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REPORT

OF

THE AUDITOR-GENERAL

ON

PRISON FARMS REVOLVING FUND

**FOR THE YEAR ENDED
30 JUNE, 2022**

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KENYA PRISON SERVICE

(Prison Farms Revolving Fund- (PFRF))

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2022

**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) PFRF
Annual Report and Financial Statements
For the year ended June 30, 2022.

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1. 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 1st July, 1992.

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

“Financial year” means the period of twelve months ending
On 30th 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.

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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 8th April, 1993.

W. M. MUDAVADI,
Minister for Finance

(b) Principal Activities

The principal mandate of the *Prison Farms* is to provide funds required for the development and running of Prison farms for training and rehabilitation of prisoners and inmates.

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

OUR CORE VALUES

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

(c) Key Management

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

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

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(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal Secretary	Hon. Safina Kwekwe Tsungu, CBS Zeinab A. Hussein (Mrs.), CBS
2.	Commissioner General of Prisons	Brig (Rtd) John K. Warioba, EBS Wycliffe O. Ogallo, CBS, (RTD)
3.	Director of Prison Enterprise	James K. Too,ndc(k),ACGP Wairimu R. Thang'ate, HSC, SACGP
4.	Director Prison Farms	Mr Patrick M. Kariri, OGW, MKIM, SOCCA

(e) Fiduciary Oversight Arrangements

- *Audit and Risk Committee*
- *Finance committee*
- *Parliamentary Oversight Committees*

(f) PFRF Headquarters

P.O. Box 30175-00100

Magereza House

Bishop Road – Upperhill

Nairobi, KENYA

Registered Office

P.O. Box 30478-00100

Teleposta Building

Kenyatta Avenue

Nairobi, KENYA

(g) PFRF Contacts

Telephone: (254) 20-2722900-6

E-mail: commissioner.prisons.go.ke

Website: www.go.ke

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(h) Entity Bankers

1. **Central Bank of Kenya**
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
NAIROBI, KENYA
2. **Equity Bank of Kenya**
Kenyatta Avenue Supreme
P.O BOX 75104-00200
Nairobi, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

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2. MANAGEMENT TEAM

Board Members photo and name.	Management Team key qualifications and work experience.
 <p data-bbox="212 1106 871 1189">Mary Muthoni Muriuki (Ms), (HSC) (PS) <u>Principal Secretary</u></p>	<p data-bbox="919 331 1509 392">Management Team key qualifications and work experience.</p> <p data-bbox="919 405 1533 696">Principal Secretary for Correctional Services in the Ministry of Interior and National Administration from 1st December, 2022. Ms. Muriuki has served in various organizations and institutions in the public and private sectors; notably, the President and Chief Executive Officer of Women in Business Community Network, Founder of the premier Women in Business Awards and Magazine, National Director of Kenya National Chamber of Commerce and Industry and board member of Tobacco Control Board.</p> <p data-bbox="919 703 1533 994">Ms. Muriuki has received recognition and awards for her contribution in women economic empowerment and gender inclusion in private and public sectors; including the Head of State Commendation (2021) for community service, Uzalendo Award (2019), Regional Winner East Africa by the CEO Global for Pan African Awards (2019), Africa Business Leaders Awards in regards to Gender (2018), and Devolution Warrior Award- Gender Responsive Delivery Category (2017) and was among the Six (6) most influential Women in Kenya (2017)..</p> <p data-bbox="919 1025 1302 1055"><u>EDUCATIONAL BACKGROUND</u></p> <ul data-bbox="919 1059 1533 1173" style="list-style-type: none"> * MBA in Business Administration from Baraton University * Bachelor of Education from Catholic University of East Africa
 <p data-bbox="276 1890 799 1968">Brig(Rtd)John K. Warioba, EBS <u>Commissioner General of Prisons</u></p>	<p data-bbox="911 1227 1525 1525">I am a self-motivated, dynamic, result oriented, and self-driven individual with an eye for details. My career in the Military spanned for a period of 36 years rising to the rank of Brigadier. My command experience in the military started as a young officer upon being commissioned as an officer then took over command of a platoon size force. I subsequently commanded a company, battalion and finally a brigade size force both in peacetime and operations environments including peacekeeping operations in Namibia and South Sudan.</p> <p data-bbox="911 1532 1525 1704">As I take command of the Kenya Prisons Service as the Commissioner General of Prisons (CGP) in November, 2021, I aim at making significant contribution in the field of Human Resource Management, Policy formulation and Personnel training in order to enhance organisation performance.</p> <p data-bbox="911 1711 1525 1767">I have undertaken a series of professional courses in security management, administration and management.</p> <p data-bbox="911 1800 1070 1830">Qualifications:</p> <ul data-bbox="911 1834 1509 1901" style="list-style-type: none"> * MA(International Security and Strategy) – Kings College - London



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

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

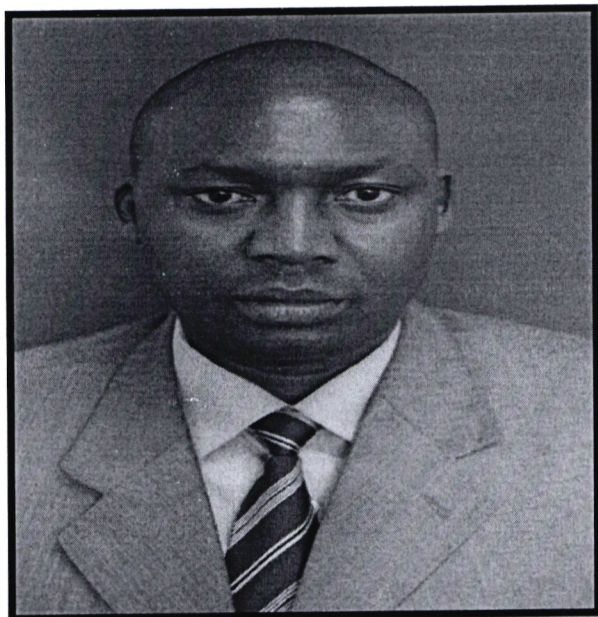
Prior to my appointment as the DPE, I was the Director Logistics and served in various capacities in various stations and as a Regional Commander Rift Valley & Central Regions respectively.

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

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

Qualifications:

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



Mr. Patrick Kariri, OGW, MKIM, SOCAA
Director Prisons 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 9 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:
Director Prison Farms

Qualifications:

1. MBA - Strategic Management (KeMU)
2. Bsc. Agricultural Engineering (UoN)
3. Full Member, Kenya Institute of Management (MKIM)
4. Full Member, Society of Crop Agribusiness Advisors of Kenya (SOCAA)

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3. STATEMENT BY THE PRINCIPAL SECRETARY

It is my pleasure to release the Prisons Farms Revolving Fund Financial Statement and Report for the year ended 30th June, 2022. The fund has continued to fulfil its set purpose and objective of training and rehabilitation of prisoners and operating in accordance with business principles.

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. Besides offering vocational and on-the-job training to prisoners, prison farms make valuable contribution to the economy of the country by producing a pool of skilled farmers critical for the agricultural sector in line with vision 2030 and the Government's BIG four agenda.

The adoption of cashless policy by Kenya Prisons Enterprise has exhibited an efficient, effective and accountable revenue collection system in its expansion of revenue collection base from diverse products and production units spread across the country. The system has reduced the risk of revenue loss, poor accounting, provided customers with a convenient payment platform anytime and anywhere, gave the management a facility for paperless receiving and reconciliation of payments, generation of real-time transaction reports which has reduced the risk of handling cash and overall increased revenue collection.

The Enterprise also embraced Zero Based Budgeting for F/Y 2021/2022 in order to improve in efficiency and be effective in operations. ZBB entailed preparing the budget from the scratch with a zero-base which also involved re-evaluating every line item of cash flow statement and justifying all the expenditures that are incurred by the section.

The ZBB laid emphasis on identifying tasks and then funding those expenses irrespective of the current expenditure structure and identified 15 flagship farms for the same.



During the year under review, the fund realized a gross profit of Kshs. 71,637,568.20. This impressive financial performance of the fund indicates that prison farms are increasingly supplying more food to the prisons as food and ration. This is 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

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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.

Name **Mary Muthoni Muriuki (Ms), (HSC)** Signature.....  Date..... 
Principal Secretary,
State Department for Correctional Services, Nairobi.

4. REPORT OF 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 self-employ themselves, obtain and retain employment upon release from incarceration; the end result being former offenders who are crime free and contributing members of the 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 90 agricultural prisons with 15 being flagship stations financed vide the Zero-Based budgeting (ZBB) 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

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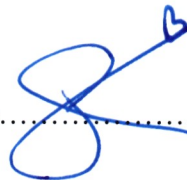
national food security and poverty reduction in line with vision 2030 and the Big four agendas of the Government.

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. 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.

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

Signature.....



Date.....

9 Dec 22

5. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

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

PFRF has four (3) strategic objectives within the current Strategic Plan for the FY 2021-2022. These strategic themes/ issues are as follows:

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

Pillar/theme/issue 2: **Procure necessary farm inputs, avail equipped farms and stores.**

Pillar/theme/issue 3: **Offer sale for farm produce in the Prisons and open market.**

PIRF develops its annual work plans based on the above 3 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *PFRF* achieved its performance targets set for the FY 2021/2022 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1:	train and rehabilitate	Rehabilitated prisoners	Training various farming practices	7,000 inmates trained on various farming practices,
Pillar/ theme/ issue 2:	Procure farm inputs	Availed/ equipped farms & stores	Procurement of the farm items	Farm implements, tools, machineries and inputs procured
Pillar/ theme/ issue 3:	sale of farm product	Sales	Selling of farm products	Sales revenue realized

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

6. CORPORATE GOVERNANCE STATEMENT

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

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

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

Furthermore, in order to enhance the reporting and mitigation of the material risks impacting on the financial condition of the fund, the Authorities 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.

7. MANAGEMENT DISCUSSION AND ANALYSIS

STATEMENT BY THE DIRECTOR OF PRISONS ENTERPRISE

The Kenya Prisons Enterprise 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 2021/2022, 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 Government and Nongovernmental agro-business organizations key among them being Kenya Forestry Service, 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 large-scale farming in the 15 flagship farm stations financed vide Zero Based Budgeting where the farms were identified to increase livestock farming, Hay growing and Potato & Rice farming.

Generally, the year 2021/2022 has seen marked improvement despite the post COVID 19 events which led to slow operations in Prisons hence limiting movement of Prisoners to farms. The year's performance is impressive despite the challenges and plans have been formulated and piloted to scale up food production from prison farms for prison's food self- sustainability.

PFRF PROJECTED PERFORMANCE FOR F/Y 2021/2022

In the year under review, Prisons Farms Revolving Fund projected to spend **Kshs 259,707,000.00**, comprising of **kshs 120,998,560.00** for purchase of farm inputs - Veterinarian supplies & materials, Agricultural Material (Fungicides, Insecticides and Sprays), Agricultural Material, supplies & small equip and Purchase of Certified crop seed, **Kshs 18,721,440.00** for purchase of breeding stock and **kshs 97,494,089.00** for operations expenditure.

The budget was for ninety eight (97) farm stations and (1) administrative unit viz PHQ.

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By utilizing the above the Prison farms projected to realize revenue of **Kshs. 285,067,000.00** hence realizing a surplus of **Kshs 25,360,000.00** during the period.

The farms also intended to incur capital expenses in construction of buildings, purchase of motor vehicles, Computers, Machines and Equipment estimated to cost **Kshs 226,766,000.00**

ACTUAL PERFORMANCE

Purchase of farm inputs and materials

Prison Farms utilized farm inputs and materials worth kshs 96,764,409.00 during 2021/2022 financial year and generated revenue of Kshs. 150,905,946.00. This indicates an increase of Ksh. 23,633,867.00 from the previous year. The budget absorption was low which led to revenue shortfall due to dynamic weather conditions, post COVID 19 events and other economic exigencies.

Operating overheads/expenditure

The fund incurred an expenditure of **Kshs 58,255,859.15** on operating expenses whilst managing the daily operations of the enterprises.

Besides, efforts have also been made to make prison farms sustainable and profitable businesses by adopting zero based budgeting for flagship stations. Moreover, in order to diversify and increase revenue streams, the fund has started several flagship farms stations.

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

STATEMENT BY THE DIRECTOR PRISONS FARMS

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

The Prisons farms plays a vital role in our mission of promoting public safety and the training opportunities provided to offenders and reduces prisoners' idleness while reinforcing positive behaviour and work habits that aid offenders 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 15 out of the 97 agricultural prisons across the country and offered agricultural training to over 10,000 prisoners in various fields. The 15 flagship farm stations funded were identified vide adoption of Zero-Based Budgeting (ZBB) in consideration of large-scale production and to enhance revenue collection. Rehabilitation of prisoners through agricultural training in modern farming methods and technology is one of the most appropriate trainings 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 Big4 agenda of the Government.

Some of the key projects under the flagship programs include; introduction of pedigree livestock of dairy farming, enhanced beef farming, production of own animal feed and the Greening Kenya initiative.

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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. 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.

8. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

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

i) Sustainability strategy and profile

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

ii) Environmental performance

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

Moreover, we are in collaboration with Ministry of Environment in growing tree seedlings to enhance forest coverage in Kenya

iii) Employee welfare

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

The development of a work ethic is regarded as significant prisoner rehabilitation issue. DPF fosters work ethics, develops staff/prisoner skills and trains prisoners in modern work techniques. KPS has stringent policies guiding the hiring process and which takes into account the gender ratio, takes in stakeholder engagements and often for continuous improvement. Staff members are engaged on continuous in-service training in improving skills and managing careers, appraisal and reward systems. The organisation is guided by the GOK policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

iv) Market place practices-

These are outlined here below:

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

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

c) Responsible marketing and advertisement

PE (farms) 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. Efforts to maintain ethical marketing practices.

d) Product stewardship

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

v) Corporate Social Responsibility / Community Engagements

In executing its mandate, the Kenya Prisons Service, Prisons 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 Prisons farms employ an average of 5,000 prisoners per day throughout the State's facilities and are regarded as significant prisoner rehabilitation subject. DPF fosters work ethics, develops prisoner skills and trains prisoners in modern work techniques.

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

At the moment, the main focus of our Corporate Social Responsibility (CSR) activities and projects like Greening Kenya initiative 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 provision of start-up tool kits 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) PFRF
Annual Report and Financial Statements
For the year ended June 30, 2022.

9. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the *Prisons farm's Revolving fund* affairs.

i) Principal activities

The principal mandate of the *Prison Farms* is to provide funds required for the development and running of Prison farms for training and rehabilitation of prisoners and inmates.

ii) Results

The results of the PFRF for the year ended June 30, 2022, are set out on page on page 17 onwards.

iii) Directors

The members of the management team who served during the year are shown on page 3' i.e. **Principal Secretary, Hon. Safina Kwekwe Tsungu, CBS & Zeinab A. Hussein (Mrs.), CBS, Commissioner General of Prisons, Brig.(Rtd)John K. Warioba, EBS & Wycliffe O. Ogallo, CBS, CGP(RTD), Director Prisons Enterprise, Mr. James K. Too, ndc(k),(ACGP), Wairimu R. Thang'ate, HSC, [SACGP] (RTD) and Director Prison Farms Mr. Patrick Kariri, OGW, MKIM, SOCAA.**

iv) Surplus remission

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

v) Auditors

The Auditor General is responsible for the statutory audit of the *PFRF* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the *entity* for the year/period ended June 30, 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Accounting Officer,



Mary Muthoni Muriuki (Ms.), (HSC)

Principal Secretary,

State Department for Correctional Services, Nairobi.

Date.....16/12/2022.....

10. STATEMENT OF OFFICER ADMINISTERING THE FUND RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and The Exchequer and Audit Act CAP 412, section 11 of the Legal Notice Act No314, require the Officer administering the Fund to prepare financial statements in respect of the *Prison 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 the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the PIRF; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Fund* (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Officer administering the Fund accepts responsibility for the *Prison 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 year ended June 30, 2021, and of the *Funds* financial position as at that date. The Officer administering the Fund further confirms the completeness of the accounting records maintained for the *Prison 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

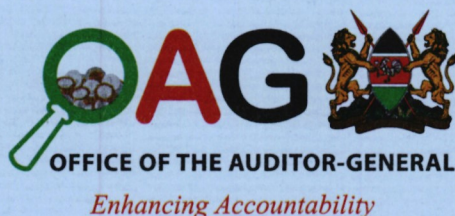
The *Prison Farms Revolving Fund* financial statements were approved by the management on _____ 2022 and signed on its behalf by:



Mary Muthoni Muriuki (Ms.), (HSC)
PRINCIPAL SECRETARY
DEP'T OF CORRECTIONAL
SERVICES

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON PRISON FARMS REVOLVING FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Prison Farms Revolving Fund set out on pages 1 to 38, which comprise of the statement of financial position as at

30 June, 2022, 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 matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Prison Farms Revolving Fund as at 30 June, 2022, and of its financial performance and 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.

Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash equivalents balance of Kshs.55,704,138 as disclosed in Note 11 to the financial statements. However, one cash book and a single bank account was maintained in the year under review for recording of financial transactions for both the Prison Farms Revolving Fund and the Prisons Industries Revolving Fund yet the two Funds are distinct and prepare separate sets of financial statements.

Further, bank reconciliations provided for audit reflects an amount of Kshs.115,526,747 in respect of unrepresented cheques out of which cheques amounting to Kshs.2,284,510 were stale as at 30 June, 2022.

In the circumstances, the accuracy, completeness and existence of the reported cash and cash equivalents balance of Kshs.55,704,138 could not be confirmed.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref AG.3/88/2 Vol. VII (20) dated 11 May, 2022.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Failure to Use Information Technology in Finance and Procurement Departments

The Prison Farms Revolving Fund was established by Legal Notice No.87 of the Exchequer and Audit Act (Cap 412) Regulations, 1993 and was deemed to be operational from 1 July, 1992. The Fund, despite being in operation for 30 years is yet to automate its operations especially for purposes of financial reporting and procurement of goods and services. The transaction processing, ledgers and financial statements are done manually.

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

In the circumstances, the Management was in breach of the law and has not provided explanation for failure to automate its operations.

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 on whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities which govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal controls, risk management and overall governance were

operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of 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 controls as Management determines is necessary to enable the preparation of financial statements which are free from material misstatement, whether due to fraud or error, and for assessment of the effectiveness of the internal controls, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report which 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 on whether, in all material respects, 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, in accordance with the provisions of Article 229(6) of the Constitution, and submit the audit report in compliance with Article 229(7) of the Constitution

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls would not necessarily disclose all matters in the internal controls which 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 which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report.

However, future events or conditions may cause the Fund to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi


19 January, 2023

Kenya Prisons Service (Prison Farms Revolving Fund) PFRF
Annual Report and Financial Statements
For the year ended June 30, 2022.


12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022


DETAILS		30 TH JUNE 2022	30 TH JUNE 2021
REVENUE FROM EXCHANGE TRANSACTIONS			
Sale of Goods		150,905,946	355,889,736
Less: previous Debts paid during the year			228,617,657
Sales	6	150,905,946	127,272,079
Opening Stock (1-7-2021)			
Livestock		57,350,511	50,969,900
Growing Crops	7	149,251,743	105,054,839
Harvested Crops		3,920,650	6,301,295
Farm Inputs		1,387,500	2,568,923
Sub-Total		211,910,404	164,894,957
ADD PURCHASES	7b	96,764,409	79,911,195
Sub-Total		308,674,813	244,806,152
LESS CLOSING STOCK			
Livestock		40,530,400	57,350,511
Growing Crops		180,516,438	149,251,744
Harvested Crops	7	1,664,187	3,920,650
Farm Inputs		6,695,410	1,387,500
Sub-Total		229,406,435	211,910,405
Cost of Sales	7	79,268,377	32,895,747
Gross Profit/Loss		71,637,568	94,376,332
EXPENSES			
Use of Goods and services	8	31,276,417	22,917,824.00
Repairs and Maintenance	9	25,809,211	14,628,694
Depreciation and amortization expense	10	5,074,247	5,776,750
Total Operating costs		63,221,336	43,460,116
Net Profit/Loss		8,416,231	50,916,216


The notes set out on pages 8 to 49 form an integral part of these Financial Statements.


Prepared by
CPA Benson Irungu (IP)
ICPAK No 17808

The Financial Statements set out on pages i to 49 were signed on behalf of the management by:


Mary Muthoni Muriuki (Ms), (HSC)
PRINCIPAL SECRETARY
DEP'T OF CORRECTIONAL
SERVICES


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


Patriek Kariri, OGW, SOCAA
DIRECTOR PRISON
FARMS

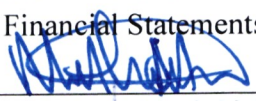
Kenya Prisons Service (Prison Farms Revolving Fund) PFRF
Annual Report and Financial Statements
For the year ended June 30, 2022.

13. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Current Assets			
Cash Equivalent (Bank)	11	55,704,138	381,419,861
P.M.G.	11	56,021,755	56,021,755
Receivables from Exchange Transactions	12	80,724,477	17,584,345
Inventories	13	188,876,036	154,559,893
Investments	14	2,364,895	2,364,895
Total Current Assets		383,691,301	611,950,749
Non Current Assets			
Motor Vehicles NBV		21,334,803	7,068,143
Tractors		75,341,056	26,038,551
Farm machinery	17 (a)	42,153,346	16,575,704
Computers		1,664,917	1,752,544
Motor bikes		523,796	581,996
Trailers		35,089,385	1,076,153
Scrap machinery		1,096,300	1,096,300
Livestock	17 (b)	40,530,400	57,350,511
Total Noncurrent Assets		217,734,004	111,539,902
Total Assets		601,425,306	723,540,651
Liabilities			
Current Liabilities			
Trade and Other Payables	15	51,691,222	879,000
Total Liabilities		51,691,222	879,000
NET ASSETS			
Accumulated reserves	16	514,787,357	645,164,941
Capital investment reserve		2,364,895	2,364,895
Prisons farm fund account		4,200,000	4,200,000
Assets From Development Fund		19,965,600	19,965,600
Net Profit/Loss		8,416,231.71	50,916,216
Total Net Assets		549,734,084	722,611,652
Total Net Assets and Liabilities		601,425,305	723,490,652

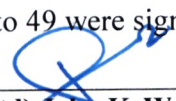
Prepared by
CPA Benson Irungu (IP)
ICPAK No 17808

The Financial Statements set out on pages 1 to 49 were signed on behalf of the management by:


Mary Muthoni Muriuki (Ms), (HSC)
PRINCIPAL SECRETARY
DEP'T OF CORRECTIONAL
SERVICES


Date.....

19/12/2022


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

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9 DEC 22


Patrick Kariri, OGW, SOCAA
DIRECTOR PRISON
FARMS

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08/12/2022

**Annual Report and Financial Statements
For the year ended June 30, 2022.**

14. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2022

	notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
As at July 1, 2020		4,200,000	10,465,518.00	2,364,895	627,125,884.00	19,965,600	664,121,897
Issued new capital		-	-	-	-	-	-
Revaluation gain		-	7,573,539.00	-	-	-	7,573,539.00
Transfer of excess depreciation on revaluation		-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-
Surplus/ Deficit for the year		-	-	-	50,916,216.00	-	50,916,216.00
Capital/Development grants received during the year		-	-	-	-	-	-
Transfer of depreciation/ amortisation from capital fund to retained earnings		-	-	-	-	-	-
Dividends paid – 2020		-	-	-	-	-	-
Interim dividends paid – 2021		-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-
As at June 30, 2021		4,200,000	18,039,057	2,364,895	678,042,100	19,965,600	722,611,652
As at July 1, 2021		4,200,000	18,039,057	2,364,895	678,042,100	19,965,600	722,611,652
Issue of new share capital		-	-	-	-	-	-
Revaluation gain		-	18,706,199.83	-	-	-	18,706,199.83
Transfer of excess depreciation on revaluation		-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-
Surplus/ deficit for the year		-	-	-	8,416,232	-	8,416,232.00
Capital/Development grants received during the year		-	-	-	-	-	-
Inter-Ministerial Transfer		-	-	-	-200,000,000	-	(200,000,000.00)
Dividends paid – 2022		-	-	-	-	-	-
Interim dividends paid – 2022		-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-
As at June 30, 2022		4,200,000	36,745,256.831	2,364,895	486,458,332.00	19,965,600.00	549,734,083.83

Kenya Prisons Service (Prison Farms Revolving Fund) PFRF
Annual Report and Financial Statements
For the year ended June 30, 2022.

15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2022

		Notes	2021/2022	2020/2021
CASH FLOWS FROM OPERATING ACTIVITIES				
RECEIPTS				
			87,765,813	127,272,079
Receipts from Debtors				228,617,657
			87,765,813	355,889,736
PAYMENTS				
2210101	Electricity		470,000	1,318,654
2210102	Water & Sewerage Charges			
2210201	Telephone Telex Mobile Charges		173,570	
2210301	Travel Costs		221,160	1,000,000
2210302	Accommodation, Domestic Travel		3,200,440	3,182,900
2210303	Daily Subsistence		1,264,000	1,653,200
2210504	Advertising Awareness and Publicity			
2210505	Trade Shows & Exhibition			
2210503	Subscription to Newspaper		175,200	
2210706	Book Allowances			
2210708	Project Allowance			
2210711	Tuition Fees		1,271,000	
2210310	Consultancy Fee			
2210801	Catering Services		367,600	113,750
2211003	Vet. Supplies & Materials		2,090,000	11,983,350
2211004	Fungicides Insects & Sprays		14,429,300	2,773,140
2211007	Agr. Matt Supplies & Small Equipments	App(v)	96,951,969	52,498,575
2211016	Purchase of uniform & clothing (staff)			
2211101	General Office Supplies		555,250	511,440
2211102	Supplies and Accessories for Computers			81,000
2211201	Refined Fuel and Lubricants for Transport		8,597,527	4,304,108
2211202	Refined Fuel For Production		14,915,870	10,838,140
2211301	Bank Services & Commission Charges		64,800	51,480
2211324	Land Registration			
2220101	Maintenance of Motor Vehicles		2,069,400	878,300
2220201	Maintenance of plant, Mech. & Equipments		2,300,666	2,613,954
2220205	Maintenance of Building (None residential)		2,833,250	3,585,000
2220210	Maintenance of Computers & Equipments			
3111002	Purchase Of Computers & Printers			95,000
3111103	Purchase Of Agri. Machinery & Equip.		34,187,440	550,483
	Purchase of Trucks and Trailers		14,550,200	
3111301	Purchase Of Certified Crop Seed		10,748,000	12,656,130
	Construction of Buildings Non Residential		18,605,895	7,551,440
	Add Payments (credits from previous years b/f)		781,000.00	871,000
SUB TOTAL			213,481,537.15	119,111,044

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ADD CASH FLOWS FROM INVESTING ACTIVITIES			
	Purchase of Breeding stock, Plants and Equipment		-
	Transfer to Treasury	200,000,000	
	TOTAL PAYMENT	414,651,768	119,111,044
CASHFLOWS FROM FINANCING ACTIVITIES			
	Proceeds from borrowings		
	Repayment of borrowings		
	Increase in deposits		
	Net cash flows used in financing activities		
	Net increase/decrease in cash	-325,715,723.60	236,778,692
	Cash equivalent as at 1st July 2021	381,419,862	144,641,170
	Cash equivalent as at 30th June	55,704,138.40	381,419,861

Benson

CPA Benson Irungu (IP)
ICPAK No 17808

The Financial statements set out on pages (i) to 49 were signed on behalf of the management by:

Mary Muthoni Muriuki

Mary Muthoni Muriuki (Ms), (HSC)
PRINCIPAL SECRETARY
DEPT OF CORRECTIONAL
SERVICES
 Date..... *19/12/2022*

Brig (Rtd) John K. Warioba

Brig (Rtd) John K. Warioba, EBS
COMMISSIONER GENERAL
OF PRISONS
 Date..... *9 Dec 22*

Patrick Kariri

Patrick Kariri, OGW, SOCAA
DIRECTOR OF PRISON
FARMS
 Date..... *08/12/2022*

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16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

Item	Description	Original budget	Adjustment	Final budget 2021-2022	Actual comparable basis 2021/2022	Performance difference 2021-2022	% of utilisation
		A	b	C=(a+b)	d	e=(c-d)	F=d/c
1450101	SUNDRY REVENUE	285,067,000.00		285,067,000.00	150,905,946.00	(134,161,054.00)	53
	EXPENSES						
2211003	Veterinarian supplies & materials	13,817,630.00		13,817,630.00	2,090,000.00	11,727,630.00	15
2211004	Fungicides, insecticides & sprays	22,020,800.00		22,020,800.00	14,429,300.00	7,591,500.00	66
2211007	Agricultural materials, supplies & s. equip	83,660,130.00	46,500,000.00	130,160,130.00	79,609,969.00	50,550,161.00	61
2211016	Purchase of uniform & clothing	1,500,000.00		1,500,000.00		1,500,000.00	-
3111301	Purchase of certified crop seed	15,221,440.00		15,221,440.00	10,748,000.00	4,473,440.00	71
3111302	Purchase of animals & breeding stock	3,500,000.00		3,500,000.00		3,500,000.00	-
2210101	Electricity	2,000,000.00		2,000,000.00	470,000.00	1,530,000.00	24
2210102	Water & Sewerage charges	300,000.00		300,000.00		300,000.00	-
2210201	Telephone, Telex, Fax & mobile	250,000.00		250,000.00	173,570.00	76,430.00	69
2210203	Postage services	-		0.00		0.00	
2210301	Travel cost (airline, bus & railway) allow.	2,000,000.00		2,000,000.00	221,160.00	1,778,840.00	11
2210302	Accommodation- domestic travel	4,400,000.00		4,400,000.00	3,200,440.00	1,199,560.00	73
2210303	Daily subsistence allowance	2,500,000.00		2,500,000.00	1,264,000.00	1,236,000.00	51
2210310	Consultancy Services	5,000,000.00	(3,000,000.00)	2,000,000.00		2,000,000.00	-
2210503	Subscription to newspapers, magazine	200,000.00		200,000.00	175,200.00	24,800.00	88
2210504	Advertising awareness & Publicity	11,000,000.00	(8,400,000.00)	2,600,000.00		2,600,000.00	-
2210505	Trade shows & exhibitions	500,000.00		500,000.00		500,000.00	-
2211201	Refined fuel & Lubricant for transport	20,020,000.00		20,020,000.00	8,597,527.00	11,422,473.00	43
2211202	Refined fuel & lubricant for production	58,957,000.00		58,957,000.00	14,915,870.00	44,041,130.00	25

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2211301	Bank services commissions & charges				0.00	64,800.00	-64,800.00	
2211324	Land registration				0.00		0.00	
2211101	General office supplies	1,860,000.00			1,860,000.00	555,250.00	1,304,750.00	30
2211102	Supplies & Accessories for comps & print	500,000.00			500,000.00	-	500,000.00	-
2220101	Maintenance expenses of M/vehicles	1,000,000.00			1,000,000.00	2,069,400.00	-1,069,400.00	207
2220201	Maintenance of Plant, Machinery & Equip	3,000,000.00			3,000,000.00	2,300,666.00	699,334.00	77
2220209	Minor Alt. to building & civil works	3,000,000.00			3,000,000.00	2,833,250.00	166,750.00	94
2220210	Maintenance of computers software & networks	200,000.00			200,000.00		200,000.00	-
2210706	Book allowance				0.00		0.00	
2210707	Project allowance				0.00		0.00	
2210711	Tuition fee allowance	3,000,000.00			3,000,000.00	1,271,000.00	1,729,000.00	42
2210801	Catering services, food and drinks	300,000.00			300,000.00	367,600.00	-67,600.00	123
3110705	Purchase of trucks & trailers	16,200,000.00			16,200,000.00	14,550,200.00	1,649,800.00	90
3110706	Purchase of tractors	81,000,000.00			81,000,000.00	51,906,360.00	29,093,640.00	64
3110701	Construction of Non Residential Buildings	51,800,000.00	(35,100,000.00)		16,700,000.00	18,605,895.15	-1,905,895.15	111
3111002	Purchase of comps, printers & IT equip	1,500,000.00			1,500,000.00	-	1,500,000.00	-
3111004	Purchase of exchanges & comm. Equip				0.00		0.00	
3111103	Purchase of agricultural machinery & equipment	76,266,000.00			76,266,000.00	34,187,440.00	42,078,560.00	45
	TOTAL EXPENDITURE B+C+D	486,473,000.00	-	-	486,473,000.00	264,606,897.15	221,866,102.85	55
	Surplus for the period	(201,406,000.00)	-	-	(201,406,000.00)	(113,700,951.15)	(356,027,156.85)	57

Budget notes

Explanation of material variance

We were not able to meet our budget targets because many of the PF Stations were not fully funded in the year. The fund was still experiencing post Covid 19 effects in its operations.

17. 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

Capital Fund

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a Accrual 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 PFRF'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 PFRF.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

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

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Standard	Effective date and impact:
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(No impact of the standard to the entity)</i></p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p><i>(No Impact of the standard on the entity)</i></p>
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the</p>

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Standard	Effective date and impact:
	financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. <i>(No Impact of the standard on the entity)</i>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. <i>(No Impact of the standard on the entity)</i>

ii. **Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2021/2022.

4. Summary of Significant Accounting Policies

a) **Revenue recognition**

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

Fees, taxes and fines

The Entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Entity and the fair value of the asset can be measured reliably.

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

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recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

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

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

Sale of goods

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

Interest income

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

ii) Revenue from exchange transactions

a) Budget information

The original budget for FY 2021-2022 was approved by the Principal Secretary for State Department for correctional Services on 16th August 2021.

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.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

a) Taxes

Current income tax

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

Deferred tax

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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

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

Sales tax

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

i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable

ii) When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

b) Investment property

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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.

a) Non-current/Fixed assets

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

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

b) Intangible assets

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

c) Research and development costs

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

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

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

d) Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Held-to-maturity.

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

Impairment of financial assets

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

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

b) Financial liabilities

Initial recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

c) Inventories

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

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

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

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

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

d) Provisions

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

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

e) Contingent liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

f) Contingent assets

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

g) Nature and purpose of reserves

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

h) Changes in accounting policies and estimates

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

i) 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.

j) 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.

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k) 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.

i) Comparative figures

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

j) Subsequent events

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Sale of Goods

The preparation of statement of financial performance and statement of financial position for the year ended 30th June, 2022 is based from manual records i.e. Revenue, Expenditure return and stock taking certificates from the stations. Sales represent revenue collected by respective stations and surrendered at Prison Headquarters.

Sale of Goods analysis

Description	2021-2022	2020-2021
		Kshs
Sale of goods – Cash revenue	87,765,813.55	355,889,735.79
Sale of goods – credit sales	63,140,132.45	
Other(Advance revenue)		
Previous debt collected during the year		228,617,656.58
Total sales from the sale of goods	<u>150,905,946.00</u>	<u>127,272,079.21</u>

7. Cost of goods sold

Description	2021-2022	2020-2021
	Kshs	Kshs
Opening Stock (1-7-2021)		
Livestock	57,350,511.00	50,969,900.00
Growing Crops	149,251,743.50	105,054,838.50
Harvested Crops	3,920,650.00	6,301,295.00
Farm Inputs	1,387,500.00	2,568,923.00
Purchases	96,764,409.00	79,911,195.00
Total Cost of Materials	308,674,813.50	244,806,151.5
Less Closing Stock (30-06-2022)		
Livestock	40,530,400.00	57,350,511.00
Growing Crops	180,516,438.70	149,251,743.50
Harvested Crops	1,664,187.00	3,920,650.00
Farm Inputs	6,695,410.00	1,387,500.00
Sub-Total	229,406,435.70	211,910,404.50
Cost of goods sold	79,268,377.80	32,895,747.00

a) 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 33 1/3% or 1/3 of the selling price being the lower of the estimated cost and market value Kshs 270,761,120.00 by 33 1/3 % to be Kshs 180,516,438.70.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Purchases

The purchases reported refer to total farm inputs as detailed below:

	<u>30th June 2022</u>	<u>30th June 2021</u>
2211003-veterinary supplies	2,090,000	11,983,350.
2211004-fungicide	14,429,300	2,773,140
3111301-purchase of seeds	10,748,000	12,656,130
2211007-agricultural Materials	69,497,109	52,498,575
	<u>96,764,409</u>	<u>79,911,195</u>

8. Use of Goods and Services

Description	2022-2021	2020-2021
	Kshs	Kshs
Catering services	367,600.00	113,750.00
Consultancy Services	0.00	0.00
Postage services	0.00	.00
Land registration	0.00	0.00
Tuition fees	1,271,000.00	0.00
Newspapers subscriptions	175,200.00	0.00
Refined fuels - production	14,915,870.00	10,838,140.00
Refined fuels-Transport	8,597,527.00	4,304,108.00
Travel cost	221,160.00	1,000,000.00
Accommodation domestic	3,200,440.00	3,182,900.00
Daily subsistence	1,264,000.00	1,653,200.00
Daily subsistence(Foreign)	0.00	0.00
Electricity expenses	470,000.00	1,318,654.00
Water & Sewerage	0.00	0.00
Purchase of uniforms	0.00	0.00
Office supplies - Stationeries	555,250.00	511,440.00
Supplies computers	0.00	81,000.00
Publicity & advertisements	0.00	0.00
Trade shows	0.00	0.00
Telephone expenses	173,570.00	0.00
Bank Charges	64,800.00	51,480.00
School examinations (NITA)	0.00	0.00
Total general expenses	31,276,417	23,054,672.00

9. Repairs and Maintenance

Description	2022-2021	2020-2021
	Kshs	Kshs
Maintenance of Motor Vehicles	2,069,400	878,300.00
Maintenance of equipment and machinery	2,300,666.00	2,613,954.00
Minor alterations of Building (non-residential)	2,833,250.00	3,585,000.00
Maintenance of computers and accessories	0.00	0.00
Maintenance construction of Non Residential Buildings	18,605,895.15	7,551,440.00
Total repairs and maintenance	25,809,211.15	14,628,694.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Receivables from Exchange Transactions

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

S/NO	PAYEE	VOUCHER NO	AMOUNT
	Commissioner General Of Prisons	66	17,584,345.00
	New debtor (Commissioner General of Prisons)		63,140,132.45
	TOTAL		80,724,477.45

The new debtor was the sales which had not been cleared as at 30th June 2021 however they have since cleared.

13. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Closing Stock (30-06-2022)		
Growing Crops	180,516,438.70	149,251,743.50
Harvested Crops	1,664,187.00	3,920,650.00
Farm Inputs	6,695,410.00	1,387,500.00
Total inventories at the lower of cost and net realizable value	188,876,035.7	154,559,893.5

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 33 1/3% or 1/3 of the selling price being the lower of the estimated cost and market value Kshs 270,761,120.00 by 33 1/3 % to be Kshs 180,516,438.70.

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10. Depreciation and Amortization Expense

Description	2021-2022	2020-2021
	Kshs	Kshs
Motor Vehicles	283,539.84	315,044.27
Tractors	2,603,855.07	2,893,172.30
Farm Machinery	900,736.53	702,554.47
Motor/Bike	58,199.59	64,666.21
Trailers	53,807.65	119,572.56
Other Machinery	0.00	0.00
Computer	87,627.21	92,239.17
Tools & Equipment	1,086,481.45	1,589,501.36
Total depreciation and amortization	5,074,247.34	5,776,750.34

11. (a) Cash and Cash Equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Current account(CBK)	55,704,138.40	381,419,861
Others(PMG)	56,021,755.07	56,021,755
Total cash and cash equivalents	111,725,893.40	437,441,616

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

b) Detailed Analysis of the Cash and Cash Equivalents

Financial institution	Account number	2021-2022	2020-2021
		Kshs	Kshs
a) Current account			
Central Bank of Kenya	1000307498	55,704,138.40	381,469,861.00
Paymaster General (PMG)		56,021,755.07	56,021,755.07
Total		111,725,893.47	437,491,616.07

PMG Account amounts represent 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:

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14. Investment/Share Allotment 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 Kshs 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.
a. 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
b. Uruku					
	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
c. Ruiru					
	KPCU	0034699	516	kshs 10.	5,160.00
	KPCU	8687-0659	3,869	kshs 10.	38,690.00
		TOTAL		Kshs.	2,364,895.00

15. Trade and Other Payables - Creditors

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade payables (exchange creditors)	51,691,221.75	879,000,.00
Payments received in advance (Gov't)	0.00	0.00
Payments received in advance (private)	0.00	0.00
Total trade and other payables	51,691,221.75	879,000,.00

A total of **Kshs 51,593,221.75** represents a vouchers which were not paid as at 30th June 2022 but were cleared by 7th July 2022.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

CREDITORS ANALYSIS 2021/2022		
S/NO	PAYEE	AMOUNT
1	Intertractor Company Ltd	51,011,422.75
2	CMC Motors Group LTD	77,019.00
3	Benson Irungu	480,580.00
4	Daniel Nuthu Ndichu	24,200.00
		51,593,221.75

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Accumulated Reserves

	2021/2022	2020/2021
Opening balance	645,164,941	510,933,631
Add: Surplus for the prev. year	50,916,216	126,657,771
Gain from Revaluation of Biological Asset	18,706,200	7,573,539
Less Inter Ministerial transfer	-200,000,000	
Total	514,787,357	645,164,941

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17. a) Property, Plant and Equipment

	TRACTORS	MORTAL USED	KNAPSACK SPRAYER	PORTABLE ENGINE	RICEHAR- ROWER MACHINE	COMPU- TER	VEHICLE	TENNIS AND GREENHO- USE	MOTORBI- KE	TRAILERS	TOOLS EQUIPMEN- T	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1 July 2020	28,931,723	831,575	714,722	4,419,707	1,414,625	1,749,783	7,383,187	3,580,260	646,662	1,195,726	629,461	51,497,431
Additions			2,455,250	135,000		95,000		499,950			4,187,210	7,372,410
GKB777 Value awaiting report							(4,232,745)					(4,232,745)
Transfers/Adjustment												
As At 30th June 2021	28,931,723	831,575	3,169,972	4,554,707	1,414,625	1,844,783	3,150,443	4,080,210	646,662	1,195,726	4,816,671	54,637,097
Additions	51,906,360			110,000			14,550,200	21,035,000		34,067,040	6,419,860	128,088,460
Disposals												
Transfer/Adjustments												
As At 30 th June 2022	80,838,083	831,575	3,169,972	4,664,707	1,414,625	1,844,783	17,700,643	25,115,210	646,662	35,262,766	11,236,531	182,725,557
Depreciation And Impairment												
At 1 July 2020												
Depreciation	2,893,172	41,579	158,499	227,735	70,731	92,239	315,044	204,011	64,666	119,573	1,589,501	5,776,750
Impairment												
Transfers/ Adjustments												
As At 30 June 2021												
Depreciation	2,603,855	79,000	150,574	216,349	67,195	87,627	283,540	387,620	58,200	53,808	1,086,481	5,074,247
Disposals												
Impairment												
Transfer/Adjustment												
As At 30 th June 2022	5,497,027	120,578	309,072	444,084	137,926	179,866	598,584	591,630	122,866	173,380	2,675,983	10,850,998
value of GKB777C awaiting report							4,232,745					
Net Book Values												
As At 30 th June 2021	26,038,551	789,996	3,011,473	4,326,972	1,343,894	1,752,544	7,068,143	3,876,200	581,996	1,076,153	3,227,169	53,093,091
As At 30 th June 2022	75,341,056	710,997	2,860,900	4,220,623	1,276,699	1,664,917	21,334,803	24,523,580	523,796	35,089,385	8,560,548	176,107,304

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The balance reflected as Farm machinery constitute the following:

Description	Amount KES								
1. Motorised sprayers	710,997								
2. Knapsack sprayers	2,860,900								
3. Portable Engine	4,220,623								
4. Rice Haulier Machine	1,276,699								
5. Tool/Equipment	8,560,548								
6 TENTS AND GREENHOUSE	24,523,580								
TOTAL	42,153,346								

17. b Livestock

Description	2021-2022		2020-2021	
	Kshs		Kshs	
Livestock	40,530,400		57,350,511	
Total	40,530,400		57,350,511	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. DISCLOSURE OF MOTOR VEHICLE GKB 777C

GKB 777C Isuzu Lorry, FVR23 M (Japan), 9-10 Ton was purchased towards the end of 2012/2013 Financial Year and started being operational in the 2013/2014 F/Y.

On 24th September, 2018, the motor vehicle was involved in a grisly road accident along the Nakuru - Eldoret highway. The vehicle was extensively damaged.

The wreckage is now awaiting a report and recommendation from the Ministry of Public Works and infrastructure on the vehicle condition which is been slowed by the following cases.

1. Nakuru CMCC E126 of 2020
2. Nakuru CMCC E178 of 2020
3. Nakuru CMCC E1070 of 2019
4. Nakuru CMCC E994 of 2019
5. Nakuru CMCC E146 of 2020
6. Nakuru CMCCE281 of 2019

The following is analysis for its depreciation and Net Book value for the end of financial year 2018/19.

Depreciation is calculated on reducing balance method at 10% per annum.

		Depreciation Account		
S/NO	DATE	KSHS. COST	KSHS. DEPRICIATION	KSHS. NBV
1	1/7/2013	7,352,000.00	735,200.00	6,616,800.00
2	1/7/2014	6,616,800.00	661,680.00	5,935,120.00
3	1/7/2015	5,955,120.00	595,572.00	5,359,608.00
4	1/7/2016	5,359,608.00	535,960.80	4,823,647.20
5	1/7/2017	4,823,647.20	482,364.72	4,341,276.48
6	1/7/2018	4,341,276.48	-	-
7	24/9/2018(3months)	-	108,531.91	4,232,744.57

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Financial Risk Management

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

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

i) Credit risk

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

ii) Liquidity risk management

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

iii) Market risk

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

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

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

a) Foreign currency risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

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

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

iv) Capital Risk Management

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

	2021-2022	2020-2021
	Kshs	Kshs
Prison farm Fund Account	4,200,000.00	4,200,000.00
Revaluation reserve	36,745,256.83	18,039,057.00
Fair Value adjustment Reserve	2,364,895.00	2,364,895.00
Retained earnings	486,349,561.71	678,042,100.00
Capital Development Grants	19,965,600.00	19,965,600.00
Total funds	549,625,313.54	722,611,652.00
Total borrowings	0	0
Creditors	51,691,221.75	879,000.00
Gearing Ratio	9.44%	.12%

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a) Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

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

b) Contingent Assets and Contingent Liabilities

Contingent Assets

	2021-2022	2020-2021
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	Nil	Nil
Assets arising from determination of court cases	Nil	Nil
Reimbursable indemnities and guarantees	Nil	Nil
Receivables from other government entities	Nil	Nil
Others (Specify)	Nil	Nil
Total	Nil	Nil

Contingent Liabilities

	2021-2022	2020-2021
	Kshs	Kshs
Contingent liabilities	Nil	Nil
Court case xxx against the entity	Nil	Nil
Bank guarantees in favour of subsidiary	Nil	Nil
Contingent liabilities arising from contracts including PPPs	Nil	Nil
Others (Specify)	Nil	Nil
Total	Nil	Nil

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. *The entity did not submit any surplus during the year (FY 2021 Nil) and hence no remittance to the Consolidated Fund.*

d) Events after the Reporting Period

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

e) Ultimate And Holding Entity

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

f) Currency

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

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APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Unsupported and unreconciled pay master general (PMG) account balance.	The statement of financial position as at 30 th June 2019 reflects an amount of kshs 56,021,755. This figure has been disclosed in the notes attached to the financial statements as the amount that is held in the Ministry's Deposits account on behalf of the fund. However, note 11 to the financial statements reflect a balance of kshs.95, 825,186.72 which is the balance of cash and cash equivalents.	It is true that Prison Industries Fund PMG had a closing account balance of Kshs. 95, 825,186.72 as at 30 th June, 2019 which includes funds of kshs56,021,755 not yet transferred from former Ministry Of Home Affairs (MOHA) deposit account to the Ministry of Interior and Co-ordination. PMG Account represents the amount that is held in the former Ministry's Deposit Account	HAU	unresolved	
Pending Bills	The state department's financial statements of prison Farms had pending bill payable totaling to Kes, 17,584,345.00 as at 30 th June 2021 that were not Settled. bills exposes the Department to loose future Government Funding for activities.	It is true that the state department's financial statements of prison Farms had pending bill payable totaling to Kes, 17,584,345.00 as at 30 th June 2021 that were not settled . Whilst, it is true that the failure to settle the bills exposes the Department to loose future Government Funding for activities, the bills in this case relate to Prison Revolving fund whose	HAU Accounting Officer	On going only kshs 17,584,345.00 is remaining . The money is owed by state Department for correctional services for various food ration	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		activities do not lapse at the end of financial year. The debts were incurred and due diligence had to be exercised before settlement of the recurrent historical pending bills which had not been completed by 30 th June 2019. Currently the bills are under consideration for settlement in the ongoing payment of pending bills for food and ration (Nairobi Area).		supplied by various prison farms.	

.....
Mary Muthoni Muriuki (Ms), (HSC)
Principal Secretary,
State Department for Correctional Services,
Nairobi.
 Date..... 16/12/2022.....

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APPENDIX II: CAPITAL EXPENDITURE

S.NO		Purchase of Trucks	Purchase of agricultural machinery & equipment	Purchase of Tractors	Totals
1	PHQ	14,550,200.00	61,532,300.00	51,906,360.00	189,521,160.00
2	Embu Main	0.00	110,000.00		110,000.00
	TOTAL	14,550,200.00	61,642,300.00	51,906,360.00	189,631,160

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APPENDIX III: TRIAL BALANCE

KENYA PRISONS FARMS REVOLVING FUND			
TRIAL BALANCE FOR THE YEAR ENDED 30TH JUNE 2022			
NAME OF THE ACCOUNT		DEBIT	CREDIT
Motor Vehicles NBV		21,334,803.12	-
Tractors		75,341,055.63	-
Farm machinery	11 & 18	42,153,346.38	-
Computers		1,664,916.96	-
Motor bikes		523,796.30	-
Trailers		35,089,385.35	-
Investments	7	2,364,895.00	-
Livestock	16	40,530,400.00	-
Growing crops	16	180,516,438.70	-
Harvested crops	16	1,664,187.00	-
Farm inputs	16	6,695,410.00	-
Debtors	15	80,724,477.45	-
P.M.G.	14	56,021,755.00	-
Cash Equivalent (Bank)		54,533,907.40	-
Cost Of Goods Sold		79,268,377.80	
Operating Cost		58,255,859.15	
Depreciation		5,074,247.34	
Sales			150,905,946.00
Creditors	20		51,691,221.75
Prisons farm fund account	13		4,200,000.00
Government Capital injection (Machines)	17		19,965,600.00
Accumulated reserves	17		512,629,595.83
Capital investment reserve	7		2,364,895.00
		741,757,258.58	741,757,258.58

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APPENDIX IV: PRISON FARMS REVOLVING FUND STOCK VALUATION & REVENUE AS AT 30TH JUNE, 2022

KENYA PRISONS SERVICE FARMS SECTION- STOCK TAKING												
OPENING STOCK AS AT 1st JULY 2021												
CODE NBI REA	STATION	GROWING			CROPS			LIVESTOCK	CREDITORS	CLOSING STOCK AS AT 30TH JUNE 2022		
		CROPS	IN STORE	VARIOUS FARM INPUTS	CROPS	IN STORE	VARIOUS FARM INPUTS			GROWING CROPS	CROPS IN STORE	VARIOUS FARM INPUTS
	PHQ (TIMBERYARD)											
1	Langata W	127,430.00	1,500.00				124,930.00	7,000.00			51,691,221.75	
2	Nairobi SS	186,770.00					177,020.00					753,500.00
3	Nbi West	88,140.00	234,000.00				342,200.00			13,750.00		362,000.00
4	Kamiti M/S	355,500.00					838,300.00					7,477,000.00
CENTRAL PROVINCE												
5	Kiambu	90,900.00					79,900.00			21,130.00		304,000.00
	Kerugoya	972,500.00					1,291,500.00			102,000.00		618,900.00
7	Mwea	889,450.00	747,000.00				6,471,250.00			813,400.00		1,436,200.00
8	Murang'a	3,500.00					8,800.00			65,200.00		105,000.00
9	Nyahururu	94,400.00		1,500.00			142,700.00			1,900.00		
10	Nyeri M/S	100,000.00	271,000.00	136,800.00			497,060.00			19,700.00		278,000.00
11	Nyeri Women	14,625.00					13,500.00	11,500.00				275,000.00
12	Thika Main	255,500.00					149,500.00	105,000.00		8,300.00		495,000.00
13	Ruiru	1,195,550.00					1,254,050.00			560,000.00		1,401,000.00
14	Thika Women	91,195.00	27,000.00				133,850.00					162,000.00
15	Maranjau	651,870.00					1,016,020.00			36,900.00		353,000.00
16	Nyandarua	1,940,000.00					504,000.00	20,000.00		1,700.00		115,000.00
COAST PROVINCE												
17	Kilifi	480,000.00	30,200.00				729,000.00			134,500.00		732,000.00
18	Kwale	1,155,800.00					739,350.00			24,000.00		

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44	Mandera	28,000.00							29,000.00				
45	Wajir												
	NYANZA PROVINCE												
46	Kisii Main	72,000.00		450.00				519,500.00	62,500.00		4,700.00		326,500.00
47	Kisumu M/S	1,823,000.00						607,500.00	1,187,140.00	268,380.00	780,000.00		545,000.00
48	Kibos M/S	211,000.00						1,278,100.00	142,000.00	500,000.00	44,200.00		1,174,200.00
49	Kisumu W	65,000.00						2,500.00		60,000.00			
50	Siaya	19,975.00	10,000.00						75,000.00				
51	Homa Bay	57,000.00						115,000.00	57,000.00				97,000.00
52	Migori	30,000.00							32,500.00				
53	Migori w							1,500.00		3,500.00			2,000.00
54	Rachuonyo	16,000.00											
55	Nyamira	12,500.00									630,000.00		
	RIFT VALLEY PROV												
56	Kajiado	116,000.00						223,000.00	54,350.00				153,000.00
57	Kitengela	270,000.00						924,500.00					
58	Kericho M/S	3,531,000.00						425,000.00	4,436,000.00				252,000.00
59	Nanyuki	1,660,500.00						226,500.00	1,863,000.00	120,000.00	245,000.00		118,000.00
60	Rumuruti	291,000.00	10,350.00					446,900.00					
61	Nakuru M	41,400,000.00						215,300.00	31,060,000.00		71,200.00		199,400.00
62	Naivasha M/S	135,000.00						1,593,500.00	14,000.00				872,700.00
63	Nakuru W	145,000.00						176,000.00					190,000.00
64	Narok	619,350.00						1,433,000.00	126,800.00				1,135,500.00
65	Kitale M/S	6,881,000.00		153,000.00				500,000.00	6,596,200.00		47,700.00		582,000.00
66	Kitale Main	7,930,980.00		140,000.00				1,562,500.00	7,606,450.00				778,000.00
67	Kitale W	25,000.00						142,500.00	37,500.00				129,000.00
68	Kitale Annex	40,000.00	2,228,000.00					675,000.00	2,148,000.00		25,350.00		417,000.00

