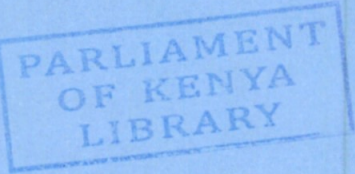


REPUBLIC OF KENYA



**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**PRISON INDUSTRIES REVOLVING  
FUND**

**FOR THE YEAR ENDED**

**30 JUNE, 2025**

**THE NATIONAL ASSEMBLY  
PAPERS LAID**

**DATE: 11 FEB 2026**

**DAY.**

WEDNESDAY

**TABLED  
BY:**

LEADER OF MAJORITY PARTY  
(HOW. KIMANI ICHUNGWATH)

**CLERK-AT  
THE-TABLE:**

J. LEMERELLE



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

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2025

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

**Kenya Prisons Service (Prison Industries Revolving Fund)**  
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**For the year ended June 30, 2025.**

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***Kenya Prisons Service (Prison Industries Revolving Fund) PIRF***  
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1. Acronyms and Definition of Key Terms

A: Acronyms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
WB	World Bank
A-I-A	Appropriation in Aid
CA	Chief Accountant
CGP	Commissioner General of Prisons
DCGP	Deputy Commissioner General of Prisons
DPE	Director of Prison Enterprises
DDPF	Deputy Director of Prison Farms
DDPI	Deputy Director of Prison Industries
ICTO	Information Communication Technology Officer
MARK	Marketing
SFO	Senior Finance Officer
SO/Adm	Staff Officer Administration
SO/PIRF	Staff Officer Prison Industries Revolving Fund
SSCMO	Senior Supply Chain Management Officer
OCP	Officer in Charge Prison
OCPI	Officer in Charge Prison Industry
PE	Prison Enterprises
PF	Prison Farms
PI	Prison Industries
PIRF	Prison Farms Revolving Fund

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PIRF	Prison Industries Revolving Fund
PS-MRP	Principal Secretary Responsible for Prison Affairs
PS- NT	Principal Secretary for National Treasury
RPC	Regional Prisons Commander
VT	Vocational Training
OIC	Officer in charge
D/OIC	Deputy Officer In charge
KRA	Kenya Revenue Authority
VAT	Value Added Tax
eTIMs	Electronic Tax Information Management system
MINA	Ministry of Interior and National Administration
KPS	Kenya Prisons Service
SDCS	State Department for Correctional Services

**B: Definition of Key Terms**

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the organisation

**Comparative Year-** Means the prior period.

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2. Key entity information and management

(a) Background information

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

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

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

**ESTABLISHMENT OF THE PRISONS INDUSTRIES REVOLVING FUND**

**LEGAL NOTICE No. 314**

**THE EXCHEQUER AND AUDIT ACT**

*(Cap. 412)*

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

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

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

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

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

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

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

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

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

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5. The surplus realized in any year from the operations of the Fund shall be retained in the reserve account of the Fund pending Treasury's decision on its disposal, and a deficiency, if realized in any year, shall, subject to Treasury's concurrence, be off-set against the realized surplus.

6. The expenditure on operation of prison industries and maintenance of tools, plants and equipment shall be on the basis of, and be limited to, the annual budget (on receipts and expenditure) which shall be submitted to the Treasury for approval before the beginning of the financial year to which the budget relates.

7. The institutions which may obtain manufactured items from the Prison Industries Fund shall be-

- a) Government Ministries,
- b) Government Departments,
- c) Local Government Authorities,
- d) Parastatal Organizations, and
- e) Private Organizations and Individuals.

8. The selling prices of finished goods shall be reviewed from time to time by the officer administering the Fund in consultation with the Treasury.

9. The Government procurement procedures shall strictly be adhered to when purchasing items referred to under Regulation 3.

10. All the receipts, savings and accruals of the Fund and balance of the Fund at the close of each financial year, shall be retained for the purpose of which the Fund is established subject to the provisions of Regulation 5.

11. The officer administering the Fund shall-

- a) supervise and control the administration of the Fund;
- b) advise and obtain such advice from the Minister for the time being responsible for finance as may from time to time be required;
- c) if he thinks fit, impose conditions as to the use to be made of any expenditure authorized by him or on his behalf and impose any reasonable prohibition, restriction or requirements concerning such use or expenditure;
- d) approve the prices of finished products to be offered for sale;
- e) cause to be kept all proper books of accounts and other books and records in relation to the Fund and to all various activities and undertakings financed by the Fund;
- f) transmit to the Controller and Auditor General, in respect of each financial year within four months after the end thereof, a statement of account relating to the Fund, prepared and signed by him, specifying income to the Fund, and showing the expenditure incurred from the Fund, in such details and with such additional information as he may deem to be proper and sufficient for the purpose of examination and audit by the Controller and Auditor-General in accordance with section 18 (2) of the Act as the Treasury may from time to time direct, and every statement of account shall include details of the balance between the assets and liabilities of the Fund, and indicate the financial status of the Fund, as at the end of the financial year concerned.

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

GEORGE SAITOTI,  
*Minister for Finance.*

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(b) Principal Activities

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

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

**OUR CORE VALUES**

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

(c) Key Management

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

No.	Designation	Name
1.	Principal Secretary, State Department for Correctional Services	Dr. Salome Wairimu Muhia-Beacco CBS
2.	The Commissioner General of Prisons	Patrick M. Aranduh, CBS
3.	Director Prisons Enterprise	Charles Mutembei Gerrard, OGW, SACGP
4.	Deputy Director Prisons Enterprise	-
5.	Officers in Charge - Prison Stations	Various
6.	Officers in Charge - Prison Industries	Various

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal Secretary, State Department for Correctional Services	Dr. Salome W. Muhia-Beacco CBS
2.	Commissioner General of Prisons	Patrick M. Aranduh, CBS
3.	Director of Prison Enterprise	Peter N. Njoroge, MBS, OGW, ACGP
4.	Head of Finance	Walter Oselu, SCFO Robinson Otundo CFO
5.	Head of Procurement	George Mwaura Njane, D/DSCM N.K. Mwiti D/DSCM
6.	Head of Accounting Unit	CPA Johnson Njuguna, SDAG CPA Simon K. Kiriiba, SDAG
7.	Prison Enterprise Accountant	CPA Ann Mwangi CPA Samfantony Kyalo, OGW, SSP

**(e) Fiduciary Oversight Arrangements**

**Management Committees Established and Their Roles**

*i. The Audit Committee*

Audit Committee in the State Department is established as per the PFMA 2012 Sec73 (5) and 155(5) and Regulation 174(1) which gives authority for the accounting officers and the governing bodies to appoint audit. The Committee is in place and vibrantly performing its roles and holds regular meetings which give an outline of the financial status of the State Department.

The committee was responsible and instrumental in:

- Improving the quality of financial reporting by ensuring the accounts are prepared in a timely and accurate manner to facilitate prompt submission of annual financial statements to the Auditor General with a copy to the National Treasury and the Controller of Budget not later than 30<sup>th</sup> September of each subsequent year as well as submission of quarterly financial statements accounts to the Cabinet Secretary with a copy to the National Treasury and the Controller of Budget not later than fifteen (15) after the end of each quarter.

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- Reviewing and making recommendations on management programs established to monitor compliance with sound public financial management, internal controls, policies, laws, regulations, procedures and the code of ethics.
- Strengthening the effectiveness of the internal audit function including regular review of its capacity, review and approval of the internal audit charter and internal audit annual work plan.
- Reviewing and monitoring the external auditor's independence and objectivity, taking into consideration relevant professional and regulatory requirements. In fulfilling its duties, the committee reviews with the external auditors, the scope of their audit plan, system of internal audit reports, assistance given by management and its staff to the auditors and any findings and actions to be taken.
- Reviewing any related party transactions that may arise within the State Department for Culture and Heritage.
- Reviewing communication between external auditors and management including responses on audit queries on the annual financial statement raised by the Auditor General.
- Following up on recommendations of the Parliamentary Accounts Committee (PAC)

The internal Auditor is the secretary to the committee.

*ii. Human Resource Management Advisory Committee (HRMAC)*

This the committee that is charged with undertaking various human resource matters in the State Department. It deals with all staff issues including promotions discipline and promotion of values and Principles of Public Service.

Their duties include:

- Review of promotions of officers in Job Group F-K
- Review of confirmations in appointment
- Review of disciplinary matters
- Review of re-designation of officers from one cadre to another and
- Confirmation of surcharge of officers found to have misused government resources
- Overall coordination of the training functions in the State Department.
- Review and implementation of the State Department training plan;

*iii. Budget Implementation Committee (BIC)*

There is an established and functional budget implementation Committee (BIC) which guides on the budgetary issues in the State Department.

The duties of the committee include:

- To review and consider the cash flow plans
- To review the utilization of the cash limits and consider any changes as may be required;
- To advise the accounting officer on the challenges related to the budget implementation
- To review and recommend the reallocation of payments
- To review and approve the submission of the payment returns, payroll IPPDs, pending bills and A-I-A returns for the State Department and recommend actions to be taken
- To participate in sector working groups
- To review budgets, supplementary estimates and performance of budget against actual for the State Department in consultation with the Heads of Department

*iv. Compliance with laws and regulations among others*

Regular Audits, filing of reports to Statutory bodies is done as the public service procedures as a means of enhancing accountability in the state Department.

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.

(f) PIRF 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

**Kenya Prisons Service** (*Prison Industries Revolving Fund*)  
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**(g) PIRF Contacts**

Telephone: (254) 20-2722900-6

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

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

**(h) Entity Bankers**

1. Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

2. Equity Bank of Kenya

Kenyatta Avenue – Supreme Branch

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 and Department of Justice



Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

3. Key Management Team

Board Members photo and name.	Management Team key qualifications and work experience.
 <p data-bbox="165 976 724 1055"><b>Dr. Salome W. Muhia-Beacco, CBS</b> <u>Principal Secretary</u></p>	<p data-bbox="791 309 1501 645">Dr. Salome Wairimu Muhia-Beacco is the Principal Secretary, State Department for Correctional Services, Ministry of Interior and National Administration having been appointed on 31<sup>st</sup> May, 2023. Prior to this appointment, she was a consummate professional in the field in legal practice with over 25 years' experience as <b>Founding Partner</b> at <b>Wanyonyi &amp; Muhia Advocates</b>. She began her career as a Legal Assistant at Insurance Company of Africa LTD, Legal officer at Phoenix of East Africa Insurance Company, Head of Legal Department at AIG Insurance Company Ltd and as a Legal Consultant at Bamburi Cement Company Ltd.</p> <p data-bbox="791 674 1501 734">Dr. Salome is an Advocate of the High Court of Kenya. She is also an ACII London Chartered Insurer.</p> <p data-bbox="791 763 1187 792"><b><u>EDUCATIONAL BACKGROUND</u></b></p> <ul data-bbox="791 797 1501 920" style="list-style-type: none"> <li>* Doctorate of Philosophy (PhD)</li> <li>* Master's Degree in Leadership and Governance (LLM) UON</li> <li>* Diploma in Legal Studies from the Kenya School of Law</li> <li>* Bachelor's degree in Law (LLB), UON</li> </ul>
 <p data-bbox="177 1805 715 1883"><b>Mr. Patrick M. Aranduh, CBS</b> <u>Commissioner General of Prisons</u></p>	<p data-bbox="791 1077 1501 1167">I am strategic leader, steadfast, passionate professional and team player with over twenty years of Senior level leadership and management experience in the Public Sector.</p> <p data-bbox="791 1171 1501 1283">I took the command of the Kenya Prisons Service as the Commissioner General of Prisons (CGP) from 15<sup>th</sup> July, 2024 upon my promotion which capped my illustrious career that began in 1989 as a Prison Constable (WDR/PC) and risen through ranks.</p> <p data-bbox="791 1288 1501 1496">I have served in the following capacities: The Commandant Prisons Staff Training College, and immediate Director Planning and Development – Prisons Headquarters, Regional Prisons Commander, Director Logistics, Deputy Director Planning and Development, Officer in Charge in 7 stations, Deputy OIC 2 stations, Chief Court Officer - High Court Nairobi, Duty Officer, Documentation Officer &amp; General Duties officer.</p> <p data-bbox="791 1500 1501 1653">I have undertaken a series of professional courses in security management, administration and management. I am passionate about strategic influence with a desire to impact the society positively. Diligence and high levels of integrity are ethos that I hold dear.</p> <p data-bbox="791 1657 963 1686">Qualifications:</p> <ul data-bbox="791 1691 1501 1895" style="list-style-type: none"> <li>* Master in Leadership and Governance - KU (2019 - continuing)</li> <li>* Bachelor of Security Mgmt. &amp; Policing Studies - KU (2016-2019)</li> <li>* Diploma in Crime Mgmt. and Prevention - KU (2014-2016)</li> <li>* Strategic Leadership Dev't Programme-KSG Oct 2018</li> <li>* Public Service Integrity Program – KIM Oct- Nov. 2002</li> <li>* Senior Management Course, - KIM Sept- Oct. 2001</li> </ul>

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**Mr. Charles M. Gerrard, OGW, [SACGP]**  
**Director Prisons Enterprise**

I am a balanced individual who exhibits high levels of professionalism. An intelligent, out-of-the box thinker with natural ability to solve information related problems creatively. Sociable and enjoys working with teams to exceed set targets and has a track record of public service spanning over thirty-five years. My appointment as the Director of Prisons Enterprise (DPE) in July, 2025 capped my illustrious career that began in 1989 as a Cadet Officer and risen through ranks to the current rank of Senior Assistant Commissioner General of Prisons (SACGP).

I have served in the following capacities:

- Jan. 2025 – Jun. 2025: Director, Standards and Compliance – Prisons Headquarters
- Oct. 2024 – Jan. 2025: Officer in Charge – Nakuru Main Prison
- Jan. 2024 – Sept. 2024: Officer in Charge – Kitale Main Prison
- 2023 – 2024: Officer in Charge – Nyahururu Main Prison
- 2021 – 2023: Security Operations Officer – Prisons Headquarters
- 2019 – 2021: Officer in Charge – Kamiti Maximum Security Prison
- 2014 – 2019: Officer in Charge – Embu G.K. Prison (Embu County Prisons' Commander)
- 2008 – 2014: Officer in Charge – Meru G.K. Prison (Meru County Prisons' Commander)
- 2005 – 2008: Officer in Charge – Kangeta G.K. Prison
- 2003 – 2005: Officer in Charge – Moyale G.K. Prison
- 2001 – 2003: Documentation Officer – Eldoret G.K. Prison
- 1997 – 2001: Duty Officer – Kisii G.K. Prison
- 1990 – 1997: Documentation Officer – Isiolo G.K. Prison

**Qualification:**

- PhD – (HRM) -JKUAT Ongoing
- MBA (Human Resource Management) KeMU 2012
- BPPM (Project Planning Management) UON 2019
- BBA ((Human Resource Management) 2011
- A-LEVEL (2PRINCIPALS&2 SUBS – 1988
- O-LEVEL DIV II - 1986

#### 4. Statement by the Principal Secretary

It gives me great pleasure to present the Annual Report and Financial Statement of the Prison Industries Revolving Fund for the financial year ended 30th June 2025. I am proud to note that the fund has continued to deliver on its core mandate of training and rehabilitating prisoners while operating under sound business principles.

Unlike the colonial era approach to prison management, which focused on retribution, punishment, condemnation, stigmatization, and pain, today's prisons embrace restorative justice — an approach centered on correction and transformation.

During the year under review, more than 6,000 prisoners participated in various industrial vocational training programs. Additionally, 179 borstal boys and 6 borstal girls were registered and examined for Government Trade Tests in Grades I, II, and III girls plus 7 prisoners from Kakamega Women Prison were also examined under the sponsorship of Tree of Life Ministries. The government allocated Kshs 480,000 to cover training and testing materials. These programs have equipped prisoners with marketable skills, and several who have since been released are now reintegrating into their families and communities as skilled artisans, ready to contribute to nation-building.

Beyond vocational and on-the-job training, prison industries play a significant role in the national economy. They supply a steady stream of skilled artisans essential to the industrial and construction sectors, in alignment with Vision 2030 and the government's Bottom-Up Transformation Agenda (BETA). Furthermore, by producing high-quality office and household furniture for the local market, prison industries reduce reliance on imports and support the government's "Buy Kenya, Build Kenya" initiative.

Notably, the successful implementation of cashless transactions within Prisons Enterprise has streamlined revenue collection, enabling real-time deposits into the Central Bank of Kenya account. These developments clearly reflect the transformation of the Kenya Prisons Service.

During the review period, the fund recorded a marginal increase in sales, posting sales of Kshs 180,015,329 compared to Kshs 159,979,097 in the 2023/2024 financial year. However, the Fund reported a loss of Kshs 33,993,822. Hence the net assets decreased to Kshs 539,117,079 in 2024/2025 from Kshs 573,110,901 in 2023/2024.

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Since its establishment in 1988, the fund has remained a strong and reliable vehicle for financing offender rehabilitation programs, living up to the vision of its founders. To further ensure its sustainability, the State Department has embarked on key reforms, including the review of the prison industries and farms policy and the re-equipping of enterprises. Once these reforms are finalized and machinery are modernized, we anticipate unprecedented improvements in the operations and management of prison industries.

I reaffirm my commitment to strengthening prison industries into a robust and efficient business model that not only supports offender rehabilitation and reformation but also supplements government funding for prison operations.

I commend the Commissioner General of Prisons and his team for their prudent management of the fund. Their efforts have not only enabled the fund to achieve its purpose but have also laid a solid foundation for future growth. I encourage the department to redouble its efforts so that the fund continues to fulfill its mission while generating surplus revenues to further ease the exchequer's burden in financing prison operations.

I conclude with this inspiring reminder: "Let impossible not be in our vocabulary," and indeed, "...Impossible is nothing if we believe that we can," We can get out of deficits. With the ongoing policy reforms and modernization plans, prison industries are poised for greater transformation in operations and management, further strengthening their role in offender rehabilitation and sustainable revenue generation.

Name: Dr. Salome Wairimu Muhia-Beacco, CBS. Signature..... Date.....  
 24/10/25

Principal Secretary,  
State Department for Correctional Services, Nairobi.

## 5. Report of the Commissioner General of Prisons

It is with great privilege and enthusiasm that I address you as the Commissioner General of Prisons, entrusted with the responsibility of overseeing the transformational journey of those within our correctional facilities. At the heart of our mission lies a steadfast commitment to rehabilitation, redemption, and societal reintegration.

It is, therefore, with great pleasure and honour that I present the Annual Report and Financial Statement of the Prison Industries Revolving Fund (PIRF) for the year ended 30th June 2025. The Fund has consistently fulfilled its purpose of supporting the rehabilitation and reformation of offenders through the provision of vocational and on-the-job training for the country's prison population of over 35,000 convicted inmates.

Through the concerted efforts of inmates and the dedicated guidance of our correctional staff, the Prison Enterprises Program has continued to flourish, producing a wide range of high-quality products that reflect the ingenuity, skill, and determination of those in our care. From intricately designed artisanal goods to meticulously crafted furniture, each product tells a story of resilience, transformation, and renewed hope.

I proudly endorse Prison Industries products. By supporting prison enterprises, you are not merely making a purchase; you are investing in the rehabilitation and empowerment of individuals determined to rebuild their lives and become productive members of society. Your patronage serves as a beacon of hope and encouragement, reinforcing our belief in the inherent potential for redemption. Moreover, revenue generated from these products is reinvested into the correctional system to expand vocational training programs, educational initiatives, and rehabilitation services—directly improving our facilities and their impact.

Prison Industries provide practical technical and soft-skills training, while also modelling positive workplace behaviours to offenders. By equipping them with these skills, we ensure that they are well-prepared to secure and retain gainful employment upon release, thereby reducing recidivism and enhancing public safety.

Since its inception with an initial seed capital of Kshs. 14,000,000 in 1987/88, the Fund has grown to a net asset base of **Kshs. 539,117,079**. During the year under review, our 111 Prison Industries nationwide offered industrial vocational training to an average of 6,000 inmates. In line with the

**Kenya Prisons Service (Prison Industries Revolving Fund)**  
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country's devolved governance structure, we have ensured that there is at least one industrial prison in every county. These facilities not only deliver training at the grassroots level but also create meaningful employment for inmates while producing high-quality goods for the local market.

Our primary clients include schools, hospitals, churches, county governments, national government departments, non-governmental organizations, private firms, and individuals. Upon their release, trained inmates integrate into society as skilled artisans, contributing to national development and reducing dependency. Additionally, during the year, the Department actively participated in the ASK Shows, trade fairs, and exhibitions, further promoting our products and programs.

I wish to express my sincere gratitude to the Principal Secretary, State Department for Correctional Services, who administers the Fund, for the invaluable support and guidance provided. I also extend my appreciation to all ministries, government agencies, county governments, and other partners who continue to purchase and support Prison Industries products.

I appeal to all stakeholders and members of the public to continue supporting this noble initiative. Every purchase of Prison Industries products is a direct contribution to the rehabilitation and reformation of offenders, helping us build a safer and more secure society for all.

*Thank you for your unwavering support and solidarity*

Name: Patrick M. Aranduh, CBS

Signature.....



Date.....

24/10/2025

Commissioner General of Prisons, - Kenya Prisons Service, Nairobi.

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**6. Statement of Performance against Predetermined Objectives for FY 2024/2025**

PIRF has three (3) strategic objectives within the current Strategic Plan for the FY 2022- FY 2027 and the Fund's core mandate as articulated in the Legal Notice These strategic themes/ issues are as follows:

Pillar 1: To train and rehabilitate prisoners and inmates

Pillar 2: To procure necessary raw materials, tools, plants and equipment required

Pillar 3: To offer for sale finished products in the open market.

PIRF develops its annual work plans based on the above 3 pillars. Assessment of the fund's performance against its annual work plan is done on a quarterly basis. The PIRF achieved most of its performance targets set for the FY 2024/2025 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:	Train and rehabilitate prisoners	Certification of prisoners. Acquisition of skills	Training prisoners on various trades	Over 6,000 inmates trained, 179 borstal boys and 6 borstal girls were trade tested
Pillar 2:	Procurement of necessary raw materials & Tools/Equipment	Manufacture of furniture and other products No. of equipment and tools procured	Procurement of raw materials, tools & equipment Production of furniture & other products	Timber raw materials, tools & equipment procured
Pillar 3:	Sale of finished products	Sales/ Generation of revenue	Selling of products	Sales receipt of Kshs 180,015,329 realized

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

## 7. Corporate Governance Statement

### 7.1 Introduction

The Prison Industries Revolving Fund (PIRF) is domiciled within the Kenya Prisons Service (KPS) under the State Department for Correctional Services in the Ministry of Interior and National Administration (MINA). The Department has established robust systems to ensure the highest standards of corporate governance are upheld across all levels of the institution.

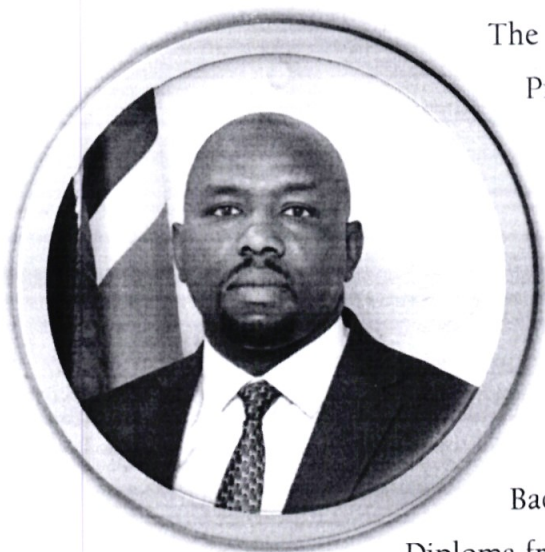
We remain committed to complying with all government statutes, regulations, and policies. In addition to conducting **annual self-assessments** to evaluate our adherence to the Code of Governance, the Office of the Auditor General provides independent oversight through their audit reports. This collaborative approach strengthens our governance framework and enhances accountability.

The Corporate Governance Statement presented in this Annual Report highlights our performance to date and reaffirms our commitment to transparency, integrity, and ethical business practices. We recognize that sound corporate governance is fundamental to delivering sustainable value to our stakeholders.

The Fund also adheres to all applicable regulations issued by relevant supervisory bodies and remains fully aligned with the **Constitution of Kenya** and other legal requirements. We continuously review and strengthen our governance operating model to ensure that effective oversight structures, systems, and processes are in place. These mechanisms empower our leadership to drive transformation, define strategic direction, and set high-level goals and policies that support long-term growth and stakeholder confidence.

The senior leadership in the Interior Security sector are described in the sections that follow.

## 7.2. Cabinet Secretary



The Prison Industries Revolving Fund operates under the Kenya Prisons Service, which is a department within the State Department for Correctional Services under the Ministry of Interior and National Administration. The Ministry is led by Cabinet Secretary Hon. Onesimus Kipchumba Murkomen, EGH.

CS Murkomen brings a strong track record in legal practice, public service, and legislative leadership. He holds a Bachelor of Laws from the University of Nairobi, a Postgraduate Diploma from the Kenya School of Law, and a Master of Laws from the University of Pretoria. He is also an alumnus of American University Washington College of Law.

His professional background includes academic roles at Catholic University, the University of Nairobi, and Moi University, with significant contributions in legal education, human rights, and environmental governance. He has also participated in high-level leadership and public administration programs across Africa and the U.S.

In his previous roles, including as Cabinet Secretary for Youth Affairs, Creative Economy, and Sports, and as a three-term Senator for Elgeyo-Marakwet, CS Murkomen has demonstrated commitment to institutional reform and policy development. His legislative achievements include the sponsorship and enactment of key bills that enhanced devolution, urban development, intergovernmental relations, and food security.

Under his leadership, the Ministry continues to provide strategic direction and policy oversight to the Kenya Prisons Service and the Revolving Fund, ensuring transparency, sustainability, and alignment with national development goals.

### 7.3. Principal Secretary



Dr. Salome Wairimu-Beacco is the Accounting Officer of the State Department for Correctional Services and the Administrator of the Prison Industries Revolving Fund. In this capacity, she provides overall financial oversight, policy direction, and ensures the Fund operates within the framework of public financial management regulations.

Dr. Wairimu-Beacco is an Advocate of the High Court of Kenya with over 25 years of distinguished experience in legal practice. She holds a Bachelor of Laws (LL.B) and a Master's degree in Leadership and Governance (LL.M), both from the University of Nairobi, a Ph.D. in Law, and a Postgraduate Diploma in Legal Practice from the Kenya School of Law. She is also a Chartered Insurer (ACII, London), underscoring her expertise in both legal and insurance sectors.

Her career spans various leadership roles in the legal and corporate fields, including positions as Legal Assistant at Insurance Company of Africa Ltd, Legal Officer at Phoenix of East Africa Insurance Company, Head of Legal at AIG Insurance Co. Ltd., and Legal Consultant at Bamburi Cement Co. Ltd. She is also a Founding Partner at Wanyonyi & Muhia Advocates, where she built a reputation for excellence in legal service delivery.

Dr. Wairimu-Beacco's multi-sectoral experience and commitment to good governance continue to enhance the integrity, accountability, and efficiency of the Fund's operations.

#### 7.4. Commissioner General of Prisons



The Kenya Prisons Service is under the leadership of the Commissioner General of Prisons, who provides strategic oversight and ensures the effective implementation of institutional plans. The Commissioner General is supported by two Deputy Commissioners General, working collaboratively with the Directorate of Prisons Enterprises and other key directorates and sections to deliver on the Service's core mandates.

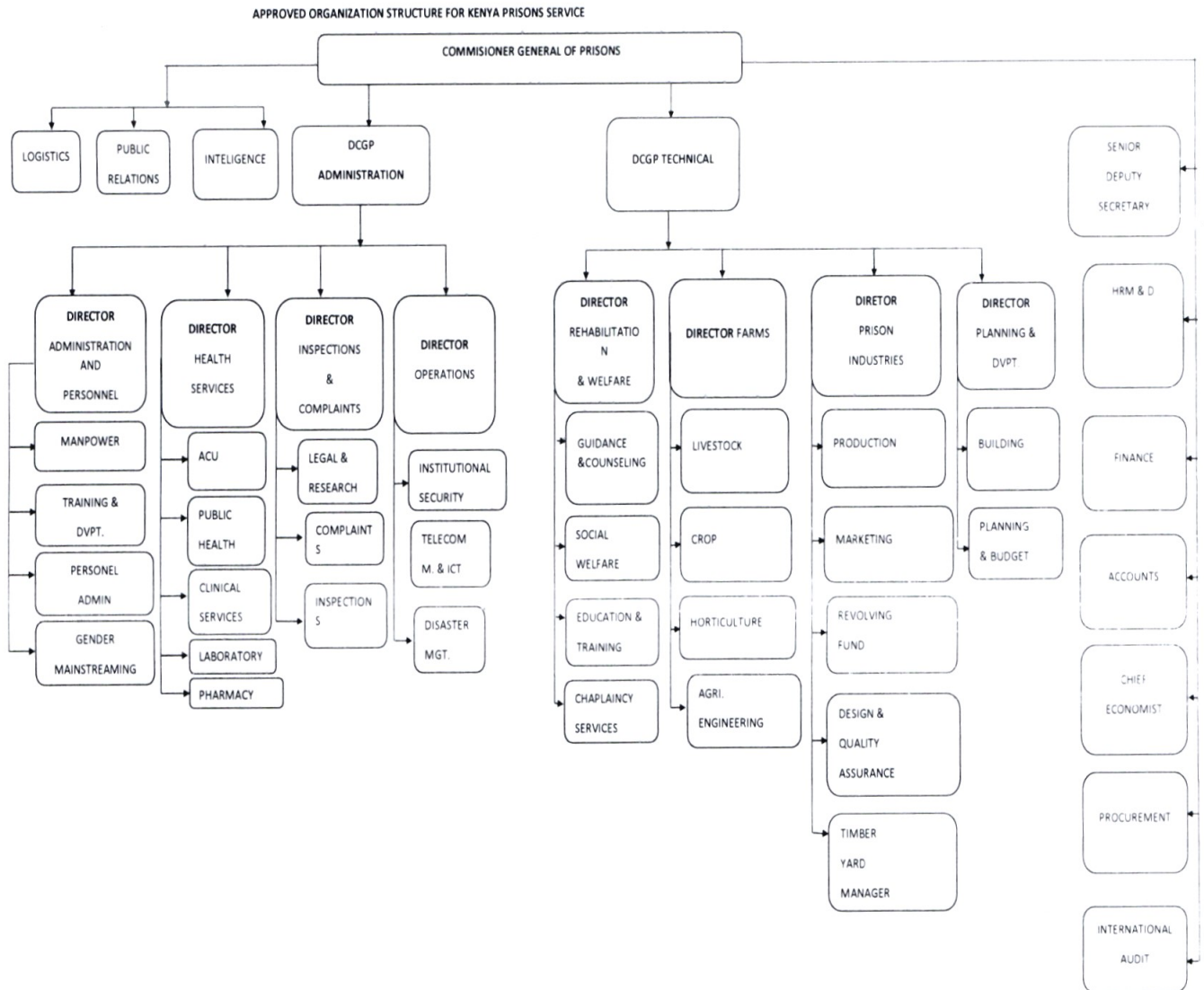
Implementation of strategic initiatives is closely monitored, with structured quarterly reporting throughout the planning period. These reports form the basis for evaluating progress toward the achievement of the Service's strategic objectives and enhancing accountability.

To improve service delivery and drive innovation, the Kenya Prisons Service has adopted Business Process Re-engineering (BPR), focusing on the digitization and automation of key processes. In parallel, the Service continues to invest in human capital development through comprehensive Human Resource Management strategies aimed at building a responsive and capable workforce.

These efforts reflect the Service's commitment to rehabilitation and reintegration, ensuring that inmates are equipped with relevant skills, opportunities, and support systems necessary for a successful return to society

**Kenya Prisons Service (Prison Industries Revolving Fund)**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2025.**

KPS organogram



## 8. Management Discussion and Analysis

### Statement by the Director of Prisons Enterprise

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

Our mission is to provide training opportunities to offenders that instil essential skills and work ethics while producing high-quality products and services for sale in the open market.

During the 2024/2025 financial year, the operations of the Prison Industries Revolving Fund once again posted an impressive performance on sales however the expenditure had an upward trajectory higher than the revenues generated hence realizing a loss. The Fund has remained resilient in pursuing its mandate,

During the year under review:

- An average of 6,000 prisoners were enrolled in various vocational training programs across prison industries.
- 185 Borstal boys and girls were registered and examined for Government Trade Test Grades I, II, and III, with all candidates successfully excelling in their assessments.

These achievements reflect our commitment to rehabilitation through skills development, equipping inmates for gainful employment upon release while simultaneously supporting the Fund's financial sustainability.

### PIRF performance against predetermined objectives for F/Y 2024/2025

In the year under review, Prisons Industries Revolving Fund projected to spend Kshs 298,714,507 comprising of Kshs 231,970,156 for purchase of Raw Materials, and Kshs 66,744,351 for operations expenditure.

The budget was for one hundred and eleven (111) industry stations plus the two administrative centers (PHQ & Timber yard Kiln).

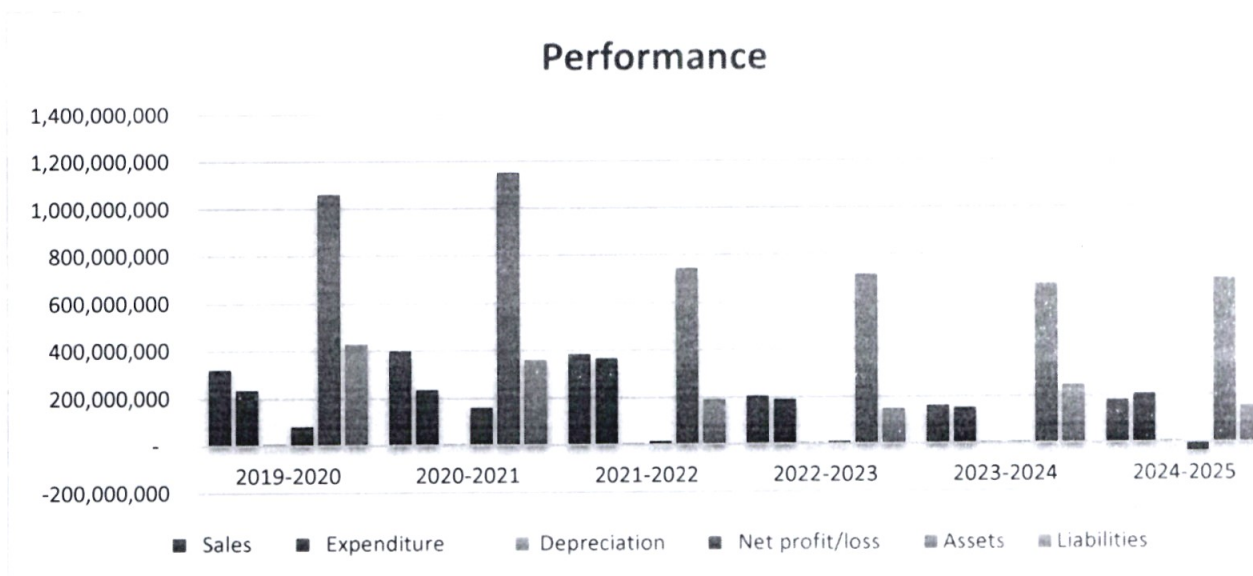
By utilizing the above, the Prison industries had projected to realize revenue of Kshs 301,561,203 and realize a surplus of Kshs 2,846,696 during the period but due to changes in market dynamics and other exigencies realization of the budget was not achievable.

The industries also had intended to incur capital expenses in construction of buildings, purchase of motor vehicles, Computers, Machines and Equipment estimated to cost Kshs 314,829,809.

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Financial performance of the organisation for the last five-year period

Financial year	Sales	Expenditure	Depreciation	Net profit/ loss	Assets	Liabilities
2019-2020	319,494,022	233,761,832	5,812,442	79,919,749	1,060,921,170	426,987,426
2020-2021	397,006,637	233,257,971	4,834,505	158,914,161	1,150,335,906	357,478,152
2021-2022	381,290,980	364,378,023	4,417,584	12,495,373	744,044,359	188,691,231
2022-2023	203,033,776	188,280,949	5,205,286	9,547,541	716,009,971	147,801,143
2023-2024	159,979,097	150,222,779	4,854,244	4,902,074	674,505,254	246,164,247
2024-2025	180,015,329	207,379,188	6,406,870	-33,993,822	693,590,527	154,473,448



**ACTUAL PERFORMANCE**

**Purchase of Raw materials**

Prison Industries purchased raw materials worth Kshs 155,530,495 in procurement of Metal raw materials, construction raw materials, assorted timber & upholstery materials and textile raw materials during 2024/2025 financial year and generated revenue of Kshs. 180,015,329. The raw materials were utilized in manufacturing furniture, staff uniforms, inmate's uniforms, and other public and private institutions tailoring & construction orders. The budget absorption was low which led to revenue shortfall due to low demand of furniture due to market and economic exigencies.

### Operating overheads/expenditure

The fund incurred a lower expenditure of **Kshs 39,444,714** (Kshs. 29,004,586 general expenses + Kshs. 4,033,258 repairs & Maintenance + Kshs. 6,406,870 depreciation) compared to Kshs 42,753,870 (for previous year) utilized on operating expenses whilst managing the daily operations of the enterprises.

Besides, efforts have also been made to make prison industries sustainable and profitable businesses by adopting zero based budgeting for flagship stations. Moreover, in order to diversify and increase revenue streams, the fund constructed a water purification & bottling plant at Ruiru. Towards this end, the industries have continued engaging in electricity meters' separation from the main stations power supply and review of costing procedures to ensure actual cost of production and profitability of the industries.

It is my appeal to our esteemed customers who are private individuals, community-based organizations and government entities to continue using our products. Indeed, any time you purchase our products, you not only receive quality products and services, but also helping Kenya's local economy and contributing to the growth of the offender's rehabilitation programs. Prison industries on-the-job experiences teach trades and work ethics, 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 security and safety in the country. Together, we can help offenders help themselves - and a better Kenya will result.

The Fund during the period in review did not engage in major projects due to financial constraints however it sought for capital injection from treasury for revitalization which yet to materialize.

The entity ensured adherence to all government regulations and laws. In this regard we continued using our own KRA pin, VAT obligation, eTIMS, eCitizen. Additionally, we acquired the water excise license and started selling our PRIAQUA water in the open market.

### 9. Environmental and Sustainability Reporting

The Prison Industries Revolving Fund (PIRF) exists to transform lives. This is our core purpose and the driving force behind all our initiatives. It guides our strategy to put prisoners—our citizens—at the center of our efforts by providing training that imparts essential skills and work ethics for

**Kenya Prisons Service (Prison Industries Revolving Fund)**  
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**For the year ended June 30, 2025.**

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effective rehabilitation. At the same time, we focus on producing high-quality products and services for the open market while continually improving our operational efficiency.

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

**i) Sustainability strategy and profile**

The Directorate of Prison Enterprises (DPE) is the technical division of the Department that manages industry business units in most of the State's prisons. It employs an average of six thousand (6,000) prisoners per day throughout the State's facilities. PE's workforce covers a broad range of processing operations including woodwork, metalwork, spray painting, general engineering and assembly textiles which contributes to the Department's needs in the provision of clothing.

**ii) Environmental performance**

The development of a work ethic is regarded as significant prisoner rehabilitation issue. DPE fosters work ethics, develops prisoner skills and trains prisoners in modern work techniques. At the moment, the main focus of our Corporate Social Responsibility (CSR) on environment activities is through production of different species of fruit 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. Within our precincts we have planted over five (5) million seedlings.

**iii) Employee welfare**

The Directorate of Prisons Enterprise (DPE) is a division in Kenya Prisons Service that manages industry and farms business units in most of the State's prisons. It employs an average of six thousand (6,000) prisoners per day throughout the State's facilities.

The development of a work ethic is regarded as significant prisoner rehabilitation issue. DPE fosters work ethics, develops staff/prisoner skills and trains prisoners in modern work techniques. KPS has stringent policies guiding the hiring process and which takes into account the gender ratio, 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 of i.e. PE operates under a very clear directive to 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 Public Procurement and Disposal Act & Regulations, 2015. E.g. open tenders

c) **Responsible marketing and advertisement** PE(Industries) operates under a very clear directive on competing with main stream business, but seeks opportunities that will deliver vocational training in an environment supervised by suitably qualified instructors.

d) **Product stewardship**

The industries' products are of the best quality wherein the enterprise employs efforts to safeguard consumer rights and interests.

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

In fulfilling its mandate, the Prison Industries Revolving Fund (PIRF) is committed to upholding ethical and responsible practices that contribute to economic development while enhancing the quality of life for its primary clients—prisoners—along with its employees, their families, the local community, the national government, and society at large.

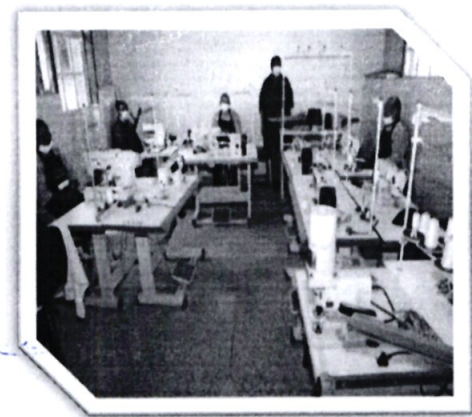
**Kenya Prisons Service** (*Prison Industries Revolving Fund*)  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2025.**

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Prisons Enterprises' operations span a wide range of processing activities, including woodwork, metalwork, spray painting, general engineering, and textile production, which also supports the Department's clothing needs. Many prisoners are trained in these fields and earn qualifications certified by the National Industrial Training Authority (NITA), preparing them for meaningful employment upon release.

Currently, the central focus of our Corporate Social Responsibility (CSR) initiatives is the transfer of technical knowledge and skills to incarcerated prisoners. Our CSR policy also extends to community relations, participation in national events, educational support, and contributions toward national disaster mitigation efforts.

Among the Fund's notable CSR achievements are: the establishment of the Chandaria Foundation Bakery and Textile projects—where surplus proceeds are shared with participating prisoners; provision of furniture for Agricultural Society of Kenya (ASK) trade fairs; distribution of toolkits and start-up furniture to released prisoners in collaboration with the Welfare Directorate and other partners; repair and maintenance of furniture for prison churches and schools; maintenance of the national presidential dais; and donations during the annual thanksgiving prayer ceremonies for uniformed discipline forces.



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

-The Chandaria project

**Kenya Prisons Service (Prison Industries Revolving Fund)**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2025.**

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10. Report of the Fund Administrator.

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the *PIRF's* affairs.

i) Principal activities

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

ii) Results

The results of the entity for the year ended June 30, 2025, are set out on page 1 to 41.

iii) Directors

The members of the management team who served during the year are shown on page xii' i.e., Principal Secretary, Dr. Salome Wairimu Muhia-Beacco, CBS, Commissioner General of Prisons, Patrick M. Aranduh, CBS, CGP, Director Prisons Enterprise, Mr Peter N. Njoroge, OGW, MBS [ACGP] and Deputy Director Mrs Rosemary W. Kiio [CP-Rtd]. During the year in reference one of the officers retired at the closure of the financial year.

iv) Surplus remission

The entity did not submit any surplus to the Consolidated Fund during the year (FY 2024/2025) since the surplus realized is directed to improvement and sustainability of the fund as guided by the establishing Regulations.

v) Auditors

The Auditor General is responsible for the statutory audit of the *PIRF* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the *Fund* for the year ended June 30, 2025.

By Order of the Management



Dr. Salome Wairimu Muhia-Beacco, CBS

Principal Secretary,

State Department for Correctional Services, Nairobi.

Date: 24/10/2025

**Kenya Prisons Service (Prison Industries Revolving Fund)**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2025.**

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**II. Statement of the 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 Industries Revolving Fund*, which give a true and fair view of the state of affairs of the *Fund* at the end of the financial year and the operating results of the *Fund* for that year. The Officer administering the Fund is also required to ensure that the *Prison Industries Revolving Fund* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Fund*. The Officer administering the Fund is also responsible for safeguarding the assets of the *Fund*.

The Officer administering the Fund is responsible for the preparation and presentation of the *Prison Industries Revolving Fund's* 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 ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the PIRF; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Fund* (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances. The Officer administering the Fund accepts responsibility for the *Prison Industries Revolving Fund* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act. The Officer administering the Fund is of the opinion that the *Prison Industries Revolving Fund* financial statements give a true and fair view of the state of *Fund* transactions during the financial year ended June 30, 2025, and of the *Funds* financial position as at that date. The Officer administering the Fund further confirms the completeness of the accounting records maintained for the *Prison Industries Revolving Fund* which have been relied upon in the preparation of the *Funds* financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

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

24/10/2025



**Dr. Salome Wairimu Muhia-Beacco, CBS**  
**PRINCIPAL SECRETARY**  
**STATE DEPARTMENT FOR CORRECTIONAL SERVICES**

# REPUBLIC OF KENYA

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## REPORT OF THE AUDITOR-GENERAL ON PRISON INDUSTRIES REVOLVING FUND FOR THE YEAR ENDED 30 JUNE, 2025

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### PREAMBLE

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

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

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

The three parts of the report 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 Industries Revolving Fund set out on pages 1 to 45 which comprise of the statement of financial position as at

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*Report of the Auditor-General on Prison Industries Revolving Fund for the year ended 30 June, 2025*

30 June, 2025, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Prison Industries Revolving Fund as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracy of the Financial Statements**

The statement of comparison of budget and actual amounts reflects budgeted receipts of Kshs.301,561,203 and budgeted expenditure totaling Kshs.613,544,316 which comprised of recurrent and capital expenditure of Kshs.298,714,507 and Kshs.314,829,809, respectively indicating an unbalanced position with a variance of Kshs.311,983,113. This was also contrary to Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015 which provides that budget shall be balanced.

In the circumstances, the accuracy of the statement of comparison of budget and actual amounts could not be confirmed.

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

The statement of financial position reflects a balance of Kshs.10,495,766 in respect of cash and cash equivalents which as disclosed in Note 11 to the financial statements, includes CBK account balance of Kshs.9,162,308. However, one cash book and a single bank account were maintained for recording financial transactions for both the Prison Industries Revolving Fund and the Prisons Farms Revolving Fund, yet the two (2) Funds are distinct and prepare separate sets of financial statements. Further, payments made were commingled making it difficult to distinctly identify and apportion revenues earned by each specific Fund. In addition, cash and cash equivalents balance includes an amount of Kshs.1,143,400 relating to District Treasury which was not supported with a certificate of bank balance, reconciliation and Board of Cash Survey Report.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.10,495,766 could not be confirmed.

### **3. Unsupported Pay Master General (PMG) Balance**

The statement of financial position reflects a balance of Kshs.175,987,430 in respect to Pay Master General (P.M.G.) Account as disclosed in Note 12 to the financial statements. As previously reported, the balance represents amounts held on behalf of the Fund in the former Ministry of Home Affairs Deposits Account which was yet to be transferred to the Fund's bank account. However, documentary evidence to support the P.M.G balance was not provided.

In the circumstances, the existence and recoverability of the P.M.G balance of Kshs.175,987,430 could not be confirmed.

### **4. Long Outstanding Receivables**

The statement of financial position reflects a balance of Kshs.158,535,268 in respect of receivables from exchange transactions as disclosed in Note 13 to the financial statements. The balance of Kshs.158,535,268 includes an amount of Kshs.144,795,918 relating to long outstanding debtors out of which Kshs.6,333,143 and 138,462,775 have been outstanding for a period between 1- 2 years and over three (3) years respectively. No explanation was provided for the non-recovery of the long outstanding receivables balance.

In the circumstances, the recoverability of the outstanding receivables balance of Kshs.144,795,918 could not be confirmed.

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

### **Material Uncertainty Related to Going Concern**

I draw attention to Note 21 to the financial statements which discloses that the Fund has existing litigations in regard to motor vehicle number plates. Moreover, a huge amount of money may be required in case the ruling goes in favour of the plaintiff greatly affecting the going concern of the Fund. This indicates existence of material uncertainty that may cast significant doubt on the Fund's ability to continue as a going concern.

My Opinion is not modified in respect of this matter.

## **Emphasis of Matter**

### **Budgetary Control Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.301,561,203 and Kshs.78,711,819, respectively, resulting to an under collection of Kshs.222,849,384 or 74% of the budgeted revenue. Further, the Fund spent an amount of Kshs.139,649,940 against actual receipts of Kshs.78,711,819 resulting to an over expenditure of Kshs.60,938,121 or 44% of the actual receipts.

The underfunding affected the planned Fund activities and may have impacted negatively on the planned activities of the Fund.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effects of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### **Other Matter**

#### **Unresolved Prior Year Matters**

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Fund in 2024/2025 revealed that the following four (4) issues remained unresolved:

<b>No.</b>	<b>Financial Year</b>	<b>Audit Issue</b>
1	2023/2024	Unsupported cash (PMG) balance
2	2023/2024	Stalled projects
3	2023/2024	Unsupported cash and cash equivalents
4	2023/2024	Long outstanding creditors

### **Other Information**

The Management are responsible for the Other Information set out on page iv to xxx which comprise of Key Entity Information and Management ,Key Management Team, Statement by the Principal Secretary, Report of the Commissioner General of Prisons, Statement of Performance Against Predetermined Objectives, Corporate Governance

Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of Fund Administrator, and Statement of Officer Administering the Fund Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

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

### Conclusion

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

### Basis for Conclusion

#### 1. Stalled Industrial Workshops

Field verification carried out in the month of August, 2025 revealed that three (3) industrial workshops started in different periods from 2012 to 2019 had stalled while at different levels of completion. Nairobi West Prison Industrial workshop, which started in the year 2012 had stalled at the foundation level due to lack of funding. Although a letter dated 31 October, 2019 from the State Department of Public Works estimated the proposed completion works at Kshs.6,322,000, the total cost of the project could not be ascertained due to unavailability of records. Further, the proposed Embu Main Prison industry workshop and showroom building was started in the year 2019 at an estimated project cost of Kshs.48,820,845. However, the project stalled at ground level at 23% to completion.

In addition, the Embu women industry block estimated to cost Kshs.4,503,737, was initially funded with Kshs.250,000 to start construction but stalled at 7% completion due to lack of additional funding.

In the circumstances, value for money for the expenditure incurred on the stalled projects was not obtained.

## **2. Dilapidated State of Infrastructure at Nyeri Maximum Security Prison Industry**

Audit inspection carried out in the month of July, 2025 at Nyeri Maximum Security Prison Industry revealed that carpentry section lacked enough tools and modern equipment. The working benches were worn out while the carpentry and upholstery section needed roof repair to enable inmates to work during the rainy season since the old and rusty iron sheets were leaking.

Further, in the tailoring section, all electrical apparatus were faulty with a number of machines grounded and requiring repair or bonding. In addition, most of the machines at the metal/ machine workshop were grounded and needed repair or bonding while the entire section needed roof repair to avoid leakages.

Failure to repair and maintain the workshops exposes the inmates to unhealthy working environment and may result in further deterioration of the workshop.

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

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

#### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

#### **Basis for Conclusion**

##### **Unserviceable/Obsolete Assets**

As reported previously, the property, plant and equipment balance of Kshs.98,786,321 includes an amount of Kshs.2,926,440 relating to scrap machinery as disclosed in Note 16 to the financial statements. The scrap machinery balance of Kshs.2,926,440 has been included in the financial statements over a number of years. Further, review of the asset register revealed other assets classified as grounded or unserviceable with an estimated value of Kshs.1,237,457. Management did not indicate the measures put in place to dispose or de-recognize the assets to avoid any further deterioration.

In addition, Kamiti Maximum Prison Industry had inventory worth Kshs. 135,273,945 which included raw materials of Kshs. 89,085,571 from the number plate section. The number plate function was discontinued in 2022 due to its transfer to another government agency. As at the time of our inspection in July 2025, the Prison Industry had obsolete stocks estimated to Kshs. 60,447,840. Management did not disclose the plans in place to dispose of the assets to avoid any further deterioration.

In the circumstances, the effectiveness of controls related to asset management could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 the 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 that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

Those charged with governance are responsible for overseeing the 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**

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

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

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**02 December, 2025**

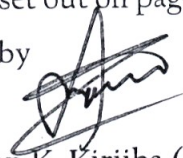
**Kenya Prisons Service (Prison Industries Revolving Fund) PIRF**  
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**For the year ended June 30, 2025.**

13. Statement Of Financial Performance for The Year Ended June 30, 2025


	Notes	2024-2025	2023-2024
		Kshs	Kshs
Receipt from exchange transactions			
Sale of furniture and Sundry	6	180,015,329	159,979,097
<b>Total receipt</b>		<b>180,015,329</b>	<b>159,979,097</b>
Expenses			
Use of goods and services	7	174,564,436	112,323,153
General expenses	8	29,004,586	32,696,753
Depreciation and amortization expense	9	6,406,870	4,854,244
Repairs and maintenance	10	4,033,258	5,202,873
<b>Total expenses</b>		<b>214,009,150</b>	<b>155,077,023</b>
<b>Surplus/(deficit) for the year</b>		<b>-33,993,822</b>	<b>4,902,073</b>


The notes set out on pages 6 to 41 form an integral part of these Financial Statements.

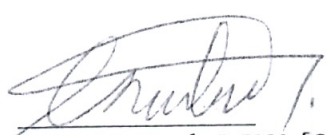
Prepared by

  
 CPA Simon K. Kiriiba (SDAG)  
 ICPAK No 5432

The Financial Statements set out on pages 1 to 41 were signed on behalf of the management by:

  
 Dr. Salome W. Muhia-Beacco, CBS  
 PRINCIPAL SECRETARY  
 DEPT OF CORRECTIONAL  
 SERVICES

  
 Patrick M. Aranduh, MBS  
 COMMISSIONER GENERAL  
 OF PRISONS

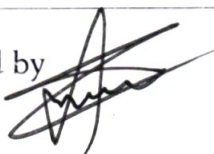
  
 Charles M. Gerrard, OGW, [SACGP]  
 DIRECTOR OF PRISONS  
 ENTERPRISE

**Kenya Prisons Service (Prison Industries Revolving Fund) PIRF**  
**Annual Report and Financial Statements**  
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**14. Statement of Financial Position as at June 30, 2025**

	Notes	2024-2025	2023-2024
Assets		Kshs	Kshs
<b>Current Assets</b>			
Cash and Cash Equivalent	11	10,495,766	103,892,228
Receivable from non exchange transactions (P.M.G.)	12	175,987,430	175,987,430
Receivable from exchange transactions	13	13,739,350	39,723,572
Inventories	14	249,485,742	268,519,683
Security Bond		300,000	0
<b>Total Current Assets</b>		<b>450,008,288</b>	<b>588,122,913</b>
<b>Non-Current Assets</b>			
Receivable from exchange transactions	13	144,795,918	144,769,894
Property Plant and Equipment	16	98,786,321	86,382,341
<b>Total Non-Current Assets</b>		<b>243,582,239</b>	<b>231,152,235</b>
<b>Total Assets</b>		<b>693,590,527</b>	<b>819,275,148</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade & other payables	17	154,473,448	157,034,298
Refundable deposits from customers	18		89,129,949
<b>Total Current Liabilities</b>		<b>154,473,448</b>	<b>246,164,247</b>
<b>Total Net Assets</b>		<b>539,117,079</b>	<b>573,110,901</b>
<b>Represented by:</b>			
Capital Fund	1	14,000,000	14,000,000
Accumulated Surplus	15	559,110,901	554,208,828
Net Profit/(Loss)		-33,993,822	4,902,073
<b>Total Net Assets</b>		<b>539,117,079</b>	<b>573,110,901</b>

Prepared by



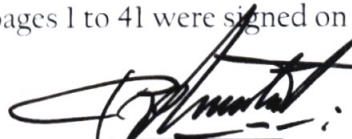
CPA Simon K. Kiriiba (SDAG)  
 ICPAK No 5432

The Financial Statements set out on pages 1 to 41 were signed on behalf of the management by:



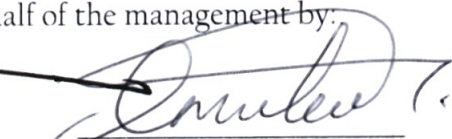
Dr. Salome W. Muhia-Beacco, CBS  
 PRINCIPAL SECRETARY  
 DEPT OF CORRECTIONAL  
 SERVICES

Date: 24/10/2025



Patrick M. Aranduh, MBS  
 COMMISSIONER GENERAL  
 OF PRISONS

24/10/2025



Charles M. Gerrard, OGW, [SACGP]  
 DIRECTOR OF PRISONS  
 ENTERPRISE

24/10/2025

**Kenya Prisons Service (Prison Industries Revolving Fund) PIRF**  
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**15. Statement Of Changes in Net Assets for The Year Ended June30, 2025**

	notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
As at July 1, 2023	14(b)	14,000,000	-	-	554,208,828	-	-	568,208,828
Issued new capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Surplus/ Deficit for the year		-	-	-	4,902,073	-	-	4,902,073
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid - 2024		-	-	-	-	-	-	-
Interim dividends paid - 2024		-	-	-	-	-	-	-
Less Prior years unpaid creditors not recognised then		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
As at June 30, 2024		14,000,000	-	-	559,110,901	-	-	573,110,901
As at July 1, 2024		14,000,000	0	0	559,110,901	-	-	573,110,901
Issue of new share capital		0	0	0	0	0	0	0
Revaluation gain		-	0	-	-	-	-	0
Transfer of excess depreciation on revaluation		-	0	-	-	-	-	0
Deferred tax on excess depreciation		-	0	-	-	-	-	0
Fair value adjustment on quoted investments		-	-	0	-	-	-	0
Surplus/ deficit for the year		-	-	-	33,993,822	-	-	33,993,822
Capital/Development grants received during the year		-	-	-	-	-	0	0
Less Prior years unpaid creditors not recognised then		-	-	-	-	-	-	0
Dividends paid - 2025		-	-	-	-	0	0	0
Inter ministerial transfer of funds to development/recurrent - 2025		-	-	-	-	-	-	0
Proposed final dividends		-	-	-	0	0	0	0
As at June 30, 2025		14,000,000	0	0	525,117,079	0.00	0.00	539,117,079

**Kenya Prisons Service (Prison Industries Revolving Fund) PIRF**  
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**16. Statement Of Cash Flows for The Year Ended June 30, 2025**

		2024-2025	2023-2024
	Notes	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Sale of goods & Services	6	81,065,644	299,554,201
Receipt from Farms		37,368,721	-
Total receipts		118,434,365	299,554,201
Payments			
Use of goods and services	7	169,790,714	131,956,902
General Expenses	8	25,484,878	31,181,048
Repairs and maintenance	10	3,885,996	5,202,873
PFRF Expenditure		1,565,789	37,368,721
Total payments		200,727,377	205,709,544
Net cash flows from/(used in) operating activities	22	-82,293,012	93,844,657
Cash flows from investing activities			
Purchase of PPE and Intangible assets	16	-11,103,450	-2,125,000
Proceeds from sale of PPE		-	-
Purchase of investments		-	-
Sale of investments		-	-
Net cash flows from/(used in) investing activities		-11,103,450	-2,125,000
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Proceeds from issue of shares		-	-
Net cash flows from financing Activities		-	-
Net increase/(decrease) in cash & Cash equivalents		-93,396,462	91,719,657
Cash and cash equivalents at 1 July, 2024		103,892,228	12,172,571
Cash and cash equivalents at 30 June, 2025	11	10,495,766	103,892,228

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17. Statement of Comparison of Budget and Actual Amounts for the year Ended 30 June, 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipt	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Sale of Furniture and Sundry	301,561,203	-	301,561,203	78,711,819	222,849,384	26
Total Income	301,561,203	-	301,561,203	78,711,819	222,849,384	26
Expenses					0	
Use of Goods and Services	231,970,156	-	231,970,156	99,175,616	132,794,540	43
Repairs and Maintenance	11,410,750	-	11,410,750	3,885,996	7,524,754	34
General Expenses	55,333,601	-	55,333,601	25,484,878	29,848,723	46
Total Expenditure	298,714,507	0	298,714,507	128,546,490	170,168,017	43
Capital Expenditure	314,829,809	0	314,829,809	11,103,450	303,726,359	4
Surplus for the period	-311,983,113	0	-311,983,113	-60,938,121	-251,044,992	4

**Budget notes**

**Explanation of material variances**

The Prison Industries Revolving Fund (PIRF), although operating under an approved budget, does not rely on exchequer funding but depends on income generated from its own revolving activities and accumulated reserves. The underfunding and over expenditure experienced during the year was primarily due to lower-than-expected revenue inflows from internal sources and delayed settlement of invoices by key institutional clients.

Despite the shortfall, production and rehabilitation programs had to continue—necessitating internal cash flow adjustments and reallocations within the Fund to sustain essential operations, including inmate training, procurement of raw materials, and maintenance of production machinery.

It is important to note that part of the Fund's planned operations was to be financed through accumulated savings from prior years. However, this was adversely affected by non-settlement of invoices by our key customers.

**Kenya Prisons Service (Prison Industries Revolving Fund) PIRF**  
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**Budget Reconciliation**

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	60,938,121
1	opening bank balance	103,892,228
2	Paid creditors	70,615,098
3	PFRF A.I.E	1,565,789
4	Refund from PFRF	37,368,721
5	Paid debtors	2,353,825
6	Reason for differences	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	10,495,766

## **18. Notes to the Financial Statements**

### **1. General Information**

The Prisons Industries Revolving Fund (PIRF) was established by Legal Notice No. 314 of the Exchequer and Audit Act (Cap 412) Regulations of 1988. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya (Prison Enterprises, Industries section of Kenya Prisons Service). The Directorate of Prisons Enterprise is positioned at the Prisons Headquarters, Magereza House in Nairobi and has branches in 111 industrial prisons countrywide.

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

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

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

#### **Capital Fund**

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

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

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

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

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

**Kenya Prisons Service (Prison Industries Revolving Fund) PIRF**  
**Annual Report and Financial Statements**  
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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 2025*

Standard	Effective date and impact:
IPSAS 43: Leases	<p><i>Applicable 1<sup>st</sup> January 2025</i></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 financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>No impact to the entity</i></p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>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:</p> <p>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.</p> <p><i>The items are held for disposal and are carried at their fair value-no impact.</i></p>
IPSAS 45-Property Plant and Equipment	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of</p>

**Kenya Prisons Service (Prison Industries Revolving Fund) PIRF**  
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Standard	Effective date and impact:
	<p>land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>No expected impact of the standard to the Entity</i></p>
<p>IPSAS 46 Measurement</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>No expected impact of the standard to the Entity</i></p>
<p>IPSAS 47- Revenue</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>No expected impact of the standard to the Entity</i></p>
<p>IPSAS 48- Transfer Expenses</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>No expected impact of the standard to the Entity</i></p>

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**Annual Report and Financial Statements**  
**For the year ended June 30, 2025.**

Standard	Effective date and impact:
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>No expected impact of the standard to the Entity</i></p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1<sup>st</sup> January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li> </ul> <p><i>No expected impact of the standard to the Entity</i></p>

ii. *Early adoption of standards*

The entity did not early – adopt any new or amended standards in year 2024/2025.

**Kenya Prisons Service (Prison Industries Revolving Fund) PIRF**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2025.**

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Notes to the financial statements (continued)

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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.

**b) Budget information**

The original budget for FY 2024-2025 was approved by the Principal Secretary for State Department for correctional Services on 1<sup>st</sup> July, 2024.

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

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

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

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

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

c) 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.

d) **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.

Summary of Significant Accounting Policies (Continued)

e) 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.

Non-current/Fixed assets

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

- Motor Vehicles 10%
- Machinery 5%
- Tools 33 1/3%
- Computers 5%
- Land and buildings 2.5%

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the *Entity*. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The *Entity* also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the *Entity* will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the *Entity*. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

**g) 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. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

**h) Biological Assets**

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

i) **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.

j) **Financial instruments**

The Prison Industries Revolving Fund does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.

a) **Financial assets**

**Classification of financial assets**

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

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Notes to the Financial Statements (Continued)  
Summary of Significant Accounting Policies (Continued)

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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.

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**

**Classification of financial assets**

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Summary of Significant Accounting Policies (Continued)

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Impairment**

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments are made by management in determining the expected credit loss (ECL).

**Classification**

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**i) Inventories**

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

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Notes to the Financial Statements (Continued)  
Summary of Significant Accounting Policies (Continued)

- 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.

**j) Provisions**

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

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

**k) Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

**l) 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.

**m) 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.

**n) Nature and purpose of reserves**

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

**o) 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.

**p) Employee benefits**

**Retirement benefit plans**

The *PIRF* does not provide retirement benefits for its employees and directors

**q) 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.

**r) 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.

Summary of Significant Accounting Policies (Continued)

s) Related parties

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

a) Service concession arrangements

The *Fund* analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Fund* recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

s) 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.

t) Comparative figures

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

u) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

**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. In this regard the management guesstimates that due to existing litigations in regards to Motor Vehicle number plates in case the ruling goes in favour of the plaintiff the going concern of the entity shall be affected greatly. Moreover, the uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liability affected in future periods.

**Estimates and assumptions**

The PIRF assumes that the prevailing court cases may be detrimental to the entity due to the colossal amounts of money required in case found culpable. 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

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Notes to the Financial Statements (Continued)

Significant Judgments and Sources of Estimation Uncertainty (Continued)

Useful lives and residual values

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

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

Provisions

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

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

6. Sale of Goods

Sales represent revenue collected from sale of furniture and other manufactured products by respective stations and surrendered at Prison Headquarters

Description	2024-2025	2023-2024
	Kshs	Kshs
Sale of goods – Cash Receipt	81,065,644	210,424,253
Sale of goods – Credit Sales	12,173,561	2,353,825
Previous year Prepaid receipt earned	89,129,949	26,419,934
Previous year debt settled during the year	-2,353,825	-79,218,915
<b>Total sales from the sale of goods</b>	<b>180,015,329</b>	<b>159,979,097</b>

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Notes to the Financial Statements (Continued)

7. Use of Goods and Services

Cost of goods sold

Description	2024-2025	2023-2024
	Kshs	Kshs
Opening Stock (1-7-2024)		
Raw Materials	196,424,598	159,345,046
Work in Progress	37,446,737	20,942,844
Finished goods	34,648,348	34,461,826
Purchases - (2211023)	155,530,495	166,093,120
	<b>424,050,178</b>	<b>380,842,836</b>
Less Closing Stock (30-06-2025)		
Raw Materials	136,771,973	196,424,598
Work in progress	30,942,198	37,446,737
Finished goods	81,771,571	34,648,348
Sub-Total	<b>249,485,742</b>	<b>268,519,683</b>
Cost of goods sold	<b>174,564,436</b>	<b>112,323,153</b>

Analysis of expenditure to cash flow - Production

Description	Total expenditure for the year	Owing expenses	Paid Expenses	Cash flow summary
	Kshs	Kshs	Kshs	Kshs
Supplies for production (purchases)	155,530,495	56,354,879	99,175,616	
Supplies for production (creditors)	157,034,298	86,419,200	70,615,098	169,790,714
Other Payment				

8. General expenses

Description	2024-2025	2023-2024
	Kshs	Kshs
Electricity	4,060,880	2,089,927
Water	127,336	93,598
Telephone		-
Travel Cost	28,690	342,504
Accommodation & Domestic Travel	3,091,660	3,020,300
Daily Subsistence Allowance	7,383,090	8,258,460
Subscription to news papers		219,000
Tuition fees	150,000	507,612
Catering Services	508,108	393,300
Purchase of uniforms	390,000	456,350
Office supplies	1,715,735	1,621,600
Supplies of computer accessories		2,084,700
Refined Lubricants and fuel	7,637,735	6,890,775

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Trade shows	1,914,425	2,348,050
School examinations (NITA)	195,000	1,041,000
Bank charges	51,927	17,927
Other fuel - wood fuel	1,750,000	2,893,100
Publicity and Advertisement		418,550
<b>Total general expenses</b>	<b>29,004,586</b>	<b>32,696,753</b>

**Analysis of expenditure to cashflow- General expenses**

Description	Total expenditure for the year	Owing expenses	Paid Expenses	Cash flow summary
	Kshs	Kshs	Kshs	Kshs
Electricity	4,060,880	90,208	3,970,671	
Water	127,336		127,336	
Telephone			-	
Travel Cost	28,690		28,690	
Accommodation & Domestic Travel	3,091,660		3,091,660	
Daily Subsistence Allowance	7,383,090		7,383,090	
Subscription to news papers			-	
Tuition fees	150,000		150,000	
Catering Services	508,108		508,108	
Purchase of uniforms	390,000		390,000	
Office supplies	1,715,735	1,096,200	619,535	
Supplies of computer accessories			-	
Refined Lubricants and fuel	7,637,735	1,985,300	5,652,435	
Trade shows	1,914,425	348,000	1,566,425	
School examinations (NITA)	195,000		195,000	
Bank charges	51,927		51,927	
Other fuel - wood fuel	1,750,000		1,750,000	
Publicity and Advertisement			-	
			-	
<b>Total</b>	<b>29,004,586</b>	<b>3,519,708</b>	<b>25,484,878</b>	<b>25,484,878</b>

**Analysis of expenditure to cashflow-Capital**

Description	Total expenditure for the year	Owing expenses	Paid Expenses	Cash flow summary
	Kshs	Kshs	Kshs	Kshs
Purchase of workshop Tools	10,647,950	1,700,500	8,947,450	
Cabro Machine	6,306,900	6,306,900	-	
Purchase of Software	1,856,000		1,856,000	
Security Bond	300,000		300,000	
<b>Total</b>	<b>19,110,850</b>	<b>8,007,400</b>	<b>11,103,450</b>	<b>11,103,450</b>

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9. Depreciation and Amortization Expense

Description	2024-2025	2023-2024
	Kshs	Kshs
Motor Vehicles	475,848	528,720
Carpentry	263,105	276,953
Tailoring	1,294,685	1,362,827
Printing	80,425	84,658
Metal	232,807	79,089
Number plates	524,370	551,969
Water plant	837,980	882,084
Leather	212,453	223,635
Coconut	8,174	8,604
Computer	267,545	281,626
Tools & Equipment	2,044,210	404,574
Building	165,268	169,505
Computer soft ware	-	0
<b>Total depreciation and amortization</b>	<b>6,406,870</b>	<b>4,854,244</b>

10. Repairs and Maintenance

Description	2024-2025	2023-2024
	Kshs	Kshs
Maintenance of property, building	2,422,350	1,033,945
Maintenance of equipment and machinery	790,000	2,685,022
Maintenance of motor Vehicles	820,908	1,483,906
Maintenance of computers and accessories	-	-
Refurbishment of Building	-	-
<b>Total repairs and maintenance</b>	<b>4,033,258</b>	<b>5,202,873</b>

Analysis of expenditure to cashflow - Maintenance

Description	Total expenditure for the year	Owing expenses	Paid Expenses	Cash flow summary
	Kshs	Kshs	Kshs	Kshs
Maintenance of MV	820,908	147,261.5	673,646	
Maintenance of Equipment	790,000	-	790,000	
Maintenance of Building	2,422,350	-	2,422,350	
<b>TOTAL</b>	<b>4,033,258</b>	<b>147,261.5</b>	<b>3,885,996</b>	<b>3,885,996</b>

II. Cash and Cash Equivalents

Description	2024-2025	2023-2024
	Kshs	Kshs
Current account (CBK)- Account Number 10000307498	10,495,766	103,892,228
<b>Total cash and cash equivalents</b>	<b>10,495,766</b>	<b>103,892,228</b>

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Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	2024/25	2023/2024
		Kshs	Kshs
a) Current Account			
Central Bank of Kenya	1000307498	9,162,308	103,223,191
eCitizen/Equity Bank, (on transit)	1600278522001	190,058	669,037
District treasury		1,143,400	
<b>Grand Total</b>		<b>10,495,766</b>	<b>103,892,228</b>

12.P.M.G

Financial institution	Account number	2024-2025	2023-2024
		Kshs	Kshs
b) Current account			
Paymaster General (PMG)		175,987,430	175,987,430
<b>Total</b>		<b>175,987,430</b>	<b>175,987,430</b>

PMG Account represents the un-transferred amount that is held in the former Ministry of Home Affairs Deposit Account on behalf of the Fund. The non-transfer, was effected by the reorganization of government in the financial year 2013/14 where the MOHA was merged with OP to form the new Ministry of Interior and Co-ordination of National government.

13 Receivables from Exchange Transactions

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

Receivables from Exchange Transactions

Description	2024-2025	2023-2024
	Kshs	Kshs
<b>Current receivables</b>		
Sale of goods debtors – Government institutions	158,457,508	184,415,706
Sale of goods debtors – Private customers	77,760	77,760
<b>Total current receivables</b>	<b>158,535,268</b>	<b>184,493,466</b>
<b>Total receivables</b>	<b>158,535,268</b>	<b>184,493,466</b>

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Receivables from Exchange Transactions (Current & Long-term)

Description	2024-2025	2023-2024
	Kshs	Kshs
Total current receivables(a)		
Service, water and electricity debtors	0	0
Other exchange debtors	13,739,350	39,723,572
Less: impairment allowance	(0)	(0)
	13,739,350	39,723,572
Current portion transferred to current receivables	(0)	(0)
Total non-current receivables(b)	144,795,918	144,769,894
Total receivables (a+b)	158,535,268	184,493,466

Ageing analysis for Receivables from exchange transactions

Description	2024-2025		2023-2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	13,739,350	8.7%	39,723,572	22%
Between 1- 2 years	6,333,143	4%	99,643,630	54%
Between 2-3 years	-	0%	-	0%
Over 3 years	138,462,775	87.3%	45,126,264	24%
Total (a+b)	158,535,268	100%	184,493,466	100%

Debtors Analysis

Description	2024-2025
	Kshs
Bal B/F	184,493,466
Add: New Debtors	12,173,561
Add: PFRF Expenditure	1,565,789
Less: Paid Debtors	(2,353,825)
Less: Payment by PFRF	(37,343,723)
Bal C/F	158,535,268

14 Inventories

Description	2024-2025	2023-2024
	Kshs	Kshs
Raw Materials	136,771,973	196,424,598
Work in Progress	30,942,198	37,446,737
Manufactured goods held for sale	81,771,571	34,648,348
Total inventories at the lower of cost and net realizable value	249,485,742	268,519,683

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15. Accumulated Reserve

Description	2024-2025	2023-2024
	Kshs	Kshs
Balance B/F	554,208,828	544,661,287
Earned Profit/Loss previous year F/Y	4,902,073	9,547,541
Transfer to Development	-	-
Prior year expensed Capital adjustment	-	-
Prior year under casted depreciation	-	-
Less Prior years unpaid creditors not recognised then	-	-
<b>Balance C/D</b>	<b>559,110,901</b>	<b>554,208,828</b>

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

**16 Property, Plant and Equipment**

Cost	Buildings	Motor Vehicles	Carpentry	Tailoring	Printing	Metal	Number plates	Water Plant	Leather	Coconut	Computer	Tools & Equipmt	Computer software	Scrap Machinery	Total
N.B.V. as at 30th June 2023	6,954,070	7,446,756	6,497,436	30,987,197	1,986,116	1,855,452	12,949,412	19,547,565	5,246,564	201,864	4,114,398	4,606,461		2,926,440	105,319,721
Additions											2,125,000				2,125,000
Disposals															
Transfer/Adjustments															
As At 30th June 2024	6,954,070	7,446,756	6,497,436	30,987,197	1,986,116	1,855,452	12,949,412	19,547,565	5,246,564	201,864	6,239,398	4,606,461		2,926,440	107,444,721
Additions						6,306,900						10,647,950	1,856,000		18,810,850
Disposals															
Transfer/Adjustments															
As At 30th June 2025	6,954,070	7,446,756	6,497,436	30,987,197	1,986,116	8,162,352	12,949,412	19,547,565	5,246,564	201,864	6,239,398	15,254,411	1,856,000	2,926,440	136,255,571
<b>Depreciation And Impairment</b>															
At July 2023	173,852	2,159,559	958,370	3,730,664	292,952	273,679	1,910,038	1,905,887	773,868	29,774	606,874	3,392,618			16,208,137
Depreciation	169,505	528,720	276,933	1,362,827	84,638	79,089	551,969	882,084	223,635	8,604	281,626	404,574			4,854,243
Impairment															
Transfers/ Adjustments															
As At 30 June 2024	343,357	2,688,279	1,235,323	5,093,491	377,610	352,768	2,462,007	2,787,971	997,503	38,379	888,500	3,797,192			21,062,380
Depreciation	165,268	475,848	263,105	1,294,685	80,425	232,807	524,370	837,980	212,453	8,174	267,545	2,044,210			6,406,870
Disposals															
Impairment															
Transfer/Adjustment															
As At 30th June 2025	508,625	3,164,127	1,498,428	6,388,176	458,035	585,574	2,986,377	3,625,951	1,209,956	46,553	1,156,045	5,837,236			27,465,084
<b>Net Book Values</b>															
As At 30th June 2024	6,610,713	4,758,477	5,262,103	25,893,706	1,608,505	1,502,684	10,487,405	16,759,594	4,249,061	163,485	5,350,898	809,269		2,926,440	86,382,341
As At 30th June 2025	6,445,445	4,282,630	4,998,998	24,599,021	1,528,080	7,576,777	9,963,035	15,921,614	4,036,608	155,311	5,083,353	9,413,009	1,856,000	2,926,440	98,786,321

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<b>Summary</b>		
Carpentry		4,998,998
Tailoring		24,599,021
Printing		1,528,080
Metal		7,576,777
Numberplate		9,963,035
Water Plant		15,921,614
Leather		4,036,608
Coconut		155,311
Tools&equipment		9,413,009
<b>Total</b>		<b>78,192,453</b>
Buildings		6,445,445
Motor Vehicles		4,282,630
Computer		5,083,353
Computer Software		1,856,000
Scrap Machinery		2,926,440
<b>Total</b>		<b>20,593,868</b>
<b>Grand Total</b>		<b>98,786,321</b>

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**Valuation**

Land and buildings/ Equipment (be specific) were valued by in line with the National Assets and Liabilities Management Policy and Guidelines (Issued 30<sup>th</sup> June 2020).

**17 Trade and Other Payables - Creditors**

Description	2024-2025	2023-2024
	Kshs	Kshs
Trade payables (exchange creditors)	154,473,448	157,034,298
<b>Total trade and other payables</b>	<b>154,473,448</b>	<b>157,034,298</b>

Description	2024-2025		2023-2024	
	Kshs		Kshs	
Trade payables	154,473,448		157,034,298	
Payments received in advance (note 18)			89,129,949	
<b>Total trade and other payables</b>	<b>154,473,448</b>		<b>246,164,247</b>	
Ageing analysis: (Trade and other payables)	2024-2025	% of the Total	2023-2024	% of the Total
Under one year	68,054,248	44	158,474,897	64
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	86,419,200	56	87,689,350	36
<b>Total (tie to above total)</b>	<b>154,473,448</b>	<b>100</b>	<b>246,164,247</b>	<b>100</b>

**18 Refundable Deposits and Prepayments from Customers**

Description	2024-2025	2023-2024
	Kshs	Kshs
Consumer deposits - Government		88,432,511
Consumer deposits - Private		697,438
<b>Total deposits</b>		<b>89,129,949</b>

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Description	2024-2025		2023-2024	
	Kshs		Kshs	
Consumer deposits - Government				88,432,511
Consumer deposits - Private				697,438
Other deposits				-
Total deposits				89,129,949
Ageing analysis: (Refundable deposits)	2024-2025	% of the Total	2023-2024	% of the Total
Under one year		0%	89,129,949	100%
1-2 years		0%	-	0%
2-3 years		0%	-	0%
Over 3 years		0%	-	0%
Total		100%	89,129,949	100%

## 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.

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Notes to the Financial Statements (Continued)

Financial Risk Management

The carrying amount of financial assets recorded in the financial statements representing the Entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>As at 30 June 2025</b>				
Receivables from exchange transactions	158,535,268	24,084,301	134,450,967	-
Receivables from non-exchange transactions	175,987,430	-	175,987,430	-
Bank balances	10,495,766	10,495,766	-	-
<b>Total</b>	<b>345,018,464</b>	<b>34,580,067</b>	<b>310,438,397</b>	<b>-</b>
<b>As at 30 June 2024</b>				
Receivables from exchange transactions	184,493,466	154,172,375	30,321,091	-
Receivables from non-exchange transactions	175,987,430	-	175,987,430	-
Bank balances	103,892,228	103,892,228	-	-
<b>Total</b>	<b>464,373,124</b>	<b>258,064,603</b>	<b>206,308,521</b>	<b>-</b>

(NB: The totals column should tie to the individual elements of credit risk disclosed in the Entity's statement of financial position)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Entity has significant concentration of credit risk on amounts. The board of directors sets the Entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated

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**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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>As at 30<sup>th</sup> June 2025</b>				
Trade payables		12,557,439	141,916,009	154,473,448
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>0</b>	<b>12,557,439</b>	<b>141,916,009</b>	<b>154,473,448</b>
<b>As at 30<sup>th</sup> June 2024</b>				
Trade payables	58,347,785	10,997,322	87,689,191	157,034,298
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>58,347,785</b>	<b>10,997,322</b>	<b>87,689,191</b>	<b>157,034,298</b>

**i) 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.

### Notes to the Financial Statements (Continued)

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

### 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.

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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:

	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	559,110,901	554,208,828
Capital reserve	14,000,000	14,000,000
<b>Total funds</b>	<b>573,110,901</b>	<b>568,208,828</b>
Total borrowings	-	-
Creditors	154,473,448	157,034,298
<b>Gearing ratio</b>	<b>0.27</b>	<b>0.27</b>

20 Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

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

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Description	2024-2025	2023-2024
	Kshs	Kshs
Transactions with related parties		
a) a) Sales to related parties		
Sales of MV number plates to govt agencies	-	-
Total		-
B) purchases from related parties		
Purchases of electricity from KPLC	4,060,880	-
Purchase of water from govt service providers	127,336	-
Catering Services	608,108	-
School examinations (NITA) trade test	195,000	-
Total	4,991,324	-
b) b) Grants /transfers from the government		-
Grants from national govt	-	-
Grants from county government	-	-
Donations in kind	-	-
Total	-	-
c) c) Expenses incurred on behalf of related party		-
Payments of salaries and wages for employees	-	
Payments for goods and services		-
Total		-
d) d) Key management compensation		
Directors' emoluments	-	
Compensation to key management	-	-
Total	-	-

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21 Contingent Assets and Contingent Liabilities

Contingent Assets

	2024-2025	2023-2024
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	-	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Others (Specify)	-	-
Total	-	-

Contingent Liabilities

	2024-2025	2023-2024
	Kshs	Kshs
Contingent liabilities		
Court case E321 of 2020 against the entity	USD 740,000	USD 740,000
Court case E255 of 2021 against the entity	Euros 1,269,083.92	Euros 1,269,083.92
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs	Euros 384,520.38	Euros 384,520.38
Contingent liabilities arising from contracts including PPPs	USD 718,610	USD 718,610
Others (Specify)	-	-
Total	Nil	Nil

Case E321 of 2020 was filed by Tropical Technology Limited against the State Department for Correctional Services for specific performance of a contract for supply of Motorized vehicle number plates manufacturing raw materials while also the same Supplier has sought for payment through a demand letter for materials worth USD 718,610 delivered at Kamiti Prison Industries on the same order however the materials were not inspected and accepted by the receiving committee.

**22 Cash Generated from Operations**

Description	2024-2025	2023-2024
	Kshs	Kshs
<b>Surplus for the year before tax</b>	- 33,993,822	4,902,073
<b>Adjusted for:</b>		
Depreciation	6,406,870	4,854,244
Non-cash grants received	-	-
Contributed assets	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
<b>Working capital adjustments</b>		
Increase in inventory	19,033,941	- 53,769,967
Increase in receivables	25,958,198	39,495,202
Increase in deferred income		10,047,572
Increase in payables	- 10,568,250	35,653,089
Increase in payments received in advance	- 89,129,949	62,710,015
<b>Net cash flow from operating activities</b>	<b>- 82,293,012</b>	<b>103,892,228</b>

**23 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 2024/2025 Nil) and hence no remittance to the Consolidated Fund.*

**24 Events after the Reporting Period**

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

**25 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.

**26 Currency**

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

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**19. Appendices**


**Appendix I: Implementation Status of Auditor-General's Recommendations**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
301. Unsupported cash (P.M.G) balance Kshs. 175,987,430.	The statement of financial position as at 30 June, 2019 reflects a balance of Kshs 175,987,430 against a Paymaster General Account as at 30 June 2019. This balance represents amounts held on behalf of the Fund in the former Ministry of Home Affairs Deposit Account and which was yet to be transferred to the Fund's new account as of 30 June 2019. However, no documentary evidence in the form of bank certificate or bank reconciliation statements of the said deposit account has been provided to support this balance.	The mnegt has continued engaging relevant authorities seeking transfer of Kshs 175,987,430.00 The non- transfer, was affected by the reorganization of government in the financial year 2013/14 where the MOHA was merged with OP to form the new Ministry of Interior and Co-ordination of National government.	HAU- state dept for correctional services	Not Resolved	Awaiting PAC recommendation
304. Stalled projects - supply and delivery of motorized vehicle number plate blanks Tender NO. KPS/T/ICB/10/2014-2017	During audit inspection and verification at Kamiti main prison industry it was noted that there is a three (3) year contract for tender supply and delivery of motorized vehicle number plate blanks tender no. KPS/T/ICB/10/2014-2017 which had stalled but contract validity period is still running. The contract was signed on 7 <sup>th</sup> November 2017 and the modern number plate's production machine was officially installed and officers trained on how to operate the machines. However, as indicated in the commissioner General of prisons' response Ref.17/17/vol.iv dated 30 <sup>th</sup> October 2019, proceed once the laser marking machines are in place.	It is true that the machines were procured and installed in 2016 at a cost of Kshs 15, 295,500.00. The required machines, equipment and raw materials for new generation number plates are ready except laser marking machine used for final validation of number plates. The roll out of the project is expected to commence once the laser marking machine is in place.	Legal office - State dept for correctional services	Not Resolved	Awaiting PAC recommendation and conclusion of the court case
Unsupported Cash and Cash Equivalent	The statement of financial position reflects balance of Kshs 593,362,910.39 in respect to cash and cash equivalent. The closing bank balances are derived from the total revenues collected net of the total expenditures and is supported by the CBK bank account statement as at the date of closure.	It is true the statement of financial position reflects balance of Kshs 593,362,910.39 in respect to cash and cash equivalent. The closing bank balances are derived from the total revenues collected net of the total expenditures and is supported by the CBK bank account statement as at the date of closure. The books of the fund were closed on 19 <sup>th</sup> July 2021. This was necessitated by some transactions which had not cleared in the IFMIS system but cleared after 30 <sup>th</sup> June, 2021. The Prison fund maintains one cashbook and one CBK bank account which serves both Prison Industry Revolving Fund and Prison Farms Revolving Fund. Transactions in the cashbook are identified by use of either code 087 for Prison Industry and code 089 for Prison Farms Revolving Fund. The State Department sought authority from treasury for separation of the bank accounts but was advised to update the Prison Industry Fund regulation and Prison Farms regulations to align with the Public Finance Management Act before being granted the authority. The Prison Industry Fund is a unique case that relies heavily on the normal State Department operations hence the need to harmonize the cut-off date.	HAU- state dept for correctional services	Not Resolved	Six months for review of the legal notices

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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)
Long Outstanding Creditors	<p>The statement of financial position reflected an amount of Kshs 312,345,174 being creditors that were not settled during the financial year and have been outstanding for several years but were instead carried forward.</p> <p>Wherein among the creditors listed are government entities like NITA and ASK who are owed Kshs 82,921,500 and Kshs 300,000 respectively</p> <p>It is true that failure to settle the bills may lead to supplier frustration which may also result to shortages in supplies and inefficiency in service delivery</p>	<p>The statement of financial position reflected an amount of Kshs 312,345,174 being creditors that were not settled during the financial year and have been outstanding for several years but were instead carried forward.</p> <p>Wherein among the creditors listed are government entities like NITA and ASK who are owed Kshs. 82,921,500 and Kshs. 300,000 respectively</p> <p>It is true that failure to settle the bills may lead to supplier frustration which may also result to shortages in supplies and inefficiency in service delivery. The payment vouchers were forwarded for settlement at SDCS due diligence had to be exercised before settlement of the bills</p> <p>Out of the Kshs 312,345,174 owed to creditors, Kshs 214,067,854.00 (Annex 4) had been paid by 31st March, 2022 and the remaining Kshs 98,277,320.00 is being processed.</p>	HAU-state dept for correctional services	Not Resolved	Awaiting funds & verification
Stalled Project for Production of Modern Motorized Vehicle Number Plates and Supply of Motorized Vehicle Number Plates Blanks	<p>During audit inspection and verification at Kamiti main prison industry it was noted that there is a three (3) year contract for tender supply and delivery of motorized vehicle number plate blanks tender no. KPS/T/ICB/10/2014-2017 which had stalled but contract validity period is still running. The contract was signed on 7<sup>th</sup> November 2017 and the modern number plate's production machine was officially installed and officers trained on how to operate the machines.</p> <p>However, as indicated in the commissioner General of prisons' response Ref 17/17/vol iv dated 30th October 2019, proceed once the laser marking machines are in place.</p>	<p>Kenya Prisons Service started the process of modernizing number plate production in 2014 but the process faced challenges in securing funds as well as stakeholder's divergent views.</p> <p>The decision to migrate from the old to new generation motor vehicle number plates was arrived at during a consultative stakeholders meeting convened by the Principal Secretary, State Department of Transport on 6th August, 2014.</p> <p>Commissioner General of Prisons wrote to Principal Secretary, State Department of Coordination Letter Ref No. PRIS17-13/VOL.II/ (160) dated 22nd December 2014 seeking authority for advertisement of motor vehicle number plate blanks and hot stamping which are the raw materials for production of new generation motor vehicle number plates. The principal secretary granted approval on the same date.</p> <p>The process has been frustrated by the court case between the State Department and the contractors</p> <p>The machines were procured and installed in 2016 at a cost of Kshs 15,295,500.00. The required machines, equipment and raw materials for new generation number plates are ready except laser marking machine used for final validation of number plates. The roll out of the project is expected to commence once the laser marking machine is in place and after the conclusion of the court case</p>	Legal office - State dept for correctional services	Not Resolved	Awaiting conclusion of court case & SFAC recommendation

  
Dr. Salome Wairimu Muhia-Beacco  
Principal Secretary,  
State Department for Correctional Services, Nairobi.

Date: 29/10/25

