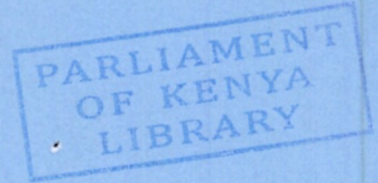


REPUBLIC OF KENYA



REPORT




OF

THE AUDITOR-GENERAL

ON

**PRISON FARMS 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 (HON. KIMANI ICHUNGWATH)
CLERK-AT-THE-TABLE:	J. LEMERELLE



KENYA PRISON SERVICE
(Prison Farms Revolving Fund - PFRF)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2025

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

Kenya Prisons Service (Prison Farms Revolving Fund – PFRF)
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I. 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
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
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
DPF	Director of Prison Farms
MARK	Marketing
SFO	Senior Finance Officer
SO/Adm	Staff Officer Administration
SO/PFRF	Staff Officer Prison Farms Revolving Fund
SSCMO	Senior Supply Chain Management Officer
OCP	Officer in Charge Prison
OSHA	Occupational Safety and Health Act
FM	Farm Managers
PE	Prison Enterprises
PF	Prison Farms
PI	Prison Industries
PFRF	Prison Farms Revolving Fund
PIRF	Prison Industries Revolving Fund
PS-MRP	Principal Secretary Responsible for Prison Affairs

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PS- NT	Principal Secretary for National Treasury
RPC	Regional Prisons Commander
VT	Vocational Training
PPADA	Public Procurement and Asset Disposal Act
ZBB	Zero Based Budget
KEPHIS	Kenya Plant Health Inspectorate Service

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.

2. Key Entity Information and Management

(a) Background information

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

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

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

ESTABLISHMENT OF THE FARMS REVOLVING FUND

LEGAL NOTICE No. 87

THE EXCHEQUER AND AUDIT ACT (Cap. 412)

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

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

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

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

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

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

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

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

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

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

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

Act.

Made on the 8th April, 1993.

W. M. MUDAVADI,
Minister for Finance

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(b) Principal Activities

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

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

OUR CORE VALUES

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

(c) Key Management

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

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 Farm	Mr. Patrick Kariri, OGW, MKIM, SOCAA
4.	Officers in Charge - Prison Stations	Various
5.	Prison Farms Managers	Various

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(d) Fiduciary Management

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

No.	Designation	Name
1.	Principal Secretary, State Department for Correctional Services	Dr. Salome Wairimu Muhia-Beacco, CBS
2.	Commissioner General of Prisons	Patrick M. Aranduh, CBS
3.	Director of Prison Farms	Mr. Patrick Kariri, OGW, MKIM, SOCAA
4.	Head of Finance	Walter Oselu, SCFO CPA Robinson Otundo CFO
5.	Head of Procurement	George Mwaura Njane, D/DSCM Nathan Mwiti DSCM
6.	Head of Accounting Unit	CPA Johnson Njuguna, DAG CPA Simon K.Kiriiba (SDAG)) ICPAK No 5432
8.	Prison Farms Accountants	CPA Ann Mwangi CPA Benson Irungu, ASP

(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 30th 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.

- 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) PFRF Headquarters
P.O. Box 30175-00100
Magereza House
Bishop Road - Upperhill
Nairobi, KENYA
Registered Office
P.O. Box 30478-00100
Teleposta Building
Nairobi, KENYA

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(g) PFRF Contacts

Telephone: (254) 20-2722900-6

E-mail: commissioner.prisons.go.ke

Website: www.go.ke

(h) Entity Bankers

1. Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

NAIROBI, KENYA

2. Equity Bank of Kenya

Kenyatta Avenue Supreme

P.O BOX 75104-00200

NAIROBI, KENYA

(i) Independent Auditor

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General

State Law Office



Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

3. Key Management Team

Board Members photo and name.	Board Members key qualifications and work experience.
 <p>Dr. Salome Wairimu Muhia-Beacco, CBS <u>Principal Secretary</u></p>	<p>Dr. Salome Wairimu Muhia-Beacco, CBS is the Principal Secretary, State Department for Correctional Services, Ministry of Interior and National Administration having been appointed on 31st May, 2023. Prior to this appointment, she was a consummate professional in the field in legal practice with over 25 years' experience as Founding Partner at Wanyonyi & Muhia Advocates. 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>Ms. Salome is an Advocate of the High Court of Kenya. She is also an ACII London Chartered Insurer.</p> <p><u>EDUCATIONAL BACKGROUND</u></p> <ul style="list-style-type: none"> * Doctorate of Philosophy in ..(PHD) UON * Master's Degree in Leadership and Governance (LLM) UON * Diploma in Legal Studies from the Kenya School of Law * Bachelor's degree in Law (LLB), UON
 <p>Mr. Patrick M. Aranduh, CBS <u>Commissioner General of Prisons</u></p>	<p>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>I took the command of the Kenya Prisons Service as the Commissioner General of Prisons (CGP) from 15th 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>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 & General Duties officer.</p> <p>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>Qualifications:</p> <ul style="list-style-type: none"> * Master in Leadership and Governance - KU (2019 - continuing) * Bachelor of Security Mgmt. & Policing Studies - KU (2016-2019) * Diploma in Crime Mgmt. and Prevention - KU (2014-2016) * Strategic Leadership Dev't Programme-KSG Oct 2018 * Public Service Integrity Program - KIM Oct- Nov. 2002 * Senior Management Course, - KIM Sept- Oct. 2001



Mr. Patrick Kariri, OGW, MKIM, SOCAA
Director Prisons Farms

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

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

Has 17 years related work experience in the Public sector having worked in the following Government departments:

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

Qualifications:

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

4. Statement by the Principal Secretary

It is my pleasure to release the Prisons Farms Revolving Fund Financial Statement and Report for the year ended 30th June, 2025. The Fund has continued to fulfil its set purpose and objective of training and rehabilitation of prisoners and operating in accordance with business principles.

The Prison Farms Revolving Fund has continued to meet its set purpose and objectives of providing funds required for the development and running of prison farms for agricultural training of prisoners and inmates since its establishment in 1993. Besides offering vocational and on- the- job training to prisoners, prison farms make valuable contribution to the economy of the country by producing a pool of skilled farmers critical for the agricultural sector in line with Vision 2030 and the Government's Bottom-up Transformation Agenda (BETA).

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

The Prison Farms also embraced zero based budgeting for F/Y 2024/2025 in order to improve in efficiency and be effective in operations. Zero Based Budget(ZBB) entailed preparing the budget from the scratch with a zero-base which also involved re-evaluating every line item of cash flow statement and justifying all the expenditures that are incurred by the section.

The ZBB laid emphasis on identifying tasks and then funding those expenses irrespective of the current expenditure structure and identified ninety seven (97) farms for the same.

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During the year under review, the Fund realized a net profit of Kshs. **15,051,729**. This impressive financial performance of the Fund indicates that prison farms are increasingly supplying more food to the prisons as food and ration. This is a clear indication that Prison Farms Revolving Fund is on course to achieve our strategic objective of making prisons self-sufficient in food production.

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

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

Name Dr. Salome Wairimu Muhia-Beacco, CBS Signature  Date 

Principal Secretary,

State Department for Correctional Services, Nairobi.

5. Report of the Commissioner General of Prisons

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


The establishment of Prison Farms Revolving Fund in 1993 has provided the much-needed support for prisons farming activities by ensuring timely and reliable source of money required for procurement of farm inputs. During the year under review, the fund supported farming activities in ninety seven (97) agricultural prisons vide the Zero-Based budgeting (ZBB) across the country and offered agricultural training to over ten thousand (10,000) prisoners in various fields.

Rehabilitation of prisoners through agricultural training in modern farming methods and technology is one of the most appropriate trainings for prisoners as agriculture is the backbone of Kenya's economy. Prisoners who benefit from agricultural training in prison farms leave prisons with sufficient and relevant skills ready to be absorbed and integrated into the fast-growing agricultural sector. This does not only provide chance for prisoners to get employment but also contribute to national food security and poverty reduction in line with Vision 2030 and the Big Four Agenda of the Government.

Food produced from prison farms is supplied to prisoners' ration and paid for by the State Department for Correctional Services at a subsidized cost and the money realized is recycled to the Fund for further training and food production. In the financial year 2024/2025, prison farms supplied to the prisoner's food and ration. This has helped the prisons to reduce the cost of feeding prisoners and ensure fresh and nutritious supply of food for prisoners. However, food supplied to prisoners' food and ration from prison farms is just a drop in the ocean. Food requirement in prisons is one of the biggest concerns for the government today and the Fund has a great opportunity to fully utilize all available land and prisoners labour to bridge this gap.

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

Name Patrick M. Aranduh, CBS
Commissioner General of Prisons,
Kenya Prisons Service, Nairobi.

Signature:  Date: 29/10/2025

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6. Statement of Performance against Predetermined Objectives for FY 2024/2025
 Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

PFRF has three (3) strategic objectives within the current Strategic Plan for the FY 2024-2025. These strategic themes/ issues are as follows:

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

Pillar/theme/issue 2: Procure necessary farm inputs, farm tools and equipment.

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

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

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

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

7. Corporate Governance Statement

7.1 Introduction

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

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

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

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

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

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

7.2. Cabinet Secretary



The Prison Farms 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.

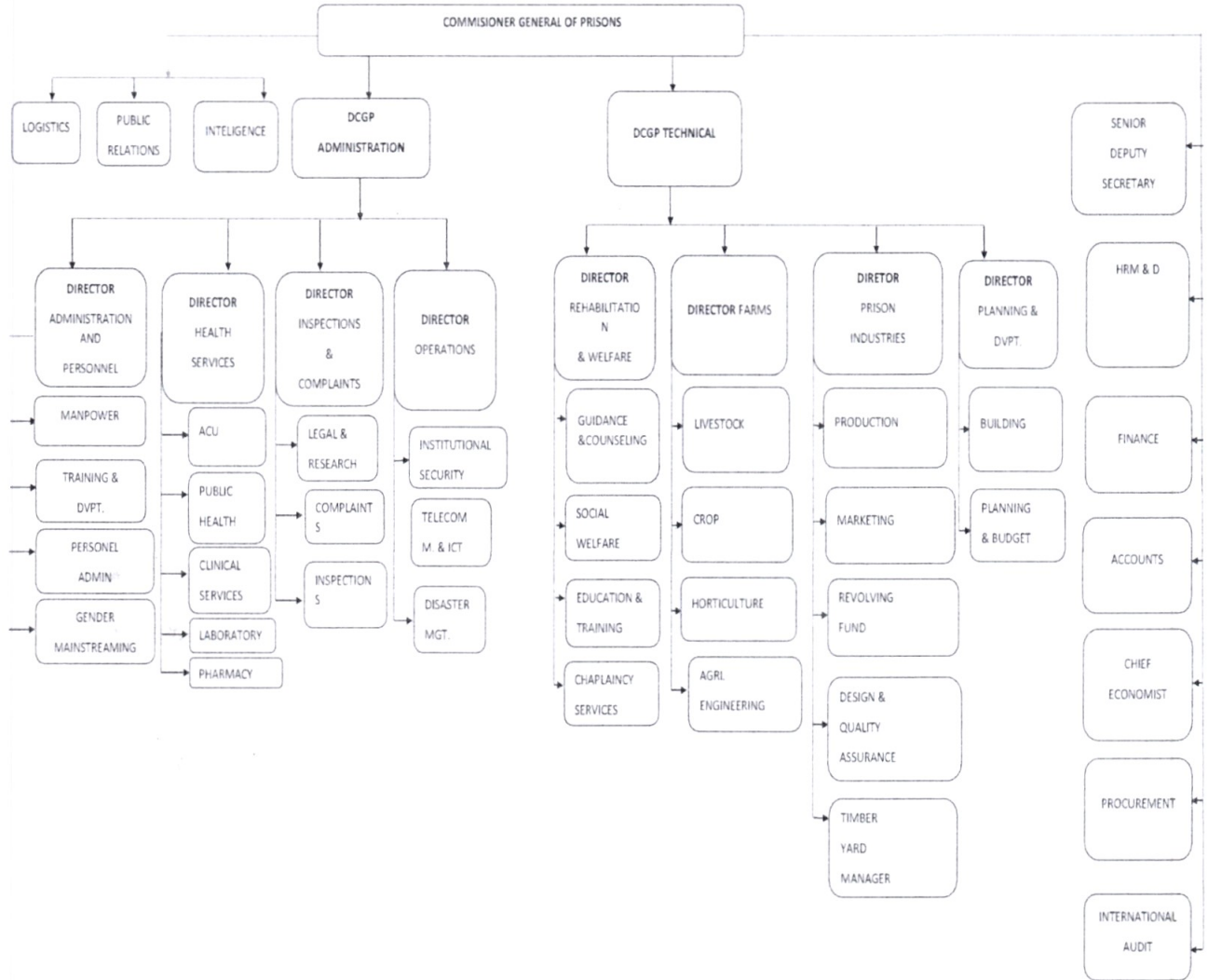
Implementation of strategic initiatives is closely monitored, with structured quarterly reporting throughout the planning period. These reports form the basis for evaluating progress toward the achievement of the Service's strategic objectives and enhancing accountability.

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.

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APPROVED ORGANIZATION STRUCTURE FOR KENYA PRISONS SERVICE



8. Management Discussion And analysis

Statement by the Director Prisons Farms

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

During the financial year 2024/2025, the operations of Prisons Farms Revolving Fund remained focused on the set purpose and objectives. As a result, the performance of the Fund was impressive. Prison farms remained as centres of training and learning for prisoners and by extension demonstration farms for the local communities. The number of prisoners joining agricultural training in various fields increased. Besides employing technical agricultural prison officers in the training programme, prison farms also partnered and collaborated with Government and agro-business organizations key among them being Kenya Forestry Service, Faraja Trust, Resource Oriented Initiative (Rodi), KEPHIS and local universities. The joint collaboration enriched the training program, exchange of best practices and lessons learnt in the field of agriculture.

During the year under review, the Fund also experienced great expansion and intensification of large-scale farming in the 97 farm stations financed vide Zero Based Budgeting where the farms increased livestock farming, hay growing and potato & rice farming. More over Prison Farms planned to increase value in its products by procuring Maize and rice millers

Generally, the year 2024/2025 has seen marked improvement despite floods which greatly affected our farming. The year's performance is impressive despite the challenges and plans have been formulated and piloted to scale up food production from prison farms for prison's food self-sustainability.

PFRF projected performance for F/Y 2024/2025

In the year under review, Prisons Farms Revolving Fund projected to spend Kshs 264,040,448.00 comprising of Kshs 152,331,225.00 for purchase of farm inputs - Veterinarian supplies & materials, Agricultural Material (Fungicides, Insecticides and Sprays), Agricultural Material, supplies & small equip and Purchase of Uniform and Clothing; Kshs 15,822,430 for Purchase of Certified crop seed, Kshs. 3,502,301 for purchase of breeding stock and Kshs 92,384,492 for operational expenditure.

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

By utilizing the above the Prison farms projected to realize revenue of Kshs. 274,193,500 hence realizing a surplus of Kshs 10,153,052 during the period.

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The farms also intended to incur capital expenses in construction of buildings, purchase of motor vehicles, Computers, Machines and Equipment estimated to cost Kshs 138,859,705.

FINANCIAL YEAR	SALES	EXPEDITURE	SUPPLUS	ASSETS	LIABILITIES
2024 -2025	130,983,637	115,931,908	15,051,729	613,964,562	47,846,783
2023-2024	154,727,085	140,790,966	13,936,119	608,789,263	55,914,880
2022-2023	151,539,251	145,868,473	5,670,778	639,653,875	101,448,914



Actual Performance

Purchase of farm inputs and materials

Prison Farms utilized farm inputs and materials worth Kshs 59,627,389 during 2024/2025 financial year and generated revenue of Kshs. 130,983,637. The budget absorption was low which led to revenue shortfall due to dynamic weather conditions, and other economic exigencies.

Operating overheads/expenditure

The fund incurred an expenditure of Kshs 59,304,519 on operating expenses whilst managing the daily operations of the enterprises.

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

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

9. Environmental and Sustainability Reporting

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

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

i) Sustainability strategy and profile

The Directorate of Prison Farms (DPF) is the technical division of the Department that manages Farming business units in most of the State's prisons. It employs an average of ten thousand (10,000) prisoners per day throughout the State's facilities. PFs workforce covers a broad range of farming including horticulture, afforestation, dairy farming among others.

Environmental performance

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

ii) Employee welfare

The Directorate of Prisons Farms (DPF) is a division in Kenya Prisons Service that manages farms business units in most of the State's prisons. It employs an average of ten thousand (10,000) prisoners per day throughout the State's facilities.

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

iii) Market place practices-

These are outlined here below:

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

The organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices. All the procurement and disposals are guided by the PPAD Act,2015 and Public Procurement and disposal Regulations, 2020 .
E.g, open tenders

c) Responsible marketing and advertisement

PE (farms) operates under a very clear directive to avoid competing with main stream business, but seeks opportunities that will deliver vocational training in an environment supervised by suitably qualified trained people. Efforts to maintain ethical marketing practices.

d) Product stewardship

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

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

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

The Prisons farms employ an average of ten thousand (10,000) prisoners per day throughout the State's facilities and are regarded as significant prisoner rehabilitation subject. DPF fosters work ethics, develops prisoner skills and trains prisoners in modern work techniques.

Prison Farms workforce covers a broad range of processing operations including general farm engineering, animal husbandry, horticulture, bee keeping, crop farming and floriculture which

contributes to the Department's needs in the provision of food sustainability and training of inmates.

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

Some of the Authority's most notable CSR activities include, provision of planting seedlings to communities and government agencies, donation of food stuff to the needy communities, donation of food stuff during the annual uniformed discipline forces thanksgiving prayer ceremonies etc.

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

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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 *Prisons farm's Revolving fund* affairs.

i) Principal activities

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

ii) Results

The results of the PFRF for the year ended June 30, 2025, are set out on page 1 to page 43.

iii) Management Team

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, Mr. Patrick Aranduh, CBS, and Director Prison Farms Mr. Patrick Kariri, OGW, MKIM, SOCAA.

iv) Surplus remission

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

v) Auditors

The Auditor General is responsible for the statutory audit of the PFRF in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act ,2015..

By Order of the Accounting Officer,



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

Date24/10/25

II. Statement Of Officer Administering the Fund Responsibilities

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

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

The Officer administering the Fund accepts responsibility for the *Prison Farms Revolving Fund* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Officer administering the Fund is of the opinion that the *Prison Farms Revolving Fund* financial statements give a true and fair view of the state of *Fund* transactions during the financial year ended June 30, 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 Farms Revolving Fund* which have been relied upon in the preparation of the *Funds* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The *Prison Farms Revolving Fund* financial statements were approved by Principal Secretary State Department for Correctional Services, Ministry of Interior and National Government on 24/10/ 2025 and signed on its behalf by:



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

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

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

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 Farms Revolving Fund set out on pages 1 to 43 which comprise of the statement of financial position as at 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 Farms 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. Inaccuracies of the Financial Statements

1.1 Unbalanced Budget

The statement of comparison of budget and actual amounts reflects budgeted receipts of Kshs.274,193,500 and budgeted expenditure totalling Kshs.305,540,448 which comprised of recurrent and capital expenditure of Kshs.41,500,000 and Kshs.264,040,448 respectively, indicating an unbalanced position with a variance of Kshs.31,346,948. This was also contrary to Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015 which provides that budget shall be balanced.

1.2 Net Cash Flow from Operating Activities

The statement of cash flows reflects a balance of Kshs.37,273,958 in respect of net cash flow from operating activities as disclosed in Note 22 to the financial statements. The balance includes an increase in receivables of Kshs.16,523,327. However, the statement of financial position reflects receivables from exchange transactions for the 2023/2024 and 2024/2025 financial years of Kshs.100,210,528 and Kshs.64,458,226, respectively representing a decrease in receivables by Kshs.35,752,302 resulting to an unexplained variance of Kshs.19,228,975.

In the circumstances, the accuracy of the financial statements could not be confirmed.

2. Unsupported Revaluation Reserves

The statement of changes in net assets reflects revaluation reserves balance of Kshs.18,470,325 which includes revaluation loss balance of Kshs.1,808,334 in respect of revaluation of biological assets. However, the balance was not supported with evidence of valuation reports for the biological assets from competent authorities.

In the circumstances, the accuracy and completeness of the revaluation reserves balance of Kshs.18,470,325 could not be confirmed.

3. Unsupported Cash and Cash Equivalents

The statement of financial position reflects a negative cash and cash equivalents (Bank) balance of Kshs.1,540,789 as disclosed in Note 11(a) to the financial statements. However, as reported previously, one cash book and a single bank account was maintained in the year under review for recording of financial transactions for both the Prison Farms Revolving Fund and the Prisons Industries Revolving Fund, yet the two (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 the circumstances, the accuracy and completeness of the negative bank balance of Kshs.1,540,789 could not be confirmed.

4. Unsupported Pay Master General (PMG) Balance

The statement of financial position reflects a balance of Kshs. 56,021,755 in respect of Pay Master General (P.M.G.) Account as disclosed in Note 11 to the financial statements. As reported previously, 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. No documentary evidence was provided to support the balance.

In the circumstances, the existence and recoverability of the P.M.G balance of Kshs.56,021,755 could not be confirmed.

5. Long Outstanding Receivables

The statement of financial position reflects a balance of Kshs.64,458,226 in respect of receivables from exchange transactions. As disclosed in Note 12 to the financial statements, the receivables balance of Kshs.64,458,226 includes an amount of Kshs.6,021,680 which has been outstanding for a period between 1-2 years. However, an amount of Kshs.18,324,328 was paid by various correctional facilities between July and August 2025 leaving an outstanding receivables balance of Kshs.46,133,898. No explanation was provided for the non-recovery of the long outstanding receivables balance.

In the circumstances, the recoverability of the long outstanding receivables balance of Kshs.46,133,898 could not be confirmed.

6. Unsupported Inventories Balance

The statement of financial position reflects a balance of Kshs.260,959,638 in respect of inventories as disclosed in Note 13 to the financial statements. The balance includes amounts of Kshs.223,867,934, Kshs.29,889,399 and Kshs.7,202,305 relating to growing crops, harvested crops and farm inputs, respectively. However, the balances were not supported with stock take sheets and Board of Survey Reports to indicate the measurement and recognition of the biological assets as required under International Public Sector Accounting Standards 27.

In the circumstances, the completeness, existence and fair value of the inventories balance of Kshs.260,959,638 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Prison Farms 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.274,193,500 and Kshs.72,547,091 respectively resulting to an underfunding of Kshs.201,646,409 or 74% of the budgeted revenue. Similarly, the Fund spent an amount of Kshs.93,534,801 against actual receipts of Kshs.72,547,091 resulting to an overutilization of Kshs.20,987,710 or 28% of the actual receipts.

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

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, 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 and Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Fund in 2024/2025 revealed that the following three (3) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2023/2024	Long outstanding receivables
2	2023/2024	Unsupported Cash And Cash Equivalents
3	2023/2024	Failure to use Information Technology in Finance and Procurement Departments

Other Information

The Management are responsible for the Other Information set out on page v 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, I confirm that nothing 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

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

Grounded and Unserviceable Assets

Review of the asset register revealed various assets with a scrap value of Kshs.1,096,300 and other assets classified as grounded or unserviceable with an estimated value of Kshs.2,542,355. Management has not indicated the measures put in place to dispose and or de-recognize 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 Farms Revolving Fund) PFRF
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For the year ended June 30, 2025.**

13. Statement of Financial Performance for the year ended 30 June 2025

	Notes	2024-2025	2023-2024
		Kshs	Kshs
Revenue from exchange transactions			
Sale of goods	6	130,983,637	154,727,085
Total receipts		130,983,637	154,727,085
Expenses			
Use of goods and services	7(a)	59,627,389	74,003,141
Depreciation and amortization expense	10	16,830,361	19,799,533
Repairs and maintenance	9	4,764,944	5,428,250
General expenses	8(a)	34,709,214	41,560,041
Total expenses		115,931,908	140,790,966
Other gains/(losses)			
Surplus/(deficit) for the period/year		15,051,729	13,936,119
Net Surplus for the year		15,051,729	13,936,119

The notes set out on pages 6 to 43 form an integral part of these Financial Statements.

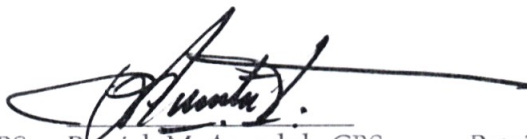
Prepared by 
CPA Simon K. Kiriiba (SDAG))

ICPAK No 5432

The Financial Statements set out on pages i to 43 were signed on behalf of the management by:



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



Patrick M. Aranduh, CBS
COMMISSIONER GENERAL
OF PRISONS



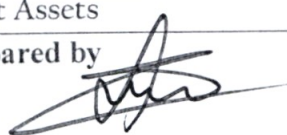
Patrick Kariri, OGW, SOCAA
DIRECTOR PRISON
FARMS

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

14. Statement of Financial Position as at 30 June 2025

	Notes	2024-2025	2023-2024
		Kshs	Kshs
Current Assets			
Cash and cash Equivalent (Bank)	11	(1,540,789)	(36,958,748)
P.M.G.	11	56,021,755	56,021,755
Receivables from Exchange Transactions	12	64,458,226	100,210,528
Inventories	13	260,959,638	247,112,540
Investments	14	2,364,895	2,364,895
Total Current Assets		382,263,725	368,750,970
Non-Current Assets			
Property, Plant and Equipment	17a	183,574,617	195,639,413
Livestock	17b	48,126,220	44,398,880
Total Noncurrent Assets		231,700,837	240,038,293
Total Assets(A)		613,964,562	608,789,263
Current Liabilities			
Trade and Other Payables	15	47,846,783	55,914,880
Total Liabilities (B)		47,846,783	55,914,880
NET ASSETS (A-B)		566,117,779	552,874,383
Financed by			
Accumulated reserves	16	524,535,554	512,407,769
Capital investment reserve	14	2,364,895	2,364,895
Prisons farm fund account	19	4,200,000	4,200,000
Assets From Development Fund	20	19,965,600	19,965,600
Net Profit/Loss		15,051,729	13,936,119
Net Assets		566,117,779	552,874,383

Prepared by



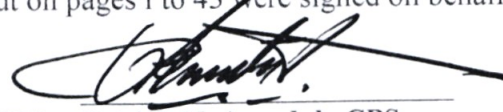
CPA Simon K. Kiriiba (SDAG)
ICPAK No 5432

The Financial Statements set out on pages i to 43 were signed on behalf of the management by:



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

Date.....24/10/25.....



Patrick M. Aranduh, CBS
COMMISSIONER GENERAL
OF PRISONS

Date.....24/10/25.....



Patrick Kariri, OGW, SOCAA
DIRECTOR PRISON
FARMS

Date.....24/10/2025.....

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15. Statement of Changes in Net Assets for the year ended 30 June 2025

	notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/Development Grants/Fund	Total
As at July 1, 2023		4,200,000	19,545,356.20	2,364,895	492,129,109.94	19,965,600	538,204,961
Issued new capital		-	-	-	-	-	0
Revaluation gain		-	733,303.00	-	-	-	733,303
Transfer of excess depreciation on revaluation		-	-	-	-	-	0
Deferred tax on excess depreciation		-	-	-	-	-	0
Fair value adjustment on quoted investments		-	-	-	-	-	0
Surplus/ Deficit for the year		-	-	-	13,936,119.29	-	13,936,119
Capital/Development grants received during the year		-	-	-	-	-	0
Inter-Ministerial Transfer		-	-	-	-	-	0
As at June 30, 2024		4,200,000	20,278,659	2,364,895	506,065,229	19,965,600	552,874,383
As at July 1, 2024		4,200,000	20,278,659	2,364,895	506,065,229	19,965,600	552,874,383
Issue of new share capital		-	-	-	-	-	0
Revaluation gain	21	-	(1,808,334)	-	-	-	-1,808,334
Transfer of excess depreciation on revaluation		-	-	-	-	-	0
Deferred tax on excess depreciation		-	-	-	-	-	0
Fair value adjustment on quoted investments		-	-	-	-	-	0
Surplus/ deficit for the year		-	-	-	15,051,729	-	15,051,729
Capital/Development grants received during the year		-	-	-	-	-	-
Inter-Ministerial Transfer		-	-	-	-	-	0
As at June 30, 2025		4,200,000	18,470,325	2,364,895	521,116,958	19,965,600	566,117,779

16. Statement of Cash Flows for the year ended 30 June 2025

		2024-2025	2023-2024
	Notes	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Sale of goods	6	166,735,939	144,227,300
Total receipts		166,735,939	144,227,300
Payments			
Use of goods and services	7(d)	94,664,207	161,586,121
General Expenses	8(b)	32,722,114	37,922,810
Repairs and maintenance	9 (b)	2,075,660	5,110,601
Total payments		129,461,981	204,619,532
Net cash flows from/ (used in) operating activities	22	37,273,958	(60,392,232)
Cash flows from investing activities			
Purchase of PPE and Intangible assets	17 (a)	(1,856,000)	(14,964,148)
Construction Non-Residential Buildings			
Sale of investments			
Transfer to other govt agency			
Net cash flows from/ (used in) investing activities		(1,856,000)	(14,964,148)
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		35,417,958	(75,356,380)
Cash and cash equivalents at 1 July	11	(36,958,748)	38,397,632
Cash and cash equivalents at 30 June	11	(1,540,789)	(36,958,748)

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17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Sale of Goods	274,193,500		274,193,500	72,547,091	201,646,409	26
Total Income	274,193,500		274,193,500	72,547,091	201,646,409	26
Expenses						
Use of Goods and Services	171,655,956.00		171,655,956	56,881,027	114,774,929	33
Repairs and Maintenance	11,700,000		11,700,000	2,075,660	9,624,340	17
General Expenses	80,684,492		80,684,492	32,722,114	47,962,378	40
Total Expenditure	264,040,448		264,040,448	91,678,801	172,361,647	34
Capital Expenditure	41,500,000		41,500,000	1,856,000	39,644,000	4
Surplus for the period	-31,346,948	0	-31,346,948	-20,987,710	-10,359,238	66

Budget notes

Explanation of material variance

We were not able to meet our budget targets because many of the PF Stations were not fully funded in the year since Ksh. 58,436,546 of our products were not paid for.

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	-20,987,710
1	Paid payables	-37,783,180
2	Opening balance	-36,958,747
3	Paid receivables	94,188,848
	Closing Cash and Cash Equivalent as per the statement of Cash flows	(1,540,789)

18. Notes to the Financial Statements

1. General Information

The Prisons Farms Revolving Fund (PFRF) was established by Legal Notice No. 87 of the Exchequer and Audit Act (Cap 412) Regulations, 1993. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya (Prison Enterprises, Farms section of Kenya Prisons Service). The Directorate of Prisons Farms is positioned at the Prisons Headquarters, Magereza House in Nairobi and has branches in 97 farming 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 87, requires the Officer administering the Fund to prepare financial statements in respect of that Prison Farms Revolving Fund, which gives a true and fair view of the state of affairs of the Fund at the end of the financial period on operating results of the Fund for that period.

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

Capital Fund

This has been in the context of the Legal Notice No. 87 of 1992 through which parliament appropriated the Kshs. 4,200,000 as the initial capital of the Fund.

2. Statement of Compliance and Basis of Preparation

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

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

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

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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	<p><i>Applicable 1st 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. 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 1st 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 1st 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>

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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><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <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><i>Applicable 1st January 2026</i></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>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></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>

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Standard	Effective date and impact:
	<i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st 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>

ii. *Early adoption of standards*

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

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.

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

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carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

ii) Revenue from exchange transactions

b) Budget information

The original budget for FY 2024-2025 was approved by the Principal Secretary for State Department for correctional Services on 1st 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 1-5 of these financial statements.

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.

Notes to the financial statements (continued)

Summary of Significant Accounting Policies (Continued)

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.

a) Non-current/Fixed assets

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

- Tractors 10%
- Computers 5%
- Machinery 5%
- Motor vehicles 10%
- Tools 33¹/₃%
- Buildings 2.5%

b) Intangible assets

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

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

Notes to the financial statements (continued)
Summary of Significant Accounting Policies (Continued)

f) 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.

g) Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Notes to the financial statements (continued)

Summary of Significant Accounting Policies (Continued)

Held-to-maturity.

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

Impairment of financial assets

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

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

b) Financial liabilities

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.

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

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.

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.

Summary of Significant Accounting Policies (Continued)

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 made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

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:

- 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.

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

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

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.

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.

p) 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.

q) 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.

r) Related parties

The PFRF 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 CEO and senior managers*.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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.

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

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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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

Notes to the financial statements (continued)

6. Sale of Goods

The preparation of statement of financial performance and statement of financial position for the year ended 30th June, 2025 is based from manual records i.e. Revenue, Expenditure return and stock taking certificates from the stations. Sales represent revenue collected by respective stations and surrendered at Prison Headquarters.

Sale of Goods analysis

Description	2024-2025	2023-2024
	Kshs	Kshs
Sale of goods – Cash receipts	166,735,939	144,227,300
Sale of goods – credit sales	58,436,546	87,626,183
Other (Advance receipts)		
Previous debt collected during the year	-94,188,848	(77,126,398)
Total sales from the sale of goods	130,983,637	154,727,085

7. A) Use of goods

Description	2024-2025	2023-2024
	Kshs	Kshs
Opening Stock (1-7-2024)		
Livestock	44,398,880	36,510,100
Growing Crops	210,562,055	222,049,049
Harvested Crops	30,527,855	859,190
Farm Inputs	6,022,630	6,276,715
Purchases	77,201,827	99,819,507
Total Cost of Materials	368,713,247	365,514,561
Less Closing Stock (30-06-2025)		
Livestock	48,126,220	44,398,880
Growing Crops	223,867,934	210,562,055
Harvested Crops	29,889,399	30,527,855
Farm Inputs	7,202,305	6,022,630
Sub-Total	309,085,858	291,511,420
Cost of goods sold	59,627,389	74,003,141

b) Growing Crops

The growing crops have been valued in conjunction with the Ministry of Agriculture and Ministry of Livestock Development officials. The items are adjusted by 33 1/3% or 1/3 of the selling price being the lower of the estimated cost and market value Kshs 330,676,416.00 by 33 1/3 % to be Kshs 223,867,934.

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c) Purchases

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

Description	2024- 2025	2023- 2024
	Kshs	Kshs
2211003 Vetinary supplies	1,001,400	2,230,000
2211004-Fungicides	12,462,000	12,886,700
3111301 Purchase of certified seeds	6,934,627	9,649,260
2211007-Agricultural Materials and small equip.	56,803,800	75,053,547
TOTAL	77,201,827	99,819,507

d) Analysis of expenses to cashflow

Description	Total expenditure for the year	Owing expenses	Paid Expenses	Cashflow summary
	Kshs	Kshs	Kshs	Kshs
Veterinary supplies	1,001,400	49800	951,600	
Purchase of certified seeds	6,934,627	300,000	6,634,627	
purchase of Agricultural materials and small equipment	56,803,800	8,986,000	47,817,800	
Purchase of Fungicides and sprays	12,462,000	10,985,000	1,477,000	56,881,027
Creditors Paid	37,783,180		37,783,180	37,783,180
Total	114,985,007	20,320,800	94,664,207	94,664,207

8. a) General expenses

Description	2024-2025	2023-2024
	Kshs	Kshs
Catering services	170,096	349,170
Consultancy Services		
Postage services	27,145	60,025
Land registration		
Tuition fees	320,000	914,156
Newspapers subscriptions		43,200
Refined fuels - production	14,913,400	18,180,700
Refined fuels-Transport	6,592,450	12,583,843
Travel cost	473,562	319,000
Accommodation domestic	5,714,140	2,941,100
Daily subsistence	2,963,560	3,444,465
Daily subsistence (Foreign)		
Electricity expenses	1,661,094	1,623,705
Water & Sewerage		
Purchase of uniforms	30,000	31,400
Office supplies - Stationeries	1,012,000	848,550

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Supplies computers	335,000	175,500
Publicity & advertisements		
Trade shows	479,240	
Telephone expenses		
Bank Charges	17,527	45,227
Total general expenses	34,709,214	41,560,041

b) Analysis of General Expenses to cashflow

Description	Total expenditure for the year	Owing expenses	Paid Expenses	Cashflow summary
	Kshs	Kshs	Kshs	Kshs
Catering services	170,096	27,000	143,096	
Consultancy Services				
Postage services	27,145		27,145	
Land registration				
Tuition fees	320,000		320,000	
Newspapers subscriptions				
Refined fuels - production	14,913,400	1,105,000	13,808,400	
Refined fuels-Transport	6,592,450	102,000	6,490,450	
Travel cost	473,562	50,000	423,562	
Accommodation domestic	5,714,140	447,300	5,266,840	
Daily subsistence	2,963,560	107,200	2,856,360	
Daily subsistence (Foreign)				
Electricity expenses	1,661,094		1,661,094	
Water & Sewerage				
Purchase of uniforms	30,000		30,000	
Office supplies - Stationeries	1,012,000	50,000	962,000	
Supplies computers	335,000		335,000	
Publicity & advertisements			0	
Trade shows	479,240	98,600	380,640	
Telephone expenses				
Bank Charges	17,527		17,527	32,722,114
Total	34,709,214	1,987,100	32,722,114	32,722,114

C) Analysis of Capital expenditure to cashflow

Description	Total expenditure for the year	Owing expenses	Paid Expenses	Cashflow summary
	Kshs	Kshs	Kshs	Kshs
Purchase of Agricultural Machinery	4,717,900	4,717,900	0	
Purchase of software	1,856,000		1,856,000	1,856,000
Total	6,573,900	4,717,900		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Repairs and Maintenance

Description	2024-2025	2023-2024
	Kshs	Kshs
Maintenance of Motor Vehicles	2,037,029	2,040,150
Maintenance of equipment and machinery	1,905,500	3,272,000
Minor alterations of Building (non-residential)	822,415	116,100
Maintenance of computers and accessories		
Maintenance construction of Non-Residential Buildings		
Total repairs and maintenance	4,764,943.89	5,428,250

(b) Analysis of Repairs and Maintenance to cashflow

Description	Total expenditure for the year	Owing expenses	Paid Expenses	Cashflow summary
	Kshs	Kshs	Kshs	Kshs
Maintenance of Motor Vehicles	2,037,029	2,037,029	0	
Maintenance of equipment and machinery	1,905,500	600,000	1,305,500	
Minor alterations of Building (non-residential)	822,415	52,255.00	770,160	
Maintenance of computers and accessories				
Maint. construction of Non-Residential Buildings				2,075,660
Total repairs and maintenance	4,764,944	2,689,284	2,075,660	

10. Depreciation and Amortization Expense

Description	2024-2025	2023-2024
	Kshs	Kshs
Motor Vehicles	606,564	1,144,265
Tractors	6,336,972	7,041,081
Farm Machinery	3,903,857	3,861,012
Motor/Bike	47,665	52,962
Trailers	2,847,083	3,163,425
Buildings	79,363	81,398
Computer	128,929	135,715
Tools & Equipment	2,879,928	4,319,676
Total depreciation and amortization	16,830,361	19,799,533

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11. (a) Cash and Cash Equivalents

Description	2024-2025	2023-2024
	Kshs	Kshs
Current account (CBK)	-1,540,789	-36,958,748
Equity Bank		
Others (PMG)	56,021,755	56,021,755
Total cash and cash equivalents	54,480,966	19,063,007

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

i) Detailed Analysis of the Cash and Cash Equivalents

Financial institution	Account number	2024-2025	2023-2024
		Kshs	Kshs
a) Current account			
Central Bank of Kenya	1000307498	-1,540,789	-36,958,748
Equity Bank	1600278522001		
Paymaster General (PMG)		56,021,755	56,021,755
Total		54,480,966	19,063,007

12. (a) Receivables from Exchange Transactions

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

S/NO	PAYEE	VOUCHER NO	AMOUNT
	Commissioner General of Prisons	66	6,021,680.00
	New debtor (Commissioner General of Prisons)		58,436,546.00
	TOTAL		64,458,226.00

The new debtor was the sales which had not been cleared as at 30th June 2025 however Kshs.18,324,328.25 have since cleared.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(b) 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	58,436,546	91%	87,626,183	87
Between 1- 2 years	6,021,680	9%		
Between 2-3 years				
Over 3 years			12,584,345	13
Total (a+b)	64,458,226	100%	100,210,528	100

13. Inventories

Description	2024-2025	2023-2024
	Kshs	Kshs
Closing Stock (30-06-2024)		
Growing Crops	223,867,934	210,562,055
Harvested Crops	29,889,399	30,527,855
Farm Inputs	7,202,305	6,022,630
Total inventories at the lower of cost and net realizable value	260,959,638	247,112,540

Growing Crops

The growing crops have been valued in accordance to the Ministry of Agriculture and Livestock Development policies. The items are adjusted by 33 1/3% or 1/3 of the selling price being the lower of the estimated cost and market value Kshs 330,676,416.00 by 33 1/3 % to be Kshs 223,867,934.

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14. Investment/Share Allotment Investment/Share Allotment Investment Reserve

The investment Reserve Account was created to account for shares held by the Fund in the Kenya Tea Development Authority and Kenya Planters Co-operative Union Limited amounting to Kshs 2,364,895

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

Station	Company	Share cert No.	No. of shares.	Value .	Total.
a. Kericho					
	KTDA Momul Factory	R0016238		46,790	Kshs. 5 233,950
		R0017356		35,679	Kshs. 5 178,380
	KTDA Tegat Factory	G0011577		114,185	kshs. 5 570,925
		R0012892		21,016	kshs. 5 105,080
		R0032560		142,461	kshs. 5 712,305
b. Uruku					
	Mwikigi Farm		9391	14,987	kshs. 5 74,935
	KTDA Githongo Factor	G0008179		3,50	kshs. 5 17,520
		G0008472		20,037	Kshs 5. 100,185
		B04391		21,562	Kshs 5. 107,810
	KTDA Imenti Leaf Base	G0005692		6,412	kshs 5. 32,060
		G0011798		7,059	kshs 5. 35,295
	KTDA Kionyo Factory	R0001928		16,497	kshs 5. 82,485
		R0006211		14,023	Kshs 5 70,115
c. Ruiru					
	KPCU		0034699	516	kshs 10. 5,160
	KPCU		8687-0659	3,869	kshs 10. 38,690
			TOTAL		Kshs. 2,364,895

15. a) Trade and Other Payables - Creditors

Description	2024-2025	2023-2024
	Kshs	Kshs
Trade payables (exchange creditors)	47,846,783	55,914,880
Payments received in advance (Gov't)		
Payments received in advance (private)		
Total trade and other payables	47,846,783	55,914,880

Notes to the financial statements (continued)

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(b) Ageing analysis for payables.

Description	2024-2025		2023-2024	
	Kshs		Kshs	
Trade payables	47,846,783		55,914,880	
Total trade and other payables	47,846,784		55,914,881	
Ageing analysis: (Trade and other payables)	2024-2025	% of the Total	2023-2024	% of the Total
Under one year	29,715,083	62	37,783,180	68
1-2 years	789,700	2	789,700	1
2-3 years	17,342,000	36	17,342,000	31
Over 3 years				
Total (tie to above total)	47,846,783	100	55,914,880	100

A total of Kshs 47,846,783 represents payment vouchers which had not paid as at 30th June 2025 however payment voucher worth Ksh 5,913,555 have been settled by 15th July 2025. The amount was paid by the State Department of correctional Services after they received final exchequer for 2024/2025 FY by 05th July 2025.

16. Accumulated Reserves

	2024/2025	2023/2024
Opening balance	512,407,769	506,003,688
Add: Surplus for the prev. year	13,936,119	5,670,778
Gain from Revaluation of Biological Asset_	(1,808,334)	733,303
Less Inter Ministerial transfer		
Total	524,535,554	512,407,769

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Notes to the financial statements (continued)

17. a) Property, Plant and Equipment

	SCRAP	BULDIN	TRACTO	MORTALI	KNAPSAC	PORTAB	RICEHOU	COMPUT	M/VEHIC	TENTS	MOTOR/B	TRAILERS	TOOLS	Total
	METAL	GS			RS	SED	K	LE	RER	ER	LE		AND	
Cost	KSHS	KSHS	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs				Kshs	NT	Kshs
As At 1 July 2023	1,096,300	3,255,912.60	77,944,911	1,289,996	4,536,473	4,436,972	11,522,394	1,752,544	17,385,598	32,216,700	581,996	35,143,193	14,564,055	201,494,300
Additions					1,800,000		14,964,148	1,045,000		8,183,200			149,500	27,241,848
GKB777 Value awaiting report									(4,232,745)					(4,232,745)
Transfers/Adjustments														-
As At 30th June 2024	1,096,300	3,255,913	77,944,911	1,289,996	6,336,473	4,436,972	26,486,542	2,797,544	13,152,853	40,399,900	581,996	35,143,193	15,813,555	224,503,403
Additions							4,717,900							4,717,900
Disposals														-
Transfer/Adjustments														-
As At 30th June 2025	1,096,300	3,255,913	77,944,911	1,289,996	6,336,473	4,436,972	31,204,442	2,797,544	13,152,853	40,399,900	581,996	35,143,193	15,813,555	229,221,303
Depreciation And Impairment														-
At 1 July 2023														-
Depreciation		813,978.15	14,575,186	145,772	452,716	422,328	1,384,970	218,961	2,854,471	3,184,865	105,342	6,672,364	7,172,906	37,271,279
Impairment														-
Transfers/ Adjustments														-
As At 30 June 2024														-
Depreciation		79,363	6,336,972	57,211	294,188	200,732	1,490,974	128,929	606,564	1,860,752	47,665	2,847,083	2,879,928	16,830,361
Disposals														-
Impairment														-
Transfer/Adjustment														-
As At 30th June 2025		160,760.68	20,912,158.62	202,983.32	746,904.23	623,060.25	2,875,943.93	347,890.06	3,461,034.43	5,045,616.80	153,007.04	9,519,446.88	10,052,834.53	54,101,641
value of GKB777C awaiting report									4,232,745					4,232,745
Net Book Values														-

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As At 30 th June 2024	1,096,300	3,174,515	63,369,725	1,144,224	5,883,757	4,014,644	25,101,572	2,578,583	14,531,127	37,215,035	418,455	28,470,829	8,640,649	195,639,413
As At 30 th June 2025	1,096,300	3,095,152	57,032,752	1,087,013	5,589,569	3,813,912	28,328,498	2,449,654	13,924,563	35,354,283	418,455	25,623,746	5,760,720	183,574,617

The balance reflected as Farm machinery constitute the following					
Description					
1.Motorised sprayers				57,211	
2 Knapsack sprayers				294,188	
3.Portable Engine				200,732	
4.Machinery and boreholes				1,490,974	
5.Tool/Equipment					
6 Tents and Green house				1,860,752	
TOTAL				3,903,857	

17. b) Livestock

Description	2024-2025	2023-2024
	Kshs	Kshs
Livestock	48,126,220	44,398,880
Total	48,126,220	44,398,880

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18. DISCLOSURE OF MOTOR VEHICLE GKB 777C

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

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

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

1. Nakuru CMCC E126 of 2020
2. Nakuru CMCC E178 of 2020
3. Nakuru CMCC E1070 of 2019
4. Nakuru CMCC E994 of 2019
5. Nakuru CMCC E146 of 2020
6. Nakuru CMCC E281 of 2019

The following is analysis for its depreciation and Net Book value as at the end of the financial year 2018/19.
 Depreciation was calculated on reducing balance method at 10% per annum.

Depreciation Account

S/NO	DATE	KSHS. COST	KSHS. DEPRICIATION	KSHS. NBV
1	1/7/2013	7,352,000	735,200	6,616,800
2	1/7/2014	6,616,800	661,680	5,935,120
3	1/7/2015	5,955,120	595,572	5,359,608
4	1/7/2016	5,359,608	535,961	4,823,647
5	1/7/2017	4,823,647	482,365	4,341,277
6	1/7/2018	4,341,276	-	-
7	24/9/2018(3months)	-	108,532	4,232,745

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19. Prisons Farm Fund Account (Initial Capital)

	2024/2025	2023/2024
Prisons Farm Fund Account (Initial Capital)	4,200,000	4,200,000
Total	4,200,000	4,200,000

This amount refers to the initial capital of the Fund of K£210,000 appropriated by Parliament in the 1992/93 financial year.

20. Assets from Development Fund

	2024/2025	2023/2024
Assets from Development Fund	19,965,000	19,965,000
Total	19,965,000	19,965,000

This amount represents six (6) farm tractors purchased through Development Funds and transferred to prison farms in 2018/2019 financial year.

21. Revaluation Account

	2024/2025	2023/2024
Revaluation gain/loss	-1,808,334	733,303
Total	-1,808,334	733,303

There is no standard way of valuing biological Assets but they are valued on estimations. This brings a possibility of revaluation gain or losses depending on individuals.

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22. Cash Generated from Operations

Description	2024-2025	2023-2024
	Kshs	Kshs
Surplus for the year before tax	15,051,729	13,936,119
Adjusted for:		
Depreciation	16,830,361	19,799,533
Non-cash grants received		
Contributed assets		
Impairment		
Gains and losses on disposal of assets		
Contribution to provisions		
Contribution to impairment allowance		
Working capital adjustments		
Increase in inventory	13,847,098	(17,927,586)
Increase in receivables	(16,523,327)	(30,666,265)
Increase in deferred income		
Increase in payables	8,068,097	(45,534,034)
Increase in payments received in advance		
Net cash flow from operating activities	37,273,958	(60,392,232)

23. 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

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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

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:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2025				
Receivables from exchange transactions	64,458,226	58,436,546	6,021,680	
Receivables from non-exchange transactions	0	0	0	
Bank balances	(1,540,789)	(1,540,789)		
Total	62,917,437	56,895,757	6,021,680	
As at 30 June 2024				
Receivables from exchange transactions	87,626,183	87,626,183		
Receivables from non-exchange transactions	0	0		
Bank balances	(36,958,748)	(36,958,748)		
Total	50,667,435	50,667,435		

Financial Risk Management

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 due from xxx. 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

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

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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
As at 30th June 2025				
Trade payables		28,725,683	19,121,101	47,846,784
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total		28,725,683	19,121,101	47,846,784
As at 30th June 2024				
Trade payables		37,783,180	18,131,700	55,914,880
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total		37,783,180	18,131,700	55,914,880

iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market

risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

a) Foreign currency risk

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

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

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
Prison farm Fund Account	4,200,000.00	4,200,000
Revaluation reserve	-1,808,334	733,303
Fair Value adjustment Reserve	2,364,895.00	2,364,895
Retained earnings	512,407,769	506,003,688
Capital Development Grants	19,965,600.00	19,965,600
Total funds	537,129,930.00	533,267,486
Total borrowings		
Creditors	47,846,783	55,914,880
Gearing Ratio	19.00%	18.48%

Notes to the financial statements (continued)
Financial Risk Management

a) Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

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

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Description	2024-2025	2023-2024
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of farm produce	130,983,637	154,727,085
Total	130,983,637	154,727,085
B) purchases from related parties		
Purchases of electricity from KPLC	1,661,093	1,623,705
Purchase of water from govt service providers	-	-
Training and conference fees paid to govt. Agencies	320,000	914,156
Others (specify)	-	-
Total	1,981,093	2,537,861
b) Grants /transfers from the government		
Grants from national govt	-	-
Grants from county government	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	-	-
Compensation to key management	-	-
Total	-	-

b) Contingent Assets and Contingent Liabilities

Contingent Assets

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

Contingent Liabilities

	2024-2025	2023-2024
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	Kshs	Kshs
Contingent liabilities	Nil	Nil
Court case xxx against the entity	Nil	Nil
Bank guarantees in favour of subsidiary	Nil	Nil
Contingent liabilities arising from contracts including PPPs	Nil	Nil
Others (Specify)	Nil	Nil
Total	Nil	Nil

c) Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. *The entity did not submit any surplus during the year (FY 2025 Nil) and hence no remittance to the Consolidated Fund.*

d) Events after the Reporting Period

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

e) Ultimate And Holding Entity

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

f) Currency

The financial statements are presented in Kenya Shillings (Kshs)

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Appendix I: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Unsupporte d cash and cash equivalent	<p>The statement of financial position a reflects a negative bank balance of Ksh36,958,748 as disclosed in note 11 (a) to the financial statements. The balance was at variance with the reconciled cash book balance of Ksh.102,831,066. Further the bank reconciliation statement in support of the cash book balance of Ksh.102,831,066 reflects payments in cash book not in the bank statement of Ksh.17,937,726 and payments in the in the bank statement not in cash book of Ksh.17,326,907. The statement also reflects receipts in cash book not in the bank statement of Ksh.218,694. however the clearance status of the reconciling items has not been disclosed.</p> <p>In addition, as reported in the previous year, one cash book and single bank account was maintained in the year under review for recording of financial transactions for both Prison Farms and Prison Industries, yet the two (2) Funds are distinct and prepare separate sets of financial statements. In the circumstances the accuracy and completeness of the negative bank balance of Ksh.36,958,345 could not be confirmed.</p>	<p>The management sought for authority from the National Treasury to open a separate bank account for either of the two Funds. However, the National Treasury advised that the legal notice no. 87 of 1993 establishing the Prison farms be aligned to the Public Finance Management (PFM) Act 2012. Consequently, the National Treasury in conjunction with State Department for Correctional Services initiated the process of developing regulations that would conform with the PFM Act. This process requires consultations between the SDCS, AG's office and the National Treasury so that the harmonized regulations will be acceptable by all parties. This process has progressed well and the same is at its final stage. We expect that the process will be concluded in 2024/2025 financial year with gazetteement of the harmonized regulations. Once this is done, the State Department for Correctional Services will again seek authority to open another bank account for either of the two Funds and thereafter the Bank balance in the joint account will be separated in accordance with a criterion agreed on by management.</p>	HAU & Accounting Officer	unresolved	Six months for review of the legal notices
Long outstanding Debtors	<p>The state department's financial position reflects Ksh.100,210,528 in respect to receivables from exchange transactions representing an increase of Ksh 10,499,785 or 12% from the previous year balance of Ksh.89,710,743 as disclosed by note 12. The</p>	<p>It is true that the state department's financial statements of prison Farms had pending bill payable totaling to Kes, 12,584,345.00 as at 30th June 2023 that were not settled. The management has made efforts and the whole balance of Ksh 12,584,345.00 was settled</p>	HAU & Accounting Officer	resolved	

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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)
	12%from the previous year balance of Ksh.89,710,743 as disclosed by note 12.The receivables balance of Ksh.100,210,528 includes Kes, 12,584,345.00 relating to long outstanding debtors dating back to the year 2014.. In the circumstance the recoverability of the outstanding debtors amounting to Ksh.12,585.345 could not be confirmed	The management has made efforts and the whole balance of Ksh 12,584,345.00 was settled as at 30 TH June 2025.			



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Dr. Salome Wairimu Muhia-Beacco, CBS
Principal Secretary,
State Department for Correctional Services,
Nairobi.
 Date..... 24/10/2025