Adjustments | Final Budget          | Actual on comparable basis | Budget utilization difference |
|----------------------------------|-----------------------|-------------|-----------------------|----------------------------|-------------------------------|
|                                  | 2017/2018             | 2017/2018   | 2017/2018             | 2017/2018                  | 2017/2018                     |
|                                  | KES                   | KES         | KES                   | KES                        | KES                           |
| <b>Correctional services</b>     | <b>22,732,022,725</b> | -           | <b>22,732,022,725</b> | <b>22,528,614,430</b>      | <b>203,408,295</b>            |
| Offender Services                | 19,560,467,594        | -           | 19,560,467,594        | 19,389,949,352             | 170,518,242                   |
| Capacity Development             | 1,684,562,908         | -           | 1,684,562,908         | 1,683,086,370              | 1,476,538                     |
| Probation and After Care Service | 1,486,992,223         | -           | 1,486,992,223         | 1,455,578,708              | 31,413,515                    |
| <b>General Administration</b>    | <b>498,937,294</b>    | -           | <b>498,937,294</b>    | <b>484,745,642</b>         | <b>14,191,652</b>             |
|                                  | 498,937,294           | -           | 498,937,294           | 484,745,642                | 14,191,652                    |
| <b>Betting Control</b>           | <b>119,933,224</b>    | -           | <b>119,933,224</b>    | <b>115,804,418</b>         | <b>4,128,806</b>              |
|                                  | 119,933,224           | -           | 119,933,224           | 115,804,418                | 4,128,806                     |
| <b>TOTAL</b>                     | <b>23,350,893,243</b> | -           | <b>23,350,893,243</b> | <b>23,129,164,490</b>      | <b>221,728,753</b>            |

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based.)

## **XII. SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

### **2. Reporting Entity**

The financial statements are for the *State Department for Correctional Services*. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

### **3. Reporting Currency**

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

### **4. Significant Accounting Policies**

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

#### **a) Recognition of Receipts**

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

#### **Tax Receipts**

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received. (Check if this policy is applicable to entity)



## **SIGNIFICANT ACCOUNTING POLICIES**

### **Transfers from the Exchequer**

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

### **External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary.

In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30<sup>th</sup> June 2018, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

### **Other receipts**

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

## **b) Recognition of payments**

The Entity recognises all payments when the event occurs and the related cash has actually been paid out by the Entity.

### **Compensation of Employees**

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

### **Use of Goods and Services**

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

### **Interest on Borrowing**

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

## **SIGNIFICANT ACCOUNTING POLICIES**

### **Repayment of Borrowing (Principal Amount)**

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

### **Acquisition of Fixed Assets**

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

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

### **5. In-kind contributions**

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

### **6. Third Party Payments**

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

### **7. 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.

### **Restriction on Cash**

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

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2018, this amounted to Kshs 51,556,177 compared to Kshs 6,678,253 in prior period as indicated on note 9.

There were no other restrictions on cash during the year.



## **SIGNIFICANT ACCOUNTING POLICIES**

### **8. Accounts Receivable**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

### **9. Accounts Payable**

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

### **10. Pending Bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Entity at the end of the year. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made.

### **11. Budget**

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2018 for the period 1<sup>st</sup> July 2017 to 30<sup>th</sup> June 2018 as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

### **12. Comparative Figures**

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

## **SIGNIFICANT ACCOUNTING POLICIES**

### **13. 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 30<sup>th</sup> June 2018.

### **14. Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

During the year, errors that have been corrected are disclosed under note 11 explaining the nature and amounts.

### **15. Related Party Transactions**

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.



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**XIII. NOTES TO THE FINANCIAL STATEMENTS**

**1 EXCHQUER RELEASES**

| Description                            | 2017-2018             | 2016-2017             |
|----------------------------------------|-----------------------|-----------------------|
|                                        | KES                   | KES                   |
| Total Exchequer Releases for quarter 1 | 3,672,975,532         | 3,442,200,000         |
| Total Exchequer Releases for quarter 2 | 6,664,890,700         | 6,055,000,000         |
| Total Exchequer Releases for quarter 3 | 6,861,025,400         | 3,900,500,000         |
| Total Exchequer Releases for quarter 4 | 6,002,517,100         | 7,347,100,000         |
| <b>TOTAL</b>                           | <b>23,201,408,732</b> | <b>20,744,800,000</b> |

**2 COMPENSATION OF EMPLOYEES**

|                                            | 2017-2018             | 2016-2017             |
|--------------------------------------------|-----------------------|-----------------------|
|                                            | KES                   | KESs                  |
| Basic salaries of permanent employees      | 10,282,525,989        | 8,110,104,360         |
| Basic wages of temporary employees         | 9,999,402             | 5,936,887             |
| Personal allowances paid as part of salary | 3,686,824,914         | 4,052,574,550         |
| <b>TOTAL</b>                               | <b>13,979,350,305</b> | <b>12,168,615,797</b> |

**3 USE OF GOODS AND SERVICES**

|                                                              | 2017-2018            | 2016-2017            |
|--------------------------------------------------------------|----------------------|----------------------|
|                                                              | KES                  | KES                  |
| Utilities, supplies and services                             | 602,211,921          | 592,342,451          |
| Communication, supplies and services                         | 42,912,768           | 25,993,645           |
| Domestic travel and subsistence                              | 395,659,692          | 193,207,636          |
| Foreign travel and subsistence                               | 24,563,544           | 16,343,472           |
| Printing, advertising and information supplies & services    | 10,967,444           | 9,774,227            |
| Rentals of produced assets                                   | 104,956,772          | 78,022,387           |
| Training expenses                                            | 365,756,271          | 343,329,047          |
| Hospitality supplies and services                            | 114,320,276          | 91,724,120           |
| Insurance costs                                              | 1,500,052,000        | 1,500,047,000        |
| Specialized materials and services                           | 4,074,213,142        | 3,876,325,341        |
| Office and general supplies and services                     | 55,531,802           | 45,491,035           |
| Other operating expenses                                     | 331,170,951          | 175,809,257          |
| Routine maintenance – vehicles and other transport equipment | 114,478,464          | 76,788,694           |
| Routine maintenance – other assets                           | 49,070,880           | 6,671,375            |
| Fuel Oil and Lubricants                                      | 726,855,338          | 611,878,255          |
| <b>TOTAL</b>                                                 | <b>8,512,721,265</b> | <b>7,643,747,942</b> |

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

**4 OTHER GRANTS AND TRANSFERS**

| Explanation                                                      | 2017-2018         | 2016-2017        |
|------------------------------------------------------------------|-------------------|------------------|
|                                                                  | KES               | KES              |
| Membership dues and subscriptions to international organizations | 3,120,000         | 3,120,000        |
| Scholarships and other educational benefits                      | 11,769,808        | -                |
| <b>Total</b>                                                     | <b>14,889,808</b> | <b>3,120,000</b> |

**5 SOCIAL SECURITY BENEFITS**

| Explanation                                | 2017-2018         | 2016-2017        |
|--------------------------------------------|-------------------|------------------|
|                                            | KES               | KES              |
| Government pension and retirement benefits | 19,158,742        | 4,269,256        |
| <b>Total</b>                               | <b>19,158,742</b> | <b>4,269,256</b> |

**6 ACQUISITION OF ASSETS**

|                                                              | 2017-2018          | 2016-2017          |
|--------------------------------------------------------------|--------------------|--------------------|
|                                                              | KES                | KES                |
| <b><u>Non- Financial Assets</u></b>                          |                    |                    |
| Construction of Buildings                                    | 272,488,201        | 305,740,034        |
| Refurbishment of Buildings                                   | 1,499,970          | 23,383,123         |
| Construction and Civil Works                                 | 71,669,894         | -                  |
| Purchase of Vehicles and Other Transport Equipment           | 18,650,483         | 43,905,412         |
| Purchase of Household Furniture and Institutional Equipment  | 11,242,700         | 14,023,842         |
| Purchase of Office Furniture and General Equipment           | 19,599,100         | 10,000,000         |
| Purchase of Specialized Plant, Equipment and Machinery       | 194,976,503        | 211,725,169        |
| Purchase of Certified Seeds, Breeding Stock and Live Animals | 112,875            | 112,875            |
| Rehabilitation of Civil Works                                | 9,265,296          | 60,707,163         |
| <b>Total</b>                                                 | <b>599,505,022</b> | <b>669,597,618</b> |



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

**7A: Bank Accounts**

| Name of Bank, Account No. & currency   | Indicate whether recurrent, Development, deposit e.t.c | 2017-2018         | 2016-2017         |
|----------------------------------------|--------------------------------------------------------|-------------------|-------------------|
|                                        |                                                        | KES               | KES               |
| Central Bank of Kenya, 1000302054, Kes | Recurrent                                              | 29,337            | 1,532,079         |
| Central Bank of Kenya, 1000302062, Kes | Development                                            | 379,152           | 20,593,508        |
| Central Bank of Kenya, 1000302078, Kes | Deposit                                                | 51,556,177        | 6,678,253         |
| Central Bank of Kenya, 1000307498, Kes | Prison Fund                                            | 200,001           | 3,378,495         |
| <b>Total</b>                           |                                                        | <b>52,164,667</b> | <b>32,182,335</b> |

**7B: CASH IN HAND**

|                                | 2017-2018      | 2016-2017        |
|--------------------------------|----------------|------------------|
|                                | KES            | KES              |
| Cash in Hand – Recurrent       | 314,020        | 328,647          |
| Cash in Hand – General Deposit | -              | 3,600,602        |
| <b>Total</b>                   | <b>314,020</b> | <b>3,929,249</b> |

**Cash in hand should also be analysed as follows:**

|                                                                         | 2017-2018      | 2016-2017        |
|-------------------------------------------------------------------------|----------------|------------------|
|                                                                         | KES            | KES              |
| Location 1 State Department for Correctional Services HQ<br>Cash Office | 314,020        | 3,929,249        |
| <b>Total</b>                                                            | <b>314,020</b> | <b>3,929,249</b> |

*Board of survey report attached showing the cash count certificates for recurrent cash balance.*

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**8: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS**

| <i>Description</i>  | <b>2017-2018</b>   | <b>2016-2017</b>   |
|---------------------|--------------------|--------------------|
|                     | <b>KES</b>         | <b>KES</b>         |
| Government Imprests | 410,787            | -                  |
| District suspense   | 674,134,610        | 673,392,624        |
| <b>Total</b>        | <b>674,545,397</b> | <b>673,392,624</b> |

An amount of standing imprest of Kes 75,000.00 issued to Isaac Ndungu Kiramba for Langata Women for 2018 2019 F/Y was erroneously indicated as due for surrender on 30<sup>th</sup> June 2018 instead of June 2019, hence the analysis indicates Kes 485,787.00 in lieu of Kes 410,787.00.

| <i>Name of Officer or Institution</i>      | <i>Date Imprest Taken</i> | <i>Amount Taken</i> | <i>Amount Surrendered</i> | <i>Balance</i> |
|--------------------------------------------|---------------------------|---------------------|---------------------------|----------------|
|                                            |                           | <b>KES</b>          | <b>KES</b>                | <b>KES</b>     |
| <i>Duncan Kiprop Chemiryo - 2001049219</i> | 13/06/2018                | 122,187             | -                         | 122,187        |
| <i>Onwonga Mbura Wycliffe - 2002069157</i> | 10/10/2017                | 86,100              | -                         | 86,100         |
| <i>Robert Kiptum Sambu - 2005038927</i>    | 21/04/2018                | 202,500             | -                         | 202,500        |
| <b>Total</b>                               |                           | <b>410,787</b>      | <b>-</b>                  | <b>410,787</b> |

**9. ACCOUNTS PAYABLE**

| <i>Description</i> | <b>2017-2018</b>  | <b>2016-2017</b> |
|--------------------|-------------------|------------------|
|                    | <b>KES</b>        | <b>KES</b>       |
| Deposits           | 51,556,177        | 6,678,253        |
| <b>Total</b>       | <b>51,556,177</b> | <b>6,678,253</b> |

**10. FUND BALANCE BROUGHT FORWARD**

| <i>Description</i>   | <b>2017-2018</b>   | <b>2016-2017</b>     |
|----------------------|--------------------|----------------------|
|                      | <b>KES</b>         | <b>KES</b>           |
| Bank accounts        | 32,182,335         | 56,791,363           |
| Cash in hand         | 3,929,249          | 3,335,602            |
| Accounts Receivables | 673,392,624        | 2,916,533,470        |
| Accounts Payables    | (6,678,253)        | (8,613,817)          |
| <b>Total</b>         | <b>702,825,955</b> | <b>2,968,046,618</b> |



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

**11. PRIOR YEAR ADJUSTMENTS**

| Description of the error             | 2017-2018            | 2016-2017              |
|--------------------------------------|----------------------|------------------------|
|                                      | KES                  | KES                    |
| Adjustments on bank account balances | -                    | -                      |
| Adjustments on cash in hand          | --                   | --                     |
| Adjustments on payables              | -                    | -                      |
| Adjustments on receivables           | -                    | -                      |
| Others (2016/ 2017 district Data)    | (103,141,638)        | (2,520,670,050)        |
| <b>Total</b>                         | <b>(103,141,638)</b> | <b>(2,520,670,050)</b> |

The District data was processed after the 2016/2017 account had been done, thereby necessitating the prior year adjustment in FY 17/18.

*(Provide explanations for the prior year adjustments made, their nature and effect on the fund balance of the entity).*

**12. RELATED PARTY DISCLOSURES**

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

The following comprise of related parties to the State Department for Correctional Services;

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

**Related party transactions:**

|                                                                               | 2017/2018 | 2016/2017 |
|-------------------------------------------------------------------------------|-----------|-----------|
|                                                                               | KES       | KES       |
| Key Management compensation                                                   | NIL       | NIL       |
|                                                                               | =====     | =====     |
| Transfers to the Other Ministries Departments and Agencies                    | NIL       | NIL       |
| Transfers to other State Corporations and Semi-Autonomous Government Agencies | NIL       | NIL       |
| Transfers to Government Development Projects                                  | NIL       | NIL       |
| Transfers from other Ministries Departments and Agencies                      | NIL       | NIL       |
|                                                                               | =====     | =====     |

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**13. OTHER IMPORTANT DISCLOSURES**

**13.1: PENDING ACCOUNTS PAYABLE (See Annex 1)**

| Description                 | 2017-2018               | 2016-2017            |
|-----------------------------|-------------------------|----------------------|
|                             | <b>KES</b>              | <b>KES</b>           |
| Construction of buildings   | 72,197,810.74           | 101,759,408          |
| Construction of civil works | -                       | -                    |
| Supply of goods             | 28,277,105.00           | 18,900,000           |
| Supply of services          | 6,104,431,618.11        | 6,398,827,397        |
|                             | <b>6,204,906,533.85</b> | <b>6,519,486,805</b> |

**13.2: PENDING STAFF PAYABLES**

|                           |                  |                  |
|---------------------------|------------------|------------------|
|                           | <b>2017-2018</b> | <b>2016-2017</b> |
|                           | <b>KES</b>       | <b>KES</b>       |
| Senior management         | -                | -                |
| Middle management         | -                | -                |
| Unionisable employees     | -                | -                |
| Others ( <i>specify</i> ) | -                | -                |
|                           | -                | -                |

**13.3: OTHER PENDING PAYABLES**

|                                             |                  |                  |
|---------------------------------------------|------------------|------------------|
|                                             | <b>2017-2018</b> | <b>2016-2017</b> |
|                                             | <b>KES</b>       | <b>KES</b>       |
| Amounts due to National Government entities | -                | -                |
| Amounts due to Entity entities              | -                | -                |
| Amounts due to third parties                | -                | -                |
| Others ( <i>specify</i> )                   | -                | -                |
|                                             | -                | -                |

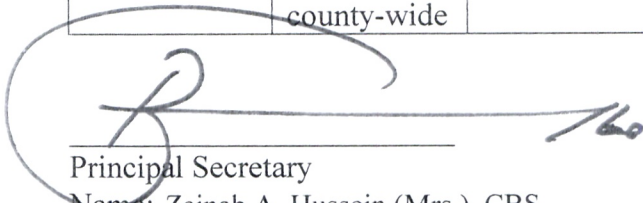


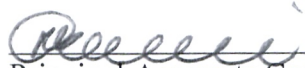
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**14. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| Reference No. on the external audit Report | Issue / Observations from Auditor                                                                                             | Management comments                                                                                              | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------|
| 114/117/119                                | Accounting Officer responds to audit issues on time                                                                           | Accounting Officer ensures that management letters are responded on time                                         | Sarah Kerandi<br>Chief Finance Officer                         | Resolved                          |                                                                  |
| 115                                        | Accounting Officer to ensure bills are cleared within financial year                                                          | Pending bills referred to were cleared as they formed the first charge                                           | Sarah Kerandi<br>Chief Finance Officer                         | Resolved                          |                                                                  |
| 121 to 128, 130 & 132 to 135               | Accounting Officer and or Treasury develop a Cabinet Paper aimed at comprehensively addressing funding of Prisons county-wide | Accounting Officer has continuously engaged the National Treasury on Budgetary provisions to fund Kenya Prisons. | Sarah Kerandi<br>Chief Finance Officer                         |                                   | On Going                                                         |

  
Principal Secretary  
Name: Zeinab A. Hussein (Mrs.), CBS

  
Principal Accounts Controller  
Name: Daniel Mwangi  
ICPAK Member Number: 9061

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**ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE**

| Supplier of Goods or Services    | Original Amount | Date Contracted | Amount Paid To-Date | Outstanding Balance 2017 | Outstanding Balance 2016 | Comments   |
|----------------------------------|-----------------|-----------------|---------------------|--------------------------|--------------------------|------------|
|                                  | A               | B               | c                   | d=a-c                    |                          |            |
| <b>Construction of buildings</b> |                 |                 |                     |                          |                          |            |
| Astrotec Engineering Ltd         | 9,258,169.00    | 08 01 2018      | 5,869,927.00        | 4,455,260.00             |                          | Allocation |
| Astrotec Engineering Ltd         | 7,948,158.00    | 08 01 2018      | 4,684,351.00        | 3,263,806.40             |                          |            |
| Emmak Construction Co.           | 14,398,198.00   | 27 11 2017      | 10,076,437.00       | 4,321,761.60             |                          | Liquidity  |
| Faza Supplies Co. Ltd            | 14,823,715.00   | 15 02 2018      | -                   | 6,559,494.00             | -                        | Liquidity  |
| Gactor Enterprises               | 5,675,636.00    | 13 11 2017      | 4,164,710.00        | 1,510,926.70             |                          | Liquidity  |
| Geosta Construction Ltd          | 15,031,170.00   | 15 02 2018      | 7,907,997.00        | 6,387,772.00             | -                        | Liquidity  |
| Laky Ventures Ltd                | 6,586,044.00    | 15 02 2018      | -                   | 6,586,044.00             | -                        | Liquidity  |
| Patience Services Ltd            | 17,322,489.00   | 15 02 2018      | -                   | 7,665,201.00             |                          | Liquidity  |
| Patience Services Ltd            | 11,715,965.00   | 15 02 2018      | -                   | 5,184,315.00             |                          | Liquidity  |
| Savoy Contractors Ltd            | 14,435,643.00   | 03 05 2018      | -                   | 6,244,506.80             |                          | Liquidity  |
| Silvol Enterprises Ltd           | 6,000,858.00    | 05 02 2018      | -                   | 2,655,380.00             |                          | Liquidity  |



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|                                |                       |               |                      |                         |                      |           |
|--------------------------------|-----------------------|---------------|----------------------|-------------------------|----------------------|-----------|
| Steploc Limited                | 5,691,111.00          | 13 11 2017    | 1,958,892.00         | 3,732,219.04            |                      | Liquidity |
| Transborder Enterprise Co. Ltd | 24,850,993.00         | 04 04<br>2018 | 21,921,648.00        | 2,929,345.20            | -                    | Liquidity |
| Cerdour Enterprises            | 10,701,779.00         | 04 04<br>2018 | -                    | 10,701,779.00           |                      | Liquidity |
| <b>Sub Total</b>               | <b>164,439,928.00</b> |               | <b>56,583,961.00</b> | <b>72,197,810.74</b>    | <b>101,759,408</b>   |           |
| Non Financial                  |                       |               |                      | <b>28,277,105.00</b>    |                      | Liquidity |
| <b>Prison Stations Totals</b>  |                       |               |                      | <b>5,989,776,620.00</b> | <b>6,398,827,397</b> | Liquidity |
| <b>Headquarters Totals</b>     |                       |               |                      |                         |                      |           |
| Goods & Services               |                       |               |                      | 114,088,603.47          | <b>18,900,000</b>    | Liquidity |
| <b>Sub Total</b>               |                       |               |                      | <b>6,204,340,139.21</b> |                      |           |
| Employees                      |                       |               |                      | 566,394.64              | 0                    | Liquidity |
| <b>Grand Total</b>             | <b>164,439,928.00</b> |               | <b>56,583,961.00</b> | <b>6,204,906,533.85</b> | <b>6,519,486,805</b> |           |

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**ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER**

| Asset class                                                  | Historical Cost b/f<br>(KES)<br>2016/2017 | Additions during the<br>year 2017/2018<br>(KES) | Disposals during the year<br>(KES) | Historical Cost c/f<br>(KES)<br>2017/2018 |
|--------------------------------------------------------------|-------------------------------------------|-------------------------------------------------|------------------------------------|-------------------------------------------|
| Land                                                         | -                                         | -                                               | -                                  | -                                         |
| Buildings and structures                                     | 588,636,524                               | 345,658,065.00                                  | -                                  | 934,294,589.00                            |
| Transport equipment                                          | 43,905,412                                | 18,650,483.00                                   | -                                  | 62,555,895.00                             |
| Office equipment, furniture and fittings                     | 38,686,873                                | -                                               | -                                  | 38,686,873                                |
| ICT Equipment, Software and Other ICT Assets                 | 18,197,514                                | -                                               | -                                  | 18,197,514                                |
| Other Machinery and Equipment                                | 553,861,483                               | 194,976,503.00                                  | -                                  | 748,837,986.00                            |
| Purchase of Office Furniture and General Equipment           | 10,000,000                                | 30,841,800.00                                   | -                                  | 40,841,800.00                             |
| Purchase of Certified Seeds, Breeding Stock and Live Animals | 112,875                                   | 112,875.00                                      | -                                  | 225,750.00                                |
| Intangible assets<br>Rehabilitation of Civil Works           | 60,707,163                                | 9,265,296.00                                    | -                                  | 69,972,459.00                             |
| <b>Total</b>                                                 | <b>1,314,107,843</b>                      | <b>599,505,022.00</b>                           | <b>-</b>                           | <b>1,913,612,866.00</b>                   |

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year.



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**ANNEX 3 – LIST OF PROJECTS IMPLEMENTED BY THE STATE DEPARTMENT FOR CORRECTIONAL SERVICES**

| Ref | Project Name                              | Principal Activity of the Project                                                                                                                                                                                                    | Accounting Officer | Project Consolidated in these financial statements (yes/no) |
|-----|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------------------------------------------------|
| 1.  | Security in Penal Institutions            | Acquisition of police security equipment (CCTVs in Shimo and Naivasha main, Mobile jammers in Naivasha main and Kamiti main 300 bullet proof jackets, Telecommunication equipment, metal detectors and other key security apparatus) | PS                 | YES                                                         |
| 2.  | Borstal Institution                       | Completion of classroom and library                                                                                                                                                                                                  | PS                 | YES                                                         |
| 3.  | Modernization of training facilities      | Modernization of PSTC                                                                                                                                                                                                                | PS                 | YES                                                         |
| 4.  | Construction of Non-Residential Buildings | Construction of perimeter walls (5 stations)                                                                                                                                                                                         | PS                 | YES                                                         |
| 5.  | Construction of Non-Residential Buildings | Construction of new prison in Loitoktok                                                                                                                                                                                              | PS                 | YES                                                         |
| 6.  | Construction of Non-Residential Buildings | Completion of Borehole in Kajiado                                                                                                                                                                                                    | PS                 | YES                                                         |
| 7.  | Construction of Non-Residential Buildings | Construction of water works at Kitale Annex                                                                                                                                                                                          | PS                 | YES                                                         |
| 8.  | Construction of Non-Residential Buildings | Construction of workshops in one (1) prisons                                                                                                                                                                                         | PS                 | YES                                                         |
| 9.  | Construction of Non-Residential Buildings | Completion of Prisoners Ward in 7 Prisons                                                                                                                                                                                            | PS                 | YES                                                         |
| 10. | Construction of Non-Residential Buildings | Construction of farm stores in 7 prisons                                                                                                                                                                                             | PS                 | YES                                                         |
| 11. | Siaya probation Girls hostel              | Construction of Siaya probation Girls hostel                                                                                                                                                                                         | PS                 | YES                                                         |
| 12. | Msambweni Probation office                | Construction of Msambweni Probation office                                                                                                                                                                                           | PS                 | YES                                                         |
| 13. | Muranga East Probation office             | Construction of Muranga East Probation office                                                                                                                                                                                        | PS                 | YES                                                         |
| 14. | Makueni Probation office                  | Construction of Makueni Probation office                                                                                                                                                                                             | PS                 | YES                                                         |
| 15. | Turkana West (Kakuma) Probation office    | Construction of Turkana West (Kakuma) Probation office                                                                                                                                                                               | PS                 | YES                                                         |
| 16. | Construction of Probation office          | Construction of Nyeri central Probation office                                                                                                                                                                                       | PS                 | YES                                                         |

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|     |                                             |                                                             |    |     |
|-----|---------------------------------------------|-------------------------------------------------------------|----|-----|
| 17. | Kisauni probation office                    | Construction of Kisauni probation office                    | PS | YES |
| 18. | Kapsabet (Nandi) probation office           | Kapsabet (Nandi) probation office                           | PS | YES |
| 19. | Nyandarua South (Engineer) Probation office | Construction of Nyandarua South (Engineer) Probation office | PS | YES |
| 20. | Voi Probation office                        | Construction of Voi Probation office                        | PS | YES |
| 21. | Webuye Probation office                     | Construction of Webuye Probation office                     | PS | YES |
| 22. | Meru South (Chuka) Probation office         | Construction of Meru South (Chuka) Probation office         | PS | YES |



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**ANNEX 4- REPORTS GENERATED FROM IFMIS**

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
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