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<b>REPORT</b>	<i>M.M.</i>

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
PRISON FARMS REVOLVING FUND

FOR THE YEAR ENDED  
30 JUNE 2018





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**REGULATORY AND OTHER NON-COMMERCIAL ENTITIES**

**KENYA PRISON SERVICE**

*(Prison Farms Revolving Fund- (PFRF))*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

**Kenya Prisons Service (Prison Farms Revolving Fund)**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2018**

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## KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background information

The Prison Farms Revolving Fund (PFRF) is domiciled in Prison Enterprises Farm section of the Kenya Prisons Service. The Fund was established by Legal Notice No. 87 of the Exchequer and Audit Act (Cap 412) Regulations, 1992. The Prisons Enterprise is situated at headquarter in Nairobi and has branches in 89 agricultural prisons country wide.

The Exchequer and Audit Act CAP 412, section 34(1) and 36 of the Legal Notice Act No 87, requires the Officer administering the Fund to prepare financial statements in respect of that Prison Farms Revolving Fund, which gives a true and fair view of the state of affairs of the Fund and at the end of the financial period on operating results of the Fund for that year.

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

### ESTABLISHMENT OF THE FARMS REVOLVING FUND

LEGAL NOTICE No. 87

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

IN EXERCISE of the powers conferred by sections 34 (1) and 36 of the Exchequer and Audit Act, the Minister for Finance makes the following Regulations:-

#### THE EXCHEQUER AND AUDIT (PRISON FARMS FUND) REGULATIONS, 1993

1. These Regulations may be cited as the Exchequer and Audit (PRISONS FARMS FUND) Regulations, 1993 and shall be deemed to have come into operation on the 1<sup>st</sup> July, 1992.

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

“Financial year” means the period of twelve months ending  
On 30<sup>th</sup> June in each year;

“Fund” means the Prison Farms Fund established by regulate on 3;

“Officer administering the Fund” means the accounting officer of the Ministry for the time being responsible for prisons or any person appointed by him in writing for that purpose.

3. (1) There shall be established a fund to be known as the Prison Farm Fund which shall consist of moneys appropriated by Parliament for that purpose.

(2) The Fund shall be administered by the accounting officer of the Ministry for the time being responsible for prisons or any person appointed by him in writing to administer the Fund on his behalf.

(3) All moneys realized from the sale of farm produce, livestock, surplus and unserviceable items of farms assets authorized for disposal by the officer administering the Fund or on his behalf shall be paid into the Fund.

*Kenya Prisons Service (Prison Farms Revolving Fund)*

**Annual Reports and Financial Statements**

**For the year ended June 30, 2018**

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- (4) The object and purpose of the Fund is to provide funds required for the development and running of Prison farms for training and rehabilitation of prisoners and inmates.
4. (1) The initial capital of the Fund shall be K£210,000 appropriated by Parliament for that purpose in the 1992/93 financial year.
- (2) The surplus realized in any financial year from the operations of the Fund shall be retained on a reserve account of the Fund and any deficiency realized in any financial year shall, subject to prior concurrence of the Treasury, be offset against the realized surplus held in the reserve account of the Fund.
5. The purchase of farm produce from prison farms shall be open to Government ministries or departments, local authorities, state corporations, private organizations and individuals.
6. The selling prices of the farm produce and livestock referred to in regulation 3 shall, where they are not subject to international market forces, be reviewed from time to time by the officer administering the Fund in consultation with the Treasury.
7. The expenditure on development and running of prison farms under the Fund shall be on the basis of and limited to the annual budget which shall be submitted to the Treasury for approval before the beginning of the financial year to which the budget relates, and any revision of the approved annual budget shall be referred to the Treasury for necessary approval.
8. The Government procurement and disposal procedures shall be strictly adhered to.
9. All receipts, earnings and accruals of the Fund and the balance of the Fund at the close of each financial year shall be retained for the purpose for which the Fund is established.
10. The officer administering the fund shall:-
- (a) Supervise and control the administration of the Fund;
- (b) Consult with the Minister for the time being responsible for matters relating to finance as may from time to time be required;
- (c) If he thinks fit, impose conditions on the use of any expenditure authorized by him or on his behalf and may impose any reasonable prohibition, restriction or other requirement concerning such use or expenditure;
- (d) Cause to be kept all proper books of accounts and other books and records relating to the Fund and to all the various activities and undertakings financed by the Fund;
- (e) Prepare, sign and transmit to the controller and Auditor – General in respect of each financial year and within four months after the end thereof, a statement of account relating to the Fund in such form as the Treasury may from time to time direct, in accordance with section 18 (2) of the

Act.

Made on the 8<sup>th</sup> April, 1993.

W. M. MUDAVADI,  
*Minister for Finance.*

*Kenya Prisons Service (Prison Farms Revolving Fund)*  
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**(b) Principal Activities**

The principal mandate of the *Prison Farms* is to train and rehabilitate prisoners and inmates, procure necessary Agricultural materials, tools, plants and equipment required thereof and offer for sale finished products to food and ration.

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

**OUR CORE VALUES**

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

**(c) Key Management**

The *PPRF's* day-to-day management is under **The Accounting Officer who is the Principal Secretary State Department for Correctional Services and the Commissioner General of Prisons.**

**(d) 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.	Principal Secretary	<b>Alfred Cheruiyot</b>
2.	Principal Secretary	<b>Amb.Richard T. Ekai (PhD),CBS</b>
3.	Commissioner General of Prisons	<b>Isaya M. Osugo, CBS, CGP</b>
4.	Director of Prison Enterprise	<b>Josphat K. Ituka, MBS, SACGP</b>
5.	Deputy Director Prison Farms	<b>Mr. Patrick Kariri, MKIM</b>

**(e) Fiduciary Oversight Arrangements**

**Audit and finance committee activities**

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

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

**CORE FUNCTIONS;**

- ❖ Establishing the governance mechanisms of the Fund for transparency and accountability with regard to the finances and assets;
- ❖ Conducting risk-based, value-for-money and systems audits aimed at strengthening internal control mechanisms that could have an impact on achievement of the strategic objectives of the Enterprise;
- ❖ Verifying the existence of assets administered by the Fund and ensuring that there are proper safeguards for their protection;
- ❖ Providing assurance that appropriate institutional policies and procedures and good business practices are followed by the Enterprise;
- ❖ Evaluating the adequacy and reliability of information available to management for making decisions with regard to the Fund and its operations.
- ❖ Account for results of the audit of the financial statements and the related report therein and, if applicable, a report on changes during the year in accounting principles and their application.
- ❖ Report on significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit. Inquire about the cooperation received by the outside auditors during their audit, including access to all requested records, data, and information.
- ❖ Ask the outside auditors if there have been any disagreements with staff that, if left unresolved, would have caused them to issue a nonstandard report on the organization's financial statements.
- ❖ Obtain annually from the outside auditors a letter regarding the adequacy of internal controls.

**KEY ENTITY INFORMATION AND MANAGEMENT (Continued)**

**(d) PFRF Headquarters**

MAGEREZA House  
Bishop Road – Upperhill  
P.O. Box 30175-00100  
Nairobi, KENYA

**Registered Office**

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

**(e) PFRF Contacts**

Telephone: (254) 20-2722900-6  
E-mail: [commissioner.prisons.go.ke](mailto:commissioner.prisons.go.ke)  
Website: [www.go.ke](http://www.go.ke)

**(f) PFRF Bankers**


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  
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

Board Members photo and name.	Board Members key qualifications and work experience.
 <p data-bbox="204 1149 703 1218"><b>Zeinab A. Hussein (Mrs.), CBS (PS)</b> <b><u>Principal Secretary</u></b></p>	<p data-bbox="850 353 1575 443"><b>Principal Secretary</b> for State Department for Correctional Services, Ministry of Interior and Coordination of National Government.</p> <p data-bbox="850 477 1575 539"><b>Principal Secretary</b> for State Department for Post-Training &amp; Skills Developments in the Ministry of Education.</p> <p data-bbox="850 568 1575 631"><b>Principal Secretary</b> for State Department for Irrigation in the Ministry of Water &amp; Irrigation.</p> <p data-bbox="850 660 1575 723"><b>Principal Secretary</b> for State Department for Gender Affairs in the ministry of Public Service, Youth and Gender Affairs.</p> <p data-bbox="850 752 1575 842"><b>EAST Africa &amp; Africa Delivery Hub, McKinsey &amp; Co.</b> - Head of professional development &amp; human Resources, Head of recruitment and administration as well as a consultant.</p> <p data-bbox="850 875 1575 994"><b>Accelerate Africa</b> – A co-founder of the management consulting firm that focuses exclusively on serving the growth, expansion and management needs of Africa’s medium to large organizations.</p> <p data-bbox="850 999 1575 1061"><b>Shell Company</b> – Regional sales and marketing manager – west Africa</p> <p data-bbox="850 1066 1575 1178"><b>EDUCATIONAL BACKGROUND</b> <b>MBA (Business, International Business Management), UON</b> <b>MPA Business and Economics, Harvard University Kennedy School of Government.</b></p>
 <p data-bbox="220 1955 687 2029"><b>Mr. Isaya M. Osugo, CBS (CGP)</b> <b><u>Commissioner General of Prisons</u></b></p>	<p data-bbox="850 1339 1575 1429">Joined the Kenya Police Force on 1<sup>st</sup> July, 1978 and worked in the Criminal Investigation Department on the following capacities:</p> <ul data-bbox="850 1433 1575 1798" style="list-style-type: none"> <li>* Scene of Crime Officer</li> <li>* District Criminal Investigation Officer</li> <li>* Provincial Criminal Investigations Officer</li> </ul> <p data-bbox="850 1525 1575 1644">Appointed Commissioner of Prisons in 2008 and elevated to Commissioner General of Prisons (CGP) in 2014. During my tenure office as commissioner General of Prisons, I have been instrumental in prison reforms which include among others:</p> <ul data-bbox="850 1648 1575 1798" style="list-style-type: none"> <li>* Reorganization of the service</li> <li>* Professionalization of the service,</li> <li>* Expansion and modernization of prison facilities</li> <li>* Review of rehabilitation and reformation programs</li> <li>* Review and reorganization of security of prisons</li> </ul> <p data-bbox="850 1832 1575 1951"><b>Qualifications:</b> * <b>Ordinary Level of Education</b> * <b>Professional Courses in security Management</b> * <b>Administration and Management Course</b></p>

**MANAGEMENT TEAM**



**Mr. Josephat K. Ituka, MBS, [SACGP]**  
**Director Prison Enterprises**

Enlisted in Kenya Prisons Service in 1985 as Chief Officer One (COI) and risen through ranks to the current rank of Senior Assistant Commissioner General of Prisons (SACGP). Has served in Kenya Prisons Service for over 32 Years in the following capacities:

- \* Duty Officer
- \* Courts Officer
- \* Documentation Officer
- \* Deputy Officer in Charge
- \* Officer in Charge Shimo Annexe, Isiolo, Eldoret and Kakamega Prisons
- \* Deputy Provincial Prisons Commander
- \* Deputy Director Administration, Research & Statistics
- \* Director Reforms and Planning, Gender and NGO Coordination,
- \* Inspections and Complaints and Prison Enterprises
- \* Serviced in United Nations Mission in Liberia (UNMIL) as a Correctional Adviser for 18 months

**Qualifications:**

- \* **MA(International Conflict Management) UON 2010**
- \* **BA(Hons) UON 1985**



**Mr. Patrick Kariri, MKIM**  
**Deputy Director Prison Farms**

Has 17 years related work experience in the Private sector having worked in the following Companies:

- Socfinaf Co. Ltd :  
Coffee Estates Manager
- Sigona Golf Club:  
Golf Course and Administration Manager
- Riara Group of Schools:  
Estates Manager

Has 8 years related work experience in the Public sector having worked in the following Government departments:

- State House:  
Principal Gardens Manager in-charge of all State Houses & Lodges.
- Kenya Prisons Service:  
Deputy Director In-charge of Prison Farms

**Qualifications:**

1. **MBA - Strategic Management (KeMU)**
2. **Bsc. Agricultural Engineering (UoN)**
3. **Full Member, Kenya Institute of Management (MKIM)**

## **REPORT OF THE CHIEF EXECUTIVE OFFICER**

### **STATEMENT BY THE PRINCIPAL SECRETARY**

It is my pleasure to release the Prison Farms Revolving Fund Financial Statement and Report for the year ended 30<sup>th</sup> June, 2018. I am proud to note that the fund has continued to fulfil its set purpose and objective of training and rehabilitation of prisoners and operating in accordance with business principles.

I am happy to note that the Prison Farms Revolving Fund has continued to meet its set purpose and objectives of providing funds required for the development and running of prison farms for agricultural training of prisoners and inmates since its establishment in 1993. During the year under review, the fund realized a gross profit of Kshs. **55,084,603.33**. The net asset base of the fund also increased from **Kshs. 437,765,403.16** to **Kshs 492,833,194.06**. Indeed this was a great improvement in the operations of the fund.

This impressive financial performance of the fund indicates that prison farms are increasingly supplying more food to the prisons as food and ration. Food worthy **Kshs. 148, 014,220.00** was supplied to prisoners' food and ration from prison farms. This a clear indication that prison farms revolving fund is on course to achieve our strategic objective of making prisons self sufficient in food production.

I take this opportunity to sincerely thank the Commissioner General of Prisons and his management team for instituting prudent measures to ensure that the fund continued to grow and meet its set objectives. I urge prison department to double its efforts to ensure that the fund not only fulfils its purpose but also produce adequate food to feed the entire prison population and ensure that prisons are self sufficient in food production.

Besides the Prison farms producing food for inmates it makes valuable contribution to the economy of the country through coffee and tea farming.

**CORPORATE GOVERNANCE STATEMENT**

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

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

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

Furthermore, in order to enhance the reporting and mitigation of the material risks impacting on the financial condition of the fund, the Authorities are engaged in introduction of cashless collection of revenue to enhance the implementation of the risk based supervision model.

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

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

**MANAGEMENT DISCUSSION AND ANALYSIS**

**STATEMENT BY THE COMMISSIONER GENERAL OF PRISONS**

We are pleased to share our Kenya Prisons Enterprise positive impact story with you. Our professional staffs provide a unique service to the State of Kenya. We provide technical and soft-skills training while modelling appropriate workplace behaviours for the state's most unlikely employees: incarcerated men and women. By providing this training, offenders learn "how to work" so they can successfully obtain and retain employment upon release from incarceration; the end result being former offenders who are crime free and contributing members of society.

The establishment of Prison Farms Revolving Fund in 1993 has provided the much needed support for prisons farming activities by ensuring timely and reliable source of money required for procurement of farm inputs. During the year under review, the fund supported farming activities in 89 agricultural prisons across the country and offered agricultural training to over 10,000 prisoners in various fields. Rehabilitation of prisoners through agricultural training in modern farming methods and technology is one of the most appropriate training for prisoners as agriculture is the backbone of Kenya's economy. Prisoners who benefit from agricultural training in prison farms leave prisons with sufficient and relevant skills ready to be absorbed and integrated into the fast growing agricultural sector. This does not only provide chance for prisoners to get employment but also contribute to national food security and poverty reduction in line with vision 2030 and the Big four agendas of the Government.

Food produced from prison farms is supplied to prisoners ration and paid for by the department at subsidized cost and the money realized recycled to the fund for further training and food production. In the financial year, prison farms supplied to the prisoners food and ration food worthy over Kshs. **148, 014,220.00**. This has helped prisons to reduce the cost of feeding prisoners and ensure fresh and nutritious supply of food for prisoners. However, food supplied to prisoners food and ration from prison farms is just a drop in the ocean. Food requirement in prisons is one of the biggest concerns for the government today and prison farm have a great opportunity to fully utilize all available land and prisoners labour to bridge this gap.

The growth witnessed in the fund during the year under review is commendable. Surplus funds realized in the operation of the fund will be ploughed back into the farming activities to expand and improve on prisoners training program and food production to ensure that prisons become food self sufficient in the very near future.

**STATEMENT BY THE DIRECTOR OF PRISON ENTERPRISES**

The Kenya Prisons Enterprises comprise of Prisons Farms and Industries. Prison Farms operate under the Prisons Farms Revolving Fund established by Legal Notice No. 87 of the Exchequer and Audit Act (Cap 412) Regulations, 1993.

During the financial year 2017/2018, the operations of prisons farms revolving fund remained focused on the set purpose and objectives. As a result, the performance of the fund was impressive. Prison farms remained as centres of training and learning for prisoners and by extension demonstration farms for the local communities. The number of prisoners joining agricultural training in various fields increased. Besides employing technical agricultural prison officers in the training programme, prison farms also partnered and collaborated with nongovernmental agrobusiness organizations key among them being Faraja Trust, Resource Oriented Initiative (Rodi) and local universities. The joint collaboration enriched the training program, exchange of best practices and lessons learnt in the field of agriculture.

During the year under review, prison farm also experienced great expansion and intensification of farming. Land under cultivation is purposed to be increased from 4,050 acres in the current financial year though in unit production it increased by between 20% to 23% in different agricultural activities.

Generally the year 2017/2018 has seen marked improvement for prison farms. The year's performance has set a benchmark and plans have been formulated and piloted to scale up food production from prison farms for prison's food self-sustainability.

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**STATEMENT BY THE DEPUTY DIRECTOR PRISONS FARMS**

The Kenya Prison Enterprises offers inmates training that help them find jobs, stay away from crime and contribute to society development. Those who support prison farms are our partners in helping reduce crime in our great country. Prison farms provide valuable training programs for inmates in the Kenya prison system. This training focuses on developing technical skills and pro-social attitudes which contribute to an offender's successful re-entry into society upon release.

The Prisons farms plays a vital role in our mission of promoting public safety and the training opportunities provided to offenders reduces prison idleness while reinforcing positive behaviour and work habits that aid an offender with successful re-entry back to their communities

I am happy to note that the Prison Farms Revolving Fund has continued to meet its set purpose and objectives of providing funds required for the development and running of prison farms for agricultural training of prisoners and inmates since its establishment in 1993.

The establishment of Prison Farms Revolving Fund in 1993 has provided the much needed support for prisons farming activities by ensuring timely and reliable source of money required for procurement of farm inputs. During the year under review, the fund supported farming activities in 89 agricultural prisons across the country and offered agricultural training to over 10,000 prisoners in various fields. Rehabilitation of prisoners through agricultural training in modern farming methods and technology is one of the most appropriate training for prisoners as agriculture is the backbone of Kenya's economy. Prisoners who benefit from agricultural training in prison farms leave prisons with sufficient and relevant skills ready to be absorbed and integrated into the fast growing agricultural sector. This does not only provide chance for prisoners to get employment but also contribute to national food security and poverty reduction in line with vision 2030

Food produced from prison farms is supplied to prisoners ration and paid for by the department at subsidized cost and the money realized recycled to the fund for further training and food production. In the financial year, prison farms supplied to the prisoners food and ration food worthy over Kshs. **148, 014,220.00**. This has helped prisons to reduce the cost of feeding prisoners and ensure fresh and nutritious supply of food for prisoners. However, food supplied to prisoners food and ration from prison farms is just a drop in the ocean. Food requirement in prisons is one of the biggest concerns for the government today and prison farm have a great opportunity to fully utilize all available land and prisoners labour to bridge this gap.

The growth witnessed in the fund during the year under review is commendable. Surplus funds realized in the operation of the fund will be ploughed back into the farming activities to expand and improve on prisoners training program and food production to ensure that prisons become food self sufficient in the very near future.

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

In executing its mandate, the Kenya Prisons Service, Prisons Farms revolving fund is committed to behaving ethically and responsibly, to contribute to economic development while improving the quality of life of its immediate clients (prisoners), employees and their families as well as the local community, national government and the society at large.

The Directorate of Prison Enterprises (DPE) is the corporate division of the Department that manages industry and farms business units in most of the State's prisons. It employs an average of 5,000 prisoners per day throughout the State's facilities.

The development of a work ethic is regarded as significant prisoner rehabilitation issue. DPE fosters work ethics, develops prisoner skills and trains prisoners in modern work techniques.

PE's workforce covers a broad range of processing operations including woodwork, metalwork, spray painting, general engineering, assembly textiles, animal husbandry, horticulture, bee keeping, crop farming and floriculture which contributes to the Department's needs in the provision of clothing, food sustainability and training of inmates.

PE operates under a very clear directive to avoid competing with main stream business, but seeks opportunities that will deliver vocational training in an environment supervised by suitably qualified trades-people. Many prisoners are trained and receive qualifications endorsed by the National Industrial Training Authority (NITA).

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

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

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

*Kenya Prisons Service (Prison Farms Revolving Fund)*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2018**  
**REPORT OF THE DIRECTORS**

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The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the *entity's* affairs.

**Principal activities**

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

**Results**

The results of the PFRF for the year ended June 30, 2018 are set out on page 17 onwards

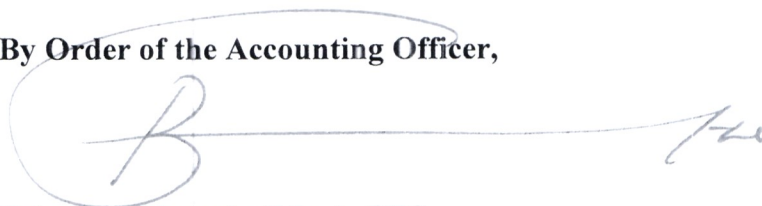
**Directors**

The members of the management team who served during the year are shown on page 2. During the year there was change of mantle of the Accounting officers' i.e. **Principal Secretary, Amb. Richard T. Ekai (PhD), CBS, was transferred and replaced by PS Mr. Alfred Cheruiyot** with effect from March, 2018, later in the month of July 2018 another reshuffle happened and Mr Alfred Cheruiyot was transferred and replaced by PS **Zeinab A. Hussein (Mrs.), CBS.**

**Auditors**

The Auditor General is responsible for the statutory audit of the *PFRF* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the *PFRF* for the year/period ended June 30, 2018.

**By Order of the Accounting Officer,**



**Zeinab A. Hussein (Mrs.), CBS**  
**Principal Secretary,**  
**State Department For Correctional Services,**  
**Nairobi.**

**Date:** 28/1/18

**STATEMENT OF OFFICER ADMINISTERING THE FUND RESPONSIBILITIES**

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

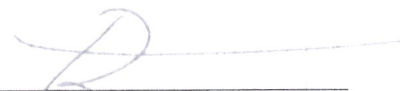
The Officer administering the Fund is responsible for the preparation and presentation of the *Prison Farms Revolving Fund* financial statements, which give a true and fair view of the state of affairs of the *Fund* for and as at the end of financial year (period) ended 30<sup>th</sup> June, 2018. This 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 PFRF; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Fund* (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Officer administering the Fund accepts responsibility for the *Prison Farms Revolving Fund* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act. The Officer administering the Fund is of the opinion that the *Prison Farms Revolving Fund* financial statements give a true and fair view of the state of *Fund* transactions during the financial period ended 30<sup>th</sup> June, 2018, and of the *Funds* financial position as at that date. The Officer administering the Fund further confirms the completeness of the accounting records maintained for the *Prison Farms Revolving Fund* which have been relied upon in the preparation of the *Funds* financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The *Prison Farms Revolving Fund* financial statements have been prepared in accordance with Section 83 of the PFM Act and were approved by the Principal Secretary Ministry of Interior and coordination of National Government, State department of correctional Services on 28/6/19 2018 and signed on its behalf by:

  
Zeinab A. Hussein (Mrs.), CBS  
PRINCIPAL SECRETARY  
DEP'T OF CORRECTIONAL  
SERVICES

  
Isaya M. Osugo, CBS  
COMMISSIONER GENERAL  
OF PRISONS

  
Josphat K. Ituka, MBS  
DIRECTOR OF PRISON  
ENTERPRISES

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON PRISON FARMS REVOLVING FUND 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 Prison Farms Revolving Fund set out on pages 1 to 20, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the 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 Prison Farms Revolving Fund 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 (Accrual Basis) and comply with the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### 1. Unreconciled and Unexplained Difference in P.M.G Cash Balance

The statement of financial position as at 30 June 2018 reflects a P.M.G cash balance of Kshs. 58,134,080 and as disclosed in Note 9 to the financial statements is explained to be held in the Ministry's Deposit Account on behalf of the Fund. However, the Ministry's Deposit Account had a balance of only Kshs.49,091,790 instead of Kshs.58,134,080 as at 30 June 2018. The resulting difference of Kshs.9,042,290 has not been reconciled or explained. Consequently, it has not been possible to confirm the accuracy of the P.M.G cash balance of Kshs.58,134,080.

##### 2. Credit Sales Balance

The statement of financial performance for the year ended 30 June 2018 reflects sales of Kshs.228,302,006 which includes credit sales balance of Kshs.80,572,895 as disclosed in Note 2 under Summary of Significant Accounting Policies. However, details of the sales including a breakdown of the amount have not been provided for audit review. In the circumstances, it has not been possible to confirm the validity, completeness and accuracy

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*Report of the Auditor-General on the Financial Statements of Prison Farms Revolving Fund for the year ended 30 June 2018*

of the sales figure of Kshs.228,302,006 reflected in the statement of financial performance for the year ended 30 June 2018.

### **3. Suspense Account**

The statement of financial position as at 30 June 2018 reflects a balance of Kshs.5,809,155 against a suspense account. However, the balance has not been supported with analysis and verifiable source documents contrary to regulation 107 (1) of the Public Finance Management (National Government) Regulations 2015. Consequently, it has not been possible to confirm the nature, validity, completeness and accuracy of the suspense balance of Kshs.5,809,155.

### **4. Fixed Assets**

The statements of financial position as at 30 June 2018 reflects total fixed assets balance of Kshs.30,669,201. This does not agree with the balance of Kshs.29,572,901 shown in the fixed assets movement schedule, resulting in unexplained and unreconciled difference of Kshs.1,096,300.

In addition, an examination of fixed assets register revealed a balance of Kshs.32,698,600 as at 30 June 2018. No explanation has been given for the differences between the three sets of records. In the circumstance, it has not been possible to ascertain the completeness and accuracy of the fixed assets balance of Kshs.30,669,201 reflected in the statement of financial position as at 30 June 2018.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Prison Farms Revolving Fund 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 judgment, 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 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 for Conclusion**

### **1. Failure to Achieve Budgeted Revenue and Expenditure Targets**

The statement of comparison of budget and actual amounts for the year ended 30 June, 2018 reflects budgeted revenue amounts of Kshs.246,300,000 while the actual revenue amount realized was Kshs.147,729,112 resulting in a shortfall of Kshs.98,570,888 or 40% of the budgeted revenue.

In addition, while the budgeted expenditure was Kshs.234,750,000, the actual expenditure amounted to only Kshs.130,699,065 or 56% of the budgeted amounts. This is an indication that public resources were not effectively used and the Fund, therefore, did not achieve a significant proportion of its planned goals during the financial year ended 30 June 2018.

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

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

### **Conclusion**

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for 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 (Accrual

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

In preparing the financial statements, management is responsible for assessing the Prison Farms Revolving Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable 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 Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to 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 Prison Farms Revolving Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

**Nairobi**

**6 February 2019**

*Kenya Prisons Service (Prison Farms Revolving Fund)*

**Annual Reports and Financial Statements**

**For the year ended June 30, 2018**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2018**

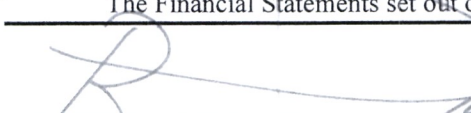
DETAILS	NOTE	30 <sup>th</sup> JUNE 2018	30 <sup>th</sup> June 2017
<b>Sales</b>	<b>2</b>	228,302,006.00	211,492,108.00
Less: previous Debts paid during the year		122,942,904.00	80,232,442.00
		<b>105,359,102.00</b>	<b>131,259,666.00</b>
<b>Opening Stock (1-7-2017)</b>			
Livestock		41,030,016.00	35,424,610.00
Growing Crops		92,539,204.00	82,574,582.00
Harvested Crops		5,525,281.00	5,399,055.00
Farm Inputs		32,102,314.00	22,230,299.00
<b>Sub-Total</b>		<b>171,196,815.00</b>	<b>145,628,546.00</b>
<b>ADD PURCHASES</b>	<b>3</b>	87,851,170.00	61,489,020.00
<b>Sub-Total</b>		<b>259,047,985.00</b>	<b>207,117,566.00</b>
<b>LESS CLOSING STOCK</b>			
Livestock		42,782,510.00	41,030,016.00
Growing Crops	<b>4</b>	164,208,900.10	92,539,204.00
Harvested Crops		37,608,490.00	5,525,281.00
Farm Inputs		9,050,897.00	32,102,314.00
<b>Sub-Total</b>		<b>253,650,797.10</b>	<b>171,196,815.00</b>
<b>Cost of Sales</b>		5,397,187.90	35,920,751.00
<b>Gross Profit/Loss</b>		<b>99,961,914.10</b>	<b>95,338,915.00</b>
<b>Less Operating Expenses:</b>		42,847,895.00	48,575,783.00
Depreciation - uncoded	<b>1C</b>	2,029,415.77	2,897,598.82
<b>Total Operating costs</b>		<b>44,877,310.77</b>	<b>51,473,381.82</b>
<b>Net Profit/Loss</b>		<b>55,084,603.33</b>	<b>43,865,533.18</b>

*Kenya Prisons Service (Prison Farms Revolving Fund)*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2018**

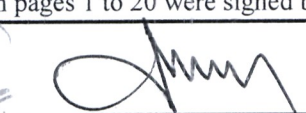
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

	Notes	2017-2018	2016-2017
		Kshs	Kshs
<b>FIXED ASSETS</b>			
Motor Vehicles NBV		8,230,711.87	8,313,850.37
Tractors		9,962,359.28	11,069,288.09
Farm machinery		7,166,450.34	7,737,354.87
Computers		1,938,818.10	2,040,861.16
Motor bikes		798,357.47	887,063.85
Trailers		1,476,204.35	1,553,899.32
Scrap machinery	8	1,096,300.00	1,096,300.00
<b>Total Fixed Assets</b>		<b>30,669,201.41</b>	<b>32,698,617.66</b>
Investments	5	2,364,895.00	2,364,895.00
<b>SUB TOTALS</b>		<b>33,034,096.41</b>	<b>35,063,512.66</b>
<b>CURRENT ASSETS</b>			
Livestock		42,782,510.00	41,030,016.00
Growing crops	4	164,208,900.10	92,539,204.00
Harvested crops		37,608,490.00	5,525,281.00
Farm inputs		9,050,897.00	32,102,314.00
Debtors	6	148,014,220.55	204,003,179.50
P.M.G.	9	58,134,080.00	57,504,034.00
<b>Total Current Assets</b>		<b>459,799,097.65</b>	<b>432,704,028.50</b>
<b>LESS CURRENT LIABILITIES</b>			
Creditors	10	0.00	30,002,138
<b>Net Current Assets</b>			<b>402,701,890.50</b>
<b>NET ASSETS</b>		<b>492,833,194.06</b>	<b>437,765,403.16</b>
<b>FINANCED BY;</b>			
Prisons farm fund account	11	4,200,000.00	4,200,000.00
Accumulated reserves	12	425,374,540.40	381,509,007.22
Capital investment reserve	5	2,364,895.00	2,364,895.00
Suspense	13	5,809,155.33	5,825,967.60
Net Profit/Loss		55,084,603.33	43,865,533.18
		<b>492,833,194.06</b>	<b>437,765,403.16</b>


The Financial Statements set out on pages 1 to 20 were signed by:

  
**Zeinab A. Hussein (Mrs.), CBS**  
**PRINCIPAL SECRETARY**  
**DEPT OF CORRECTIONAL**  
**SERVICES**

Date.....28/1/19.....

  
**Isaya M. Osugo, CBS**  
**COMMISSIONER GENERAL**  
**OF PRISONS**

.....23/01/2019.....

  
**Joshat K. Ituka, MBS**  
**DIRECTOR OF PRISON**  
**ENTERPRISES**

.....23/01/2019.....

The notes set out on pages 7 to 20 form an integral part of these Financial Statements

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018**

Balance as at 30 <sup>th</sup> June,2012	4,200,000.00	184,976,217.45	2,364,895.00
Add surplus for the prev.year	(-)	40,690,008.93	(-)
Balance as at 30 <sup>th</sup> June, 2013	4,200,000.00	225,666,226.38	2,364,895.00
Add surplus for the prev.year	-	47,412,412.82	-
Balance as at 30 <sup>th</sup> June,2014	4,200,000.00	273,078,639.80	2,364,895.00
Add surplus for the prev.year	-	50,387,194.32	-
Balance as at 30 <sup>th</sup> June 2015	4,200,000.00	323,465,832.70	2,364,895.00
Add surplus for the prev.year	-	53,451,524.52	-
Balance as at 30 <sup>th</sup> June 2016	4,200,000.00	376,917,357.22	2,364,895.00
Add surplus for the prev.year	-	4,591,650.00	
Balance as at 30 <sup>th</sup> June 2017	4,200,000.00	381,509,007.22	2,364,895.00
Add surplus for the prev.year	-	43,865,533.18	
Balance as at 30 <sup>th</sup> june 2018	4,200,000.00	425,374,540.40	2,364,895.00

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

CASH FLOWS FROM OPERATING ACTIVITIES(REVENUE COLLECTION)		2017/2018	2016/2017
<b>RECEIPT FROM VARIOUS STATION</b>		<b>147,729,111.79</b>	<b>103,669,892.00</b>
<b>PAYMENTS</b>			
2210101	Electricity	200,000.00	
2210102	Water & Sewerage Charges	29,400.00	
2210201	Telephone Telex Mobile Charges	3,129,250.00	2,727,200.00
2210301	Travel Costs		4,473,500.00
2210302	Accommodation, Domestic Travel	5,598,300.00	
2210303	Dai y Subsistence	2,593,250.00	1,644,950.00
2210504	Advertising Awareness and Publicity		
2210505	Trade Shows & Exhibition	312,840.00	329,200.00
2210503	Subscription to Newspaper	109,500.00	54,024.00
2210706	Book Allowances		
2210708	Project Allowance		
2210711	Tuition Fees	100,000.00	154,540.00
2210801	Catering Services	6,849,000.00	8,776,020.00
2211003	Vet. Supplies & Materials	6,716,000.00	9,481,000.00
2211004	Fungicides Insects & Sprays	67,201,670.00	35,294,000.00
2211007	Agr. Matt Supplies & Small Equipments	320,000.00	300,000.00
2211016	Purchase of uniform & clothing (staff)	598,000.00	2,403,770.00
2211101	General Office Supplies		10,000.00
2211102	Supplies and Accessories for Computers	5,099,255.00	4,973,434.00
2211201	Refined Fuel and Lubricants for Transport	21,077,800.00	20,702,140.00
2211202	Refined Fuel For Production		
2211301	Bank Services & Commission Charges		
2211324	Land Registration	355,300.00	
2220101	Maintenance of Motor Vehicles	2,925,000.00	5,803,025.00
2220101	Maintenance of plant, Mech. & Equipments	200,000.00	500,000.00
2220205	Maintenance of Building (None residential)		
2220210	Maintenance of Computers & Equipments		
3111002	Purchase Of Computers & Printers		
3111103	Purchase Of Agri. Machinery & Equip.	200,000.00	4,500,000.00
3111301	Purchase Cf Certified Crop Seed	7,084,500.00	7,938,000.00
	Add Payments ( credits from previous years b/f)	16,400,000.00	
<b>SUB TOTAL</b>		<b>147,099,065.00</b>	<b>120,671,557.00</b>
<b>ADD CASH FLOWS FROM INVESTING ACTITIVIES</b>			
Purchase of Plants and Equipment (Pesho mill )		0.00	
<b>TOTAL PAYMENT</b>		<b>147,099,065.00</b>	<b>120,671,557.00</b>
Net increase/decrease in cash		630,046.00	-17,001,665.00
Cash equivalent as at 1st July		<b>57,504,034.00</b>	74,500,698.77
<b>Cash equivalent as at 30th June</b>		<b>58,134,080.00</b>	<b>57,504,034.00</b>

**Annual Reports and Financial Statements  
For the year ended June 30, 2018**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30 JUNE 2018**

ITEM	DESCRIPTION	TOTAL ALLOCATION	ADJUSTMENT	FINAL BUDGET 2017-2018	ACTUAL COMPARABLE BASIS 2017-2018	PERFORMANCE DIFFERENCE 2017-2018
1450101	SUNDRY REVENUE	246,300,000.00		246,300,000.00	147,729,111.79	98,570,888.21
	EXPENSES					
2211003	Veterinaian supplies & materials	10,000,000.00		10,000,000.00	6,849,000.00	3,151,000.00
2211004	Fungicides, insecticides & sprays	12,000,000.00		12,000,000.00	6,716,000.00	5,284,000.00
2211007	Agricultural materials, supplies & s. equip	58,000,000.00		58,000,000.00	67,201,670.00	-9,201,670.00
2211016	Purchase of uniform & clothing	1,000,000.00		1,000,000.00	320,000.00	680,000.00
3111301	Purchase of certified crop seed	14,000,000.00		14,000,000.00	7,084,500.00	6,915,500.00
3111302	Purchase of animals & breeding stock	7,000,000.00		7,000,000.00		7,000,000.00
2210101	Electricity	500,000.00		500,000.00		500,000.00
2210102	Water & Sewerage charges	500,000.00		500,000.00	200,000.00	300,000.00
2210201	Telephone, Telex, Fax & mobile	50,000.00		50,000.00	29,400.00	20,600.00
2210203	Postage services	250,000.00		250,000.00		250,000.00
2210301	Travel cost (airline, bus & railway) allow.	4,000,000.00		4,000,000.00	3,129,250.00	870,750.00
2210302	Accommodation- domestic travel	5,000,000.00		5,000,000.00	5,598,300.00	-598,300.00
2210303	Daily subsistence allowance	4,000,000.00		4,000,000.00	2,593,250.00	1,406,750.00
2210503	Subscription to newspapers, magazine	200,000.00		200,000.00	109,500.00	90,500.00
2210504	Advertising awareness & Publicity	200,000.00		200,000.00		200,000.00
2210505	Trade shows & exhibitions	500,000.00		500,000.00	312,840.00	187,160.00
2211201	Refined fuel & Lubricant for transport	13,000,000.00		13,000,000.00	5,099,255.00	7,900,745.00
2211202	Refined fuel & lubricant for production	28,000,000.00		28,000,000.00	21,077,800.00	6,922,200.00

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2211301	Bank services commissions & charges	50,000.00				50,000.00			50,000.00
2211324	Land registration	50,000.00				50,000.00			50,000.00
2211101	General office supplies	2,500,000.00				2,500,000.00	598,000.00		1,902,000.00
2211102	Supplies & Accessories for comps & print	100,000.00				100,000.00			100,000.00
2220101	Maintenance expenses of M/vehicles	4,000,000.00				4,000,000.00	355,300.00		3,644,700.00
2220201	Maint. of Plant, Machinery & Equip	10,000,000.00				10,000,000.00	2,925,000.00		7,075,000.00
2220209	Minor Alt. to building & civil works	5,000,000.00				5,000,000.00	200,000.00		4,800,000.00
2220210	Maint of computers software & networks	100,000.00				100,000.00			100,000.00
2210706	Book allowance	70,000.00				70,000.00			70,000.00
2210707	Project allowance	80,000.00				80,000.00			80,000.00
2210711	Tuition fee allowance	1,000,000.00				1,000,000.00			1,000,000.00
2210801	Catering services, food and drinks	200,000.00				200,000.00	100,000.00		100,000.00
3110705	Purchase of trucks & trailers	5,000,000.00				5,000,000.00			5,000,000.00
3110706	Purchase of tractors	30,000,000.00				30,000,000.00			30,000,000.00
3110701	Motor vehicles	8,000,000.00				8,000,000.00			8,000,000.00
3111002	Purchase of comps, printers & IT equip	200,000.00				200,000.00			200,000.00
3111004	Purchase of exchanges & comm. Equip	200,000.00				200,000.00			200,000.00
3111103	Purchase of agricultural machinery & equipment	10,000,000.00				10,000,000.00	200,000.00		9,800,000.00
	<b>TOTAL EXPENDITURE B+C+D</b>	<b>234,750,000.0</b>				<b>234,750,000.0</b>	<b>130,699,065.0</b>		<b>104,050,935.00</b>
	<b>Surplus for the period</b>	<b>11,550,000.00</b>				<b>11,550,000.00</b>	<b>17,030,046.8</b>		<b>5,480,046.79</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

The Prisons Farms Revolving Fund (PFRF) was established by Legal Notice No. 87 of the Exchequer and Audit Act (Cap 412) Regulations, 1993. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya (Prison Enterprises, Farms section of Kenya Prisons Service). The Directorate of Prisons Enterprise is positioned at the Prisons Headquarters, Magereza House in Nairobi and has branches in 103 industrial prisons countrywide.

The entity's principal activity of the fund is training and rehabilitation of prisoners on various skills. Section 11 of the Legal Notice No 87, requires the Officer administering the Fund to prepare financial statements in respect of that Prison Farms Revolving Fund, which gives a true and fair view of the state of affairs of the Fund at the end of the financial period on operating results of the Fund for that period.

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

### **I. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

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

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

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

**II. ADOPTION OF NEW AND REVISED STANDARDS**

**i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018**

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 39:</b> Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2018</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. <i>(State the impact of the standard to the entity if relevant)</i> No impact since we do not accord any benefits to employees.

**i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017**

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

**ii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2018.

**III. NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

***Rendering of services***

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

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

***Sale of goods***

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

#### **IV. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

##### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

###### **a) Revenue recognition (Continued)**

###### **b) Budget information**

The original budget for FY 2017-2018 was approved by the Principal Secretary for State Department for correctional Services on October 2017.

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

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

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

###### **c) Property, plant and equipment**

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

**Depreciation-** is calculated on reducing balance basis at annual rates estimated to write off carrying values of the assets over their expected useful lives. The annual depreciation rates in use are:-

Tractors	10%
Computers	5%
Machinery	5%
Motor vehicles	10%
Tools	331/3%

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

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **h) Research and development costs (Continued)**

##### ***Impairment of financial assets***

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

##### ***Impairment of financial assets (Continued)***

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

##### ***Financial liabilities***

##### ***Initial recognition and measurement***

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs

#### **i) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

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

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Inventories (Continued)**

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

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

**j) Provisions**

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

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

***Contingent liabilities***

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

***Contingent assets***

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

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

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**k) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements.

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

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

**m) Foreign currency transactions**

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

**n) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**o) Related parties**

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

**p) Capital Investment Reserves**

This is recognized when allotment of shares was done by issuing organization to its members. The investments in KTDA Ltd quoted were issued without cash exchange but purely on membership as a producer of tea in the respective factories. Being a capital transaction in principle, the shares are thereby recognized as investment and accordingly an investment reserve has been created to recognize this.

**q) Revenue Reserve**

Constitutes retained surpluses from operations of the fund pending Treasury decision on its disposal. Any deficiency realized in any financial year shall, subject to Treasury approval, be set-off against the retained surpluses.

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

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The preparation of statement of financial performance and statement of financial position for the year ended 30<sup>TH</sup> JUNE, 2018 is based from manual records i.e. Revenue, Expenditure return and stock taking certificates from the stations.

**The current sales for the year constitute the following Sales**

	<b><u>30<sup>TH</sup> JUNE 2017</u></b>	<b><u>30<sup>TH</sup> JUNE 2018</u></b>
Sales	103,669,892.00	147,729,111.79
Credit Sales for the year	107,822,216.00	80,572,894.55
Total	<b><u>211,492,108.00</u></b>	<b><u>228,302,006.34</u></b>

**r) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Summary;

**s) Budget information**

The original budget for FY 2017-2018 was approved by the Principal Secretary State Department for Correctional services on 24<sup>th</sup> October, 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

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

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **t) Comparative figures**

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

#### **u) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

### **3. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

#### **Useful lives and residual values**

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

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

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

The purchase reported refers to total farm inputs as detailed below:

Purchases	30 <sup>th</sup> June 2017	30 <sup>TH</sup> JUNE 2018
2211003-veterinary supplies	8,776,020.00	6,849,000.00
2211004-fungicide	9,481,000.00	6,716,000.00
3111301-purchase of seeds	7,938,000.00	7,084,500.00
3111302-purch.of breeding stock	-	-
2211007-agricultural material	35,294,000.00	67,201,670.00
	<b>61,489,020.00</b>	<b>87,851,170.00</b>

4.Growing Crops

The growing crops have been valued in conjunction with the Ministry of Agriculture and Ministry of Livestock Development officials. The items are adjusted by 331/3% or 1/3 of the selling price being the lower of the estimated cost and market value.

KShs.246, 337,984.00 by 331/3 to be KShs.164,204,900.10

5) Investment/Share Allotment

Investment Reserve

The investment Reserve Account was created to account for shares held by the Fund in the Kenya Tea Development Authority and Kenya Planters Co-operative Union Limited amounting to Khs 2,364,895.00

The following shares have been issued to the prison stations as tabulated below:

Station	Company	Share cert No.	No. of shares.	Value .	Total.
1.Kericho	KTDA Momul Factory	R0016238	46,790	Kshs. 5	233,950.00
		R0017356	35,679	Kshs. 5	178,380.00
	KTDA Tegat Factory	G0011577	114,185	kshs. 5	570,925.00
		R0012892	21,016	kshs. 5	105,080.00
		R0032560	142,461	kshs. 5	712,305.00
<u>2.Uruku</u>					
	Mwikigi Farm	9391	14,987	kshs. 5	74,935.00
KTDA Githongo Factor		G0008179	3,50	kshs. 5	17,520.00
		G0008472	20,037	Kshs 5.	100,185.00
		B04391	21,562	Kshs 5.	107,810.00
KTDA Imenti Leaf Base		G0005692	6,412	kshs 5.	32,060.00
		G0011798	7,059	kshs 5.	35,295.00
KTDA Kionyo Factory		R0001928	16,497	kshs 5.	82,485.00
		R0006211	14,023	Kshs 5	70,115.00

3. Ruiru

KPCU	0034699	516	kshs 10.	5,160.00
KPCU	8687-0659	3,869	kshs 10.	<u>38,690.00</u>
	TOTAL		Kshs.	<u>2,364,895.00</u>

6) Debtors-see attached schedule.

7) Fixed Assets Schedule

See attached schedule

8) Scrap machinery

See attached schedule

(9) PMG

PMG Account represents the amount that is held in the Ministry's Deposit Account on behalf of the Fund. It represents the unspent income from all stations and deposited with the Ministry of Home Affairs. During the year, this has been derived as hereunder:

	<u>30<sup>th</sup> June 2017</u>	<u>30<sup>th</sup> June 2018</u>
Opening balance	74,500,698.77	57,504,034.00
Add: Sales (cash)	103,669,892.59	147,729,111.79
	<u>178,170,591.36</u>	<u>205,233,145.79</u>
Less: Expenditures/Withdraw	110,059,803.00	130,699,065.00
Paid creditors	10,606,754.00	16,400,000.00
Closing balance	<u>57,504,034.00</u>	<u>58,134,080.79</u>

10) Creditors

The creditors of the farms represents amount owing to the suppliers of farm inputs which had not been cleared at close of the year as listed.

	<u>30<sup>th</sup> June 2017</u>	<u>30<sup>th</sup> JUNE 2018</u>
Opening balance	8,929,600.00	30,002,138.00
Closing balance	30,002,138.00	NIL

11) Prison Farm Fund Account

This has been in the context of the Legal Notice No. 87 of 1992 through which parliament appropriated the Ksh. 4,200,000.00 as the initial capital of the Fund.

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12) Accumulated Reserves

	<u>2016/2017</u>	<u>2017/2018</u>
Opening balance	376,917,357.22	381,509,007.22
Add: Surplus for the prev. year	4,591,650.00	43,865,533.18
Less: Prior year adjustment (Understated creditors)	-	-
	<u>381,509,007.22</u>	<u>425,374,540.00</u>

13) Suspense Account

The Suspense Account balance as follows:

	<u>2016/2017</u>	<u>2017/2018</u>
Balance b/f	<b>5,825,967.60</b>	<b>5,809,155.33</b>

14) Operating Results

The profitability of the fund increased from the previous year thus:

	<u>2016/2017</u>	<u>2017/2018</u>
Net profit/Loss		
Profit for the year	41,465,654.33	55,084,603.33

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**PRISON FARMS FUNDS**  
**FIXED ASSETS**

	TRACTORS		MORTALISED		KNAPSACK		PORTABLE		RICEHOURER		COMPUTER		M/VEHICLE		MOTOR/BIKE		TRAILERS		TOOLS		TOTAL
	KSH		SPRAYER		SPRAYER		ENGINE		MACHINE		KSH		KSH		KSH		KSH		KSH		
BALANCE B/F AS AT 1.07.2017	11,069,288.09		969,908.16		55,217.40		5,154,928.82		907,683.61		2,040,861.16		8,313,850.37		887,063.85		1,553,899.32		649,616.43		31,602,317.66
ADDITIONAL(REVALUED)																					
TOTAL ASSET AS AT 30/06/2017	11,069,288.09		969,908.16		55,217.40		5,154,928.82		907,683.61		2,040,861.16		8,313,850.37		887,063.85		1,553,899.32		649,616.43		31,602,317.66
DISPOSAL																					
DEPRECIATION	1,106,928.81		48,495.41		2,760.87		257,746.44		45,384.18		102,043.05		83,138.50		88,706.38		77,694.97		216,517.16		2,029,415.77
NBV AS AT 30.06.2018	9,962,359.28		921,412.75		52,456.53		4,897,182.37		862,299.42		1,938,818.10		8,230,711.87		798,357.47		1,476,204.35		433,099.27		29,572,901.41
NBV AS AT 30.06.2017	11,069,288.09		969,908.16		55,217.40		5,154,928.82		907,683.61		2,040,861.16		8,313,850.37		887,063.85		1,553,899.32		649,616.43		31,602,317.66

**NB:2**

The balance reflected as Farm machinery constitute the following:

1. Motorised sprayers.....kshs.921,412.75
2. Knapsack sprayers.....kshs.52,456.53
3. Portable Engines.....kshs.4,897,182.37
4. Rice Haulier Machine.....kshs.862,299.42
5. Tool/Equipments.....kshs.433,099.27

Total.....**kshs.7,166,450.34**

**V. APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Fixed assets	Non provision of detailed schedule	The assets register was updated and provided to the auditor		Resolved	
Debtors	Increase in outstanding debtors	The management has undertaken measures to hasten collection of debts from our customers		Not fully resolved	
Suspense A/C	Presence of the account without full explanation	The suspense account balance represents the balancing figure as the books of account could not balance mainly because of unavailability of records from District Treasuries on returned balances of funds AIEs issued to stations at the closure of the financial years.	Accountant PFRF	Not resolved	
Creditors	Non payment to creditors while the PMG account has money	The amounts held in the PMG accounts are inaccessible since the MOHA was dismantled. The mgt has been seeking transfer of the same from treasury	HAU-state dept for correctional services	Not resolved	

**Guidance Notes:**

Principal Secretary

Commissioner General of Prisons

Date.....

Date.....