

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 14 FEB 2023

DAY:

WED

TABLED
BY:

Deputy leader majority asty
Hon Owen Bayo, MP

PRESENT AT
THE TABLE:

Enlaysia mwaruki

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REPORT

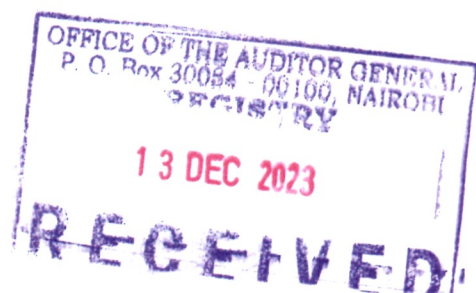
OF

THE AUDITOR-GENERAL

ON

PRISON INDUSTRIES REVOLVING FUND

**FOR THE YEAR ENDED
30 JUNE, 2023**



KENYA JUNE 2023



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

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2023

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

Kenya Prisons Service (Prison Industry Revolving Fund)
Annual Report and Financial Statements
For the year ended June 30, 2023.

Kenya Prisons Service (Prison Industry Revolving Fund)
Annual Report and Financial Statements
For the year ended June 30, 2023.

PFRF	Prison Farms Revolving Fund
PIRF	Prison Industries Revolving Fund
PS-MRP	Principal Secretary Responsible for Prison Affairs
PS- NT	Principal Secretary for National Treasury
RPC	Regional Prisons Commander
VT	Vocational Training

B: Glossary of Terms

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

Comparative Year- Means the prior period.

(This list is an indication of the common acronyms and abbreviations; the Entity should include all from the annual report and financial statements prepared)

Kenya Prisons Service (Prison Industry Revolving Fund)
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2. Key entity information and management

(a) Background information

The Prisons Industries Revolving Fund (PIRF) is domiciled in the directorate of Prisons Enterprise, Industries section of Kenya Prisons Service. The Fund was established by Legal Notice No. 314 of the Exchequer and Audit Act (Cap 412) Regulations of 1988. The Directorate of Prisons Enterprise is situated at the Prisons Headquarter, Magereza House in Nairobi and has branches in 108 industrial prisons countrywide.

Section 11 of the Legal Notice No 314, requires the Officer administering the Fund to prepare financial statements in respect of the Prison Industries Revolving Fund, which gives a true and fair view of the state of affairs of the Fund at midyear and at the end of the financial period on operating results of the Fund for that period.

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

ESTABLISHMENT OF THE PRISONS INDUSTRIES REVOLVING FUND

LEGAL NOTICE No. 314

THE EXCHEQUER AND AUDIT ACT

(Cap. 412)

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

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

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

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

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

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

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

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

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

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Kenya Prisons Service (Prison Industry Revolving Fund) PIRF
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1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

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

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

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

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

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

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

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

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

11. The officer administering the Fund shall-

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

Made on the 22nd July, 1988.

GEORGE SAITOTI,
Minister for Finance.

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(b) Principal Activities

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

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

OUR CORE VALUES

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

(c) Key Management

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

No.	Designation	Name
1.	Principal Secretary, State Department for Correctional Services	Salome Wairimu Muhia-Beacco
2.	The Commissioner General of Prisons	Brig. (Rtd) John K. Warioba, EBS
3.	Director Prisons Enterprise	Peter N. Njoroge, OGW, ACP
4.	Deputy Director Prisons Enterprise	Rosemary Wairimu Kioo, ACP
5.	Officers in Charge - Prison Stations	Various
6.	Officers in Charge - Prison Industries	Various

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(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal Secretary, State Department for Correctional Services	Mary Muthoni Muriuki, HSC Hon. Safina Kwekwe Tsungu, CBS
2.	Commissioner General of Prisons	Brig. (Rtd) John K. Warioba, EBS
3.	Director of Prison Enterprise	Peter N. Njoroge, OGW, ACGP James K. Too ndc(k), SACGP(Rtd)
4.	Head of Finance	CPA Arthur C. Nduati, SCFO
5.	Head of Procurement	George Mwaura Njane, D/DSCM
6.	Head of Accounting Unit	CPA Johnson Njuguna, DAG
7.	PE Accountant	CPA Samfantony Kyalo, SSP

(e) Fiduciary Oversight Arrangements

Audit and finance committee activities

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

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

CORE FUNCTIONS;

- ❖ Establishing the governance mechanisms of the Fund for transparency and accountability with regard to the finances and assets;
- ❖ Conducting risk-based, value-for-money and systems audits aimed at strengthening internal control mechanisms that could have an impact on achievement of the strategic objectives of the Enterprise;

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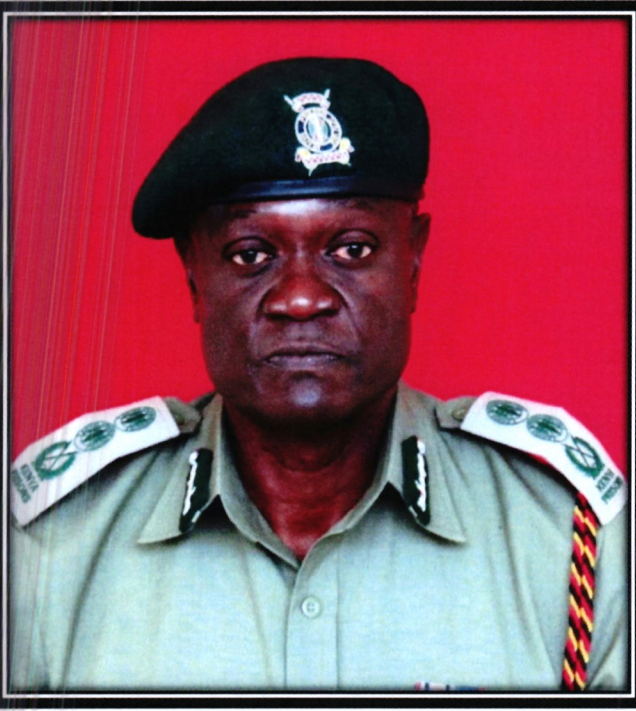
- ❖ Verifying the existence of assets administered by the Fund and ensuring that there are proper safeguards for their protection;
- ❖ Providing assurance that appropriate institutional policies and procedures and good business practices are followed by the Enterprise;
- ❖ Evaluating the adequacy and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

(f) **PIRF Headquarters**
P.O. Box 30175-00100
MAGEREZA House
Bishop Road – Upperhill
Nairobi, KENYA
Registered Office
P.O. Box 30478-00100
Teleposta Building
Kenyatta Avenue
Nairobi, KENYA

(g) **PIRF Contacts**
Telephone: (254) 20-2722900-6
E-mail: commissioner.prisons.go.ke

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3. The Management Team

Board Members photo and name.	Management Team key qualifications and work experience.
 Ms. Salome Wairimu Muhia-Beacco <u>Principal Secretary</u>	Ms. Salome Wairimu Muhia-Beacco 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. Ms. Salome is an Advocate of the High Court of Kenya. She is also an ACII London Chartered Insurer. <u>EDUCATIONAL BACKGROUND</u> * 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
 Brig. (Rtd) John K. Warioba, EBS <u>Commissioner General of Prisons</u>	I am a self-motivated, dynamic, result oriented, and self-driven individual with an eye for details. My career in the Military spanned for a period of 36 years rising to the rank of Brigadier. My command experience in the military started as a young officer upon being commissioned as an officer then took over command of a platoon size force. I subsequently commanded a company, battalion and finally a brigade size force both in peacetime and operations environments including peacekeeping operations in Namibia and South Sudan. As I take command of the Kenya Prisons Service as the Commissioner General of Prisons (CGP) in November, 2021, I aim at making significant contribution in the field of Human Resource Management, Policy formulation and Personnel training in order to enhance organisation performance. I have undertaken a series of professional courses in security management, administration and management. <u>Qualifications:</u> * MA (International Security and Strategy) – Kings College - London

Website: www.prisons.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 Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General

State Law Office and Department of Justice

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

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Mr. Peter N. Njoroge, OGW, [ACGP]
Director Prisons Enterprise

I am a career corrections officer with solid credentials and a track record of public service spanning over thirty-five years. My appointment as the Director of Prisons Enterprise (DPE) in July, 2023 capped my illustrious career that began in 1987 as a Technical Officer (WDR/PC) and risen through ranks to the current rank of Assistant Commissioner General of Prisons (ACGP).

I have served in the following capacities:

- * 1987-1991 – Kamiti Main Prison Industries
- * 1991 – 2003 – officer in charge Kitui prison industries
- * 2003 – 2005 – officer in charge Athi-River Prison Industry
- * 2005 to July 2009– officer in charge Kamiti maximum security prison industries
- * 2007 International Peace Support Training Centre Nairobi
- * August 2009 to January 2011 – corrections advisor/mentor republic of Congo
- * February 2011 to November 2011 - officer in charge marketing prisons enterprises PHQ
- * 2011 to 2013 – officer in charge Naivasha maximum security Prisons Enterprise
- * 23 June 2013 to 23 June 2016 – Corrections Officer in United Nations Mission in South Sudan
- * 2016-2017 officer in charge marketing Prisons Enterprise PHQ
- * 2017 to 2019 – Officer In charge Nairobi West Prison
- * Nov 2019 to June 2023 Deputy Director Prisons Enterprise (Industries)

Qualifications:

- MBA (Strategic Management) KeMU 2013
- BBA(Hons) KeMU 2009



Mrs. Rosemary Wairimu-Kioo [ACP]
Deputy Director Prisons Enterprise
(Industries)

A career corrections officer with solid credentials and a track record of public service spanning over thirty-five years. My appointment as the Director of Prisons Enterprise (D/DPE) in July, 2023 capped my illustrious career that began in 1989 as a Technical Officer (WDRSS/PC) and risen through ranks to the current rank of Assistant Commissioner of Prisons (ACP).

I have served in the following capacities:

- * 1989 - 2002 - Langata Women Prison Industries
- * 2002 - 2005 - Prison Headquarters Enterprise Section
- * 2005 - 2013 - Langata Women Incharge Industry
- * 2013 - 2019 - Prison Headquarters Enterprise Section
- * 2019 - 2020 - officer in charge Nyandarua Prison
- * 2020 - 2023 - officer in charge Ruiru Prison
- * July 2023 Deputy Director Prisons Enterprise (Industries)

Qualifications:

- Higher Diploma in Psychological Counselling Kemu (2006)
- Senior Management Course (2012)
- Conflict Analysis & Prevention Course Certificate (HPSS 2014)
- First line Leadership Training (Colorado 2022)

4. Statement by the Principal Secretary

It is my pleasure to release the Prison Industries Revolving Fund Annual Report and Financial Statement for the year ended 30th June, 2023. I am proud to note that the fund has continued to fulfil its set purpose and objective of training and rehabilitation of prisoners while operating in accordance with business principles. The Prisons Service has been a place for restorative justice unlike the colonial approach to prisons management which was about retribution, punishment, condemnation, stigmatization and pain; restorative justice is about correction.

During the year under review, over 7,000 prisoners participated in various industrial vocational training programs and a total of 121 borstal boys and girls were booked and examined for Government Trade Tests Grade I, Grade II and Grade III respectively. The government committed Kshs 588,000 for paying examination fees, training and testing materials. These prisoners are well skilled in their areas of trades and some of them have already been released from prisons to the society as skilled artisans ready to join their families and communities in nation building.

Besides offering vocational and on- the- job training to prisoners, prison industries make valuable contribution to the economy of the country by producing a pool of skilled artisan critical for the industrial and construction industry in line with vision 2030 and the government's BIG four agenda. Also, prison industries produce high quality furniture for the local market and save the economy of our country from importing both office and household furniture in line with the government policy of encouraging local manufacturers. Equally encouraging and also worth registering is the implementation of the cashless transaction to support Prisons Enterprise which has enabled seamless real-time deposition of the revenues into the CBK account. These are clear indications of a truly transformed Kenya Prisons Service -PE.

During the year under review, the fund experienced a marginal decrease of sales to 203,033,776 as compared to Kshs, 381,290,979 realized in 2021/2022 financial year while net assets increased to Kshs 568,208,828 in 2022/2023 as compared to Kshs 555,353,127 of 2021/2022 financial year.

The continuous performance of the fund is a true testimony of its stability and sustainability. Establishing a stable and sustainable fund to finance prisons offender rehabilitation programs were the noble ideals of the founders of this fund in 1988.

In order to ensure sustainability of the industries, the state department has initiated reforms in revising the prison industries and farms policy and also re-equipping the enterprise. It is my hope that once the policy is finalised and modernization of the machineries, prison industries will witness unprecedented transformation in operations and management.

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I want to reiterate my commitment to strengthening prison industries to become an efficient and effective business framework to fully support offender rehabilitation and reformation programs in our prisons and supplement government efforts in meeting the operational expenses of prisons.

Further, I am greatly impressed by the prudent measures the Commissioner General of Prisons and his team have put on the management of the fund. This fund has not only achieved its set purpose and objectives, but has also set a firm foundation for future prosperity. I urge prisons department to double its efforts to ensure that the fund not only fulfils its purpose, but also generates surplus funds that can be used to supplement the exchequer on the operational expenditure of prisons.

I will end by quoting this: "Let impossible not be in our vocabulary" and indeed, "...Impossible is nothing if we believe that we can", the leadership of the service has demonstrated this ideal" –as said by His Excellency, Hon. Uhuru M. Kenyatta, CGH, former President of The Republic of Kenya and Commander in Chief of The Defence Forces during the 44th passing-out-parade of prisons recruits



Name: Ms. Salome Wairimu Muhia-Beacco Signature..... Date..... 23.11.23

Principal Secretary,

State Department for Correctional Services, Nairobi.

5. Report of the Commissioner General of Prisons

I am pleased to share this annual report and financial statement of Prisons Industries Revolving Fund for the year ended on 30th June 2023. Prison Industries Revolving Fund is crucial to the achievement of main prison objectives of rehabilitation and reformation of prisoners. The fund facilitates provision of vocational and on the job training to the Country's over 35,000 prisoners' population. Prison industries provide practical technical and soft-skills training to prisoners while at the same time modelling appropriate workplace behaviours to prisoners. By providing this training, offenders learn "how to work" so as to successfully obtain and retain employment upon release from incarceration and reduce recidivism.

I feel greatly indebted to many Kenyans who have supported our industries by showing unwavering preference to our products. The support has made our rehabilitation programs achieve the success we are witnessing. Keep up your support and help us reduce crime in our country. We can only accomplish this through hard work, collaboration and winning partnerships.

The performance of Prison Industries Revolving Fund during the financial year 2022/2023 was another milestone achievement though it did not operate at its optimal. The fund has continued to propagate from the initial seed capital of Kshs.14,000,000 appropriated by parliament in 1987/88 to the current net assets base of Kshs. 568,208,828. At the same time, the number of prisoners enrolling in industrial vocational training programs witnessed increased number of prisoners enrolled for training.

During the year under review, the fund's 108 industrial prisons across the country offered industrial vocational training to an average of 7,000 prisoners. As the country continues to embrace devolution, the service has taken steps to ensure that there is at least one industrial prison in each one of the 47 counties. These industrial prisons not only offer vocational training in different skills to prisoners at the grass root level but also provide employment opportunities to prisoners serving prison sentences and manufacture high quality products for sale in the local markets. The main beneficiary of prison industries products are schools, churches, hospitals, county governments, national government department, non-governmental organizations, private firms and individuals. Once released from prisons, the skilled prisoners are absorbed and integrate in society where they add to the national pool of artisans necessary for national development.

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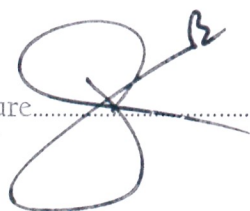
Further, during the year under review, the department participated in all the trade fairs and exhibitions after easement of the COVID 19 disease protocols in the country.

I am greatly indebted to the Principal Secretary, State Department for Correctional Services who is also the officer administering the fund for the great support and advice accorded us in the operations of the fund. I also take this opportunity to thank ministries, departments, government agencies and in a special way county governments who have continued to buy prison industries products. I appeal to all to continue supporting us as every time we buy prison industries products, we are helping in rehabilitation and reformation of offenders and making our society safer and secure.

Name: Brig. (Rtd) John K. Warioba, EBS

Signature.....

Date.....



23 Nov 23

Commissioner General of Prisons,

Kenya Prisons Service, Nairobi.

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6. Statement of performance against predetermined objectives for FY 2022/2023
 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.

PIRF has three (3) strategic objectives within the current Strategic Plan for the FY 2022- FY 2023.

These strategic themes/ issues are as follows:

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

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

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

PIRF develops its annual work plans based on the above 3 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The PIRF achieved most of its performance targets set for the FY 2022/2023 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	Over 7,000 inmates trained, 121 borstal boys and girls were trade tested
Pillar/ theme/ issue 2:	Procure necessary raw materials	Availed/ equipped workshops	Procurement of the items	Timber & MV number plate raw materials & few tools/equipment procured
Pillar/ theme/ issue 3:	sale of finished products	Sales	Selling of 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

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 introduced cashless collection of revenue vide Safaricom MPESA platform 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.

The number of debtors and creditors marginally decreased as we endeavoured following our debtors and payment of our suppliers in order to meet the demand to execute our core mandate of training prisoners and also fulfil the market demand of our customers. This came about due to non-wiring fund monies left with our former ministry. The management is still pursuing the matter with the relevant authorities.

8. Management discussion and analysis

Statement by the Director of Prisons Enterprise

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

The mission of Prison industries is to provide training opportunities to offenders that instil essential skills training and work ethics, while producing quality products and services for sale in the open market.

During the financial year 2022/2023, the operations of prison industries revolving fund registered yet again another impressive business report despite the closure of many of our sectors. The fund has been striving to achieve its purpose and objectives despite the challenges wherein the number plate sector which is the backbone of the fund thrived through the year and performed impressively.

During the period under review, averages of 7,000 prisoners were registered for various vocational training skills in prison industries. Out of these, 121 were booked for government trade test grade I, II and III which they were examined and exceeded.

PIRF performance against predetermined objectives for F/Y 2022/2023

In the year under review, Prisons Industries Revolving Fund projected to spend **Kshs 1,088,141,059** comprising of **Kshs 611,400,045** (operating and production expenses) and **Kshs. 476,741,014** (Capital expenses).

The budget was for one hundred and eight (108) industry stations and two (2) administrative units viz PHQ & Timber yard Kiln. The approved budget was as below;

Purchase of number plate materials (aluminum sheets, foils,)	Kshs	264,201,460.00
Purchase of assorted timber & upholstery materials	Kshs	122,578,499.00
Purchase of Metal raw materials	Kshs	36,201,759.00
Purchase of Textile products raw materials	Kshs	18,368,368.00
Purchase of other assorted raw materials for paints/soaps	Kshs	5,254,700.00
Purchase of workshop tools and equipment	Kshs	26,044,795.00
Purchase of staff dust coats and show participants uniform	Kshs	1,877,000.00
Purchase of Water distilling/bottling raw materials	Kshs	5,055,000.00
Construction project & services	Kshs	5,066,498.00
	Kshs	484,648,079.00
Operating overheads/expenses	Kshs	126,751,966.00
	Kshs	611,400,045.00
Capital Expenditure	Kshs	476,741,014.00
Total	Kshs	1,088,141,059.00

By utilizing the above the Prison industries had projected to realize revenue of Kshs. 627,202,298 realize a surplus of Kshs9,547,541 during the period but due to change in prices of the number plates raw materials the cost of production rose up.

The industries also intended to incur capital expenses in construction of buildings, purchase of motor vehicles, Computers, Machines and Equipment estimated to cost Kshs 476,741,014.

ACTUAL PERFORMANCE

Purchase of Raw materials

Prison Industries utilized raw materials worth Kshs 141,675,995 in procurement of number plate's raw materials, Metal raw materials, construction raw materials, assorted timber & upholstery materials and textile raw materials during 2022/2023 financial year and generated revenue of Kshs. 203,033,776. The raw materials were utilized in manufacturing NTSA-Motor Vehicles number plates, furniture, staff uniforms, inmate's uniforms, and other public and private institutions tailoring orders. The budget absorption was low which led to revenue shortfall due to transfer of number plates manufacturing to another government agency, low demand of furniture due to market and economic exigencies.

Operating overheads/expenditure

The fund incurred an expenditure of Kshs 50,312,173 (Kshs. 27,044,660 general expenses + 23,267,514 repairs & Maintenance) on operating expenses whilst managing the daily operations of the enterprises.

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

It is my appeal to our esteemed customers who are private individuals, community-based organizations and government entities to continue using our products. Indeed, any time you

purchase our products, you not only receive quality products and services, but also helping Kenya's local economy and contributing to the growth of the offender's rehabilitation programs. Prison industries on-the-job experiences teach trades and work 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

PIRF 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 Enterprises (DPE) is the technical division of the Department that manages industry business units in most of the State's prisons. It employs an average of 7,000 prisoners per day throughout the State's facilities. PE's workforce covers a broad range of processing operations including woodwork, metalwork, spray painting, general engineering and assembly textiles which contributes to the Department's needs in the provision of clothing.

ii) Environmental performance

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

iii) Employee welfare

iii) Employee welfare

The Directorate of Prisons Enterprise (DPE) is a division in Kenya Prisons Service that manages industry and farms business units in most of the State's prisons. It employs an average of 7,000 prisoners per day throughout the State's facilities.

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

iv) Market place practices-

These are outlined here below:

a) Responsible competition practice.

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

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 PPADA Act 2015. E.g. open tenders etc.

c) Responsible marketing and advertisement PE(Industries) 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.

d) Product stewardship

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

v) Corporate Social Responsibility / Community Engagements

In executing its mandate, Prisons Industries 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.

It employs an average of 7,000 prisoners per day throughout the State's facilities.

PE's workforce covers a broad range of processing operations including woodwork, metalwork, spray painting, general engineering and assembly textiles which contributes to the Department's needs in the provision of clothing. Many prisoners are trained and receive qualifications endorsed by the National Industrial Training Authority (NITA).

At the moment, the main focus of our Corporate Social Responsibility (CSR) activities and projects is in the area of promoting the 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 furniture to ASK during trade fairs, provision of tool kits and start-up furniture to released prisoners through collaboration with the welfare directorate and other stakeholders, repair and maintenance of furniture for prison's churches, primary and secondary schools, maintaining the national presidential Dias, donation of items during the annual uniformed discipline forces thanksgiving prayer ceremonies etc.

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

Kenya Prisons Service (Prison Industry Revolving Fund)
Annual Report and Financial Statements
For the year ended June 30, 2023.

10. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the PIRF's affairs.

i) Principal activities

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

ii) Results

The results of the entity for the year ended June 30, 2023, are set out on page 1 onwards.

iii) Directors

The members of the management team who served during the year are shown on page viii' i.e., Principal Secretary, Hon. Safina Kwekwe Tsungu, CBS & Mary Muthoni Muriuki (Mrs.), HSC, Ms. Salome Wairimu Muhia-Beacco, Commissioner General of Prisons, Brig. (Rtd) John K. Warioba, EBS, CGP, Director Prisons Enterprise, Mr. James K. Too, ndc(k), [ACGP] and Deputy Director Mr Peter N. Njoroge, OGW[ACGP] now the Director.

iv) Surplus remission

The entity did not submit any surplus to the Consolidated Fund during the year (FY 2022/2023 i.e., Ksh Nil) since the surplus realized is directed to improvement and sustainability of the fund as guided by the establishing policy

v) Auditors

The Auditor General is responsible for the statutory audit of the PIRF in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the entity for the year/period ended June 30, 2023 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Management



Ms. Salome Wairimu Muhia-Beacco

Principal Secretary,

State Department for Correctional Services, Nairobi.

Date 23.11.23

II. Statement of the Officer Administering the Responsibilities

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

The Officer administering the Fund is responsible for the preparation and presentation of the *Prison Industries Revolving Fund* 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, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the PIRF; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Fund* (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Officer administering the Fund accepts responsibility for the *Prison Industries Revolving Fund* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act. The Officer administering the Fund is of the opinion that the *Prison Industries Revolving Fund* financial statements give a true and fair view of the state of *Fund* transactions during the financial year ended June 30, 2023, and of the *Funds* financial position as at that date. The Officer administering the Fund further confirms the completeness of the accounting records maintained for the *Prison Industries Revolving Fund* which have been relied upon in the preparation of the *Funds* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

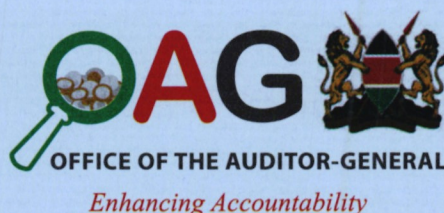
The *Prison Industries Revolving Fund* financial statements were approved by the Principal Secretary State Department for Correctional Services, Ministry of Interior and Coordination of National Government. 23.11. 2023



Ms. Salome Wairimu Muhia-Beacco
PRINCIPAL SECRETARY
STATE DEPARTMENT FOR CORRECTIONAL SERVICES

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON PRISON INDUSTRIES REVOLVING FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

The accompanying financial statements of Prison Industries Revolving Fund set out on pages 1 to 45, which comprise of the statement of financial position as at 30 June, 2023,

and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 Prison Industries Revolving Fund as at 30 June, 2023, 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 do not comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported and Undisclosed Cash and Cash Equivalents Balances

The statement of financial position reflects cash and cash equivalents balance of Kshs.12,172,571. However, as previously reported, one cash book and a single bank account were 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. Review of records revealed that the two Funds' monies were commingled hence making it difficult to distinctly identify revenues earned by each specific Fund and in some instances expenses were made through the same payment voucher.

Further, the bank reconciliation statement provided for the Fund, as at 30 June, 2023, reflected payments in cashbook not in bank statement amounting to Kshs.4,854,869 out of which Kshs.4,472,779 related to long outstanding payments and which were yet to be reversed in the cashbook as at the close of the financial year. Review of the bank reconciliation statement also revealed that there were receipts amounting to Kshs.2,755,667 which had taken long before being recorded in cash book. No explanation was provided for not clearing the long outstanding bank reconciliation items.

In addition, available records revealed that there was a revenue collection account held at a local bank. However, the balance in the account was not included in the statement of financial position or disclosures made in the Notes to the financial statements on cash and cash equivalents, while bank reconciliation statements for the account were not provided for audit.

In the circumstances, the accuracy, completeness, and existence of the cash and cash equivalents balance of Kshs.12,172,571 could not be confirmed.

2. Long Outstanding Debtors

The statement of financial position reflects a balance of Kshs.223,988,668 in respect of receivables from exchange transactions as disclosed in Note 13 and Appendix III to the

financial statements. The balance includes an amount of Kshs.164,475,904 relating to supply of number plates to National Transport and Safety Authority (NTSA) which remained unpaid despite various correspondences including demand notes by the State Department for Correctional Services to the NTSA Management.

Further, the balance of Kshs.223,988,668 includes an amount of Kshs.20,318,827 reflected as imprest or payment vouchers to the Commissioner General for undated periods and whose reasons for non-surrender were not been provided for audit. In addition, the schedule provided for audit includes an amount of Kshs.77,760 whose details were not included for verification.

Furthermore, there was no ageing analysis or debt recovery policy provided for audit to ascertain the recoverability of the outstanding debtors.

In the circumstances, the accuracy and recoverability of the outstanding debtors balance of Kshs.223,988,668 could not be confirmed.

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

Emphasis of Matter

1. Material Uncertainty Related to Sustainability of Services

I draw attention to Note 5 to the financial statements which discloses that if the motor vehicle number plates production is transferred to National Transport and Safety Authority (NTSA) or any other Government entity, the sustainability of services of the Fund shall be adversely affected. As at 30 June, 2023, number plates worth Kshs.11,039,374 remained in stock and a further amount of Kshs.164,475,904 in respect of debts owed by NTSA as disclosed in Appendix III to the financial statements remain outstanding. These conditions indicate that a material uncertainty exists which may cast significant doubt on the Fund's ability to continue to sustain services.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final revenue budget amount of Kshs.627,202,598 and an actual on comparable basis amount of Kshs.203,033,776 resulting to under collections of Kshs.424,168,822 or 68% of the budgeted revenue. Similarly, the statement reflects final budget recurrent expenditure amount of Kshs.611,400,045 against an actual on comparable basis expenditure of Kshs.193,486,235 resulting to an under-expenditure of Kshs.417,913,810 or 68% of the budgeted expenditure. Management has not provided an explanation for the under-collection of revenue and under-expenditure.

The under collection of revenue and the under-expenditure affected the operations of the Fund and may have impacted negatively on service delivery to the public.

My opinion is not qualified in respect of these matters.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Underfunding of Prison Industries

An audit inspection carried out in a sample of Prison Industries stations during the year under review, revealed that Naivasha station was issued with funds amounting to Kshs.2,660,000 while Nyahururu station did not receive any funds. Further, the stations had various challenges including old and dilapidated tools and machinery, high cost of raw materials, and inability to pay for the trade tests for the inmates who were trained.

This is contrary to Section 72(1)(a)(b) of the Public Finance Management Act 2012 which requires the Accounting Officer of a National Government entity to be responsible for the management of the entity's assets and liabilities in a way which ensures that the National Government entity achieves value for money in acquiring, using and disposing of those assets.

In the circumstances, the funding inadequacy affects the operations of the Fund and the objective of delivery of services to the Public.

2. Failure to Use Information Technology in Finance and Procurement Departments

The Fund began operations on 01 July, 1987 vide Legal Notice No.314 of the Exchequer and Audit Act (Prison Industries Fund) Regulations, 1988. Despite being in operation for 36 years, the Fund is yet to automate its operations especially for purposes of financial reporting and procurement of goods and services. The transaction processing, ledgers and financial statements are done manually to date.

Further, the Fund is yet to implement the e-procurement system for managing the procurement processes. This is contrary to Regulation 54 of the Public Procurement and Assets Disposal Regulations, 2020 which states that The National Treasury shall ensure that all procuring entities are registered into the e-procurement system and that they have their respective facilities to carry out different activities of initiating the procurement process, annual procurement plan preparation, procurement document preparation, evaluation, professional opinion, contract award, contract management, internal procurement process, workflow management, tracking payments, deliverables and other processes through the available features and modules of the e-procurement system.

In the circumstances, the Management was in breach of the regulations.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for 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 overall governance were not effective.

Basis for Conclusion

Outstanding Scrap Machinery Balances

The statement of financial position reflects property, plant and equipment balance of Kshs.89,111,585 which as disclosed in Note 15 to the financial statements includes an amount of Kshs.2,926,440 relating to scrap machinery and which has appeared in the financial statements over a number of years. Management has not indicated the plans in place to dispose of the assets to avoid any further deterioration.

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

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements 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 overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal controls components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 December, 2023

Kenya Prisons Service (Prison Industry Revolving Fund) PIRF
Annual Report and Financial Statements
For the year ended June 30, 2023.

13. Statement Of Financial Performance for The Year Ended 30th June 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Revenue from exchange transactions			
Sale of furniture and number plates	6	203,033,776	381,290,980
Total revenue		203,033,776	381,290,980
Expenses			
Use of goods and services	7(a)	137,968,775	300,465,308
Depreciation and amortization expense	8	5,205,286	4,117,584
Repairs and maintenance	9	23,267,514	13,002,500
General expenses	7(b)	27,044,660	51,210,214
Total expenses		193,486,235	368,795,607
Other gains/(losses)			0.00
Surplus/(deficit) for the period/year		9,547,541	12,495,373
Remission to National Treasury			-
Net Surplus for the year		9,547,541	12,495,373
Attributable to:			

The notes set out on pages 8 to 55 form an integral part of these Financial Statements.

Prepared by


CPA Johnson Njuguna (DAG)
ICPAK No 7626

The Financial Statements set out on pages 1 to 55 were signed on behalf of the management by:


Ms. Salome Wairimu Muhia-Beacco
PRINCIPAL SECRETARY
DEPT OF CORRECTIONAL
SERVICES


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


Peter N. Njoroge, OGW, [ACGP]
DIRECTOR OF PRISONS
ENTERPRISE

Kenya Prisons Service (Prison Industry Revolving Fund) PIRF
Annual Report and Financial Statements
For the year ended June 30, 2023.

14. Statement Of Financial Position as at 30th June 2023

	Notes	2022-2023	2021-2022
Assets		Kshs	Kshs
Current Assets			
Cash and Cash Equivalent	10	12,172,571	7,795,250
Receivable from exchange transactions	13	223,988,668	255,814,466
Raw Materials	14	159,345,046	158,811,194
Work in progress	14	20,942,844	29,070,664
Finished Goods		34,461,826	23,160,638
P.M.G.	12	175,987,430	175,987,430
Total Current Assets		626,898,386	650,639,643
Non-Current Assets			
Property Plant and Equipment	15	89,111,585	93,404,716
Total Non-Current Assets		89,111,585	93,404,716
Total Assets		716,009,971	744,044,359
Liabilities			
Current Liabilities			
Refundable deposits from customers	17	26,419,934	2,497,500
Trade & other payables	16	121,381,209	186,193,731
Total Current Liabilities		147,801,143	188,691,231
Net Assets			
Capital Fund	1	14,000,000	14,000,000
Accumulated Surplus	14(b)	544,661,287	528,857,755
Net Profit/(Loss)		9,547,541	12,495,373
Total Net Assets		568,208,828	555,353,128
Total Net Assets & Liabilities		716,009,971	744,044,359

Prepared by



CPA Johnson Njuguna (DAG)
ICPAK No 7626

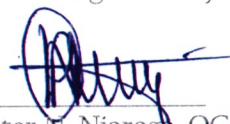
The Financial Statements set out on pages 1 to 55 were signed on behalf of the management by:



Ms. Salome Wairimu Muhia-Beacco
PRINCIPAL SECRETARY
DEPT OF CORRECTIONAL
SERVICES



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



Peter N. Njoroge, OGW, [ACGP]
DIRECTOR OF PRISONS
ENTERPRISE

**Kenya Power Service (a public company limited by guarantee)
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15. Statement Of Changes in Net Assets for The Year Ended 30th June 2023

	notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
As at July 1, 2021	14(b)	14,000,000.00	00	00	778,857,755	00	00	792,857,755
Issued new capital		00	-	-	-	-	-	0
Revaluation gain		-		-	-	-	-	0
Transfer of excess depreciation on revaluation		-	(00)	-	00	-	-	0
Deferred tax on excess depreciation		-	00	-	-	-	-	0
Fair value adjustment on quoted investments		-	-	00	-	-	-	0
Surplus/ Deficit for the year		-	-	-	-	-	-	0
Capital/Development grants received during the year		-	-	-	12,495,373	-	-	12,495,373
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	00	-	(00)	0
Dividends paid - 2022		-	-	-	-	(00)	(00)	0
Interim dividends paid - 2022		-	-	-	(250,000,000)	-	-	(250,000,000)
Proposed final dividends		-	-	-	(00)	00	00	0
As at June 30, 2022		14,000,000	00	00	541,353,128	00	00	555,353,128
As at July 1, 2022		14,000,000	00	00	541,353,128	00	00	555,353,128
Issue of new share capital		00	00	00	00	00	00	0
Revaluation gain		-	00	-	-	-	-	0
Transfer of excess depreciation on revaluation		-	(00)	-	-2,050,761	-	-	-2,050,761
Deferred tax on excess depreciation		-	00	-	-	-	-	0
Fair value adjustment on quoted investments		-	-	00	-	-	-	0
Surplus/ deficit for the year		-	-	-	9,547,541	-	-	9,547,541
Capital/Development grants received during the year		-	-	-	6,954,070	-	0	6,954,070
Less Prior years unpaid creditors not recognised then					(1,595,150)			(1,595,150)
Dividends paid - 2022		-	-	-	-	0	0	0
Interministerial transfer of funds to development/recurrent - 2022		-	-	-	-	-	-	0
Proposed final dividends		-	-	-	0	0	0	0
As at June 30, 2023		14,000,000.00	00	00	554,208,828	0	0	568,208,828

16. Statement Of Cash Flows for The Year Ended 30th June 2023

		2022-2023	2021-2022
	Notes	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Sale of goods	6	258,782,007	278,684,575
Rental revenue from facilities and equipment		-00	-00
Total receipts		258,782,007	278,684,575
Payments			
Use of goods and services	7 (d)	209,971,256	513,286,736
General Expenses	7 (e)	24,648,069	50,916,481
Repairs and maintenance	7 (f)	22,992,014	13,002,503
Transfer to other govt agency		-00	250,000,000
Total payments		257,611,339	827,205,720
Net cash flows from/(used in) operating activities		1,170,668	-548,521,145
Cash flows from investing activities			
Purchase of PPE and Intangible assets	7 (c)	-843,350	-37,046,515
Proceeds from sale of PPE		-00	-00
Purchase of investments		-00	-00
Sale of investments		-00	-00
Net cash flows from/(used in) investing activities		-843,350	-37,046,515
Cash flows from financing activities			
Proceeds from borrowings		-00	-00
Repayment of borrowings		-00	-00
Proceeds from issue of shares		-00	-00
Net cash flows from financing Activities		-00	-00
Net increase/(decrease) in cash & Cash equivalents		4,377,321	-585,567,660
Cash and cash equivalents at 1 July		7,795,250	593,362,910
Cash and cash equivalents at 30 June	10	12,172,571	7,795,250

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17. Statement of Comparison of Budget and Actual Amounts for the year Ended 30th June 2023

	Original budget Kshs	Adjustments Kshs	Final budget Kshs	Actual on comparable basis Kshs	Performance difference Kshs	% of utilization
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Sale of Furniture and Number Plates	627,202,598	-	627,202,598	203,033,776	424,168,822	32.3713225
Total Income	627,202,598	0	627,202,598	203,033,776	424,168,822	32
Expenses						
Use of Goods and Services	482,771,079	-	482,771,079.00	137,968,775	344,802,304.00	28.58
Depreciation and Amortization	0	0	0	5,205,286	(5,205,286.00)	
Repairs and Maintenance	26,643,650	0	26,643,650	23,267,514	3,376,136.00	87.33
General Expenses	101,985,316	0	101,985,316	27,044,660	74,940,656.00	26.52
Total Expenditure	611,400,045	0	611,400,045	193,486,235	417,913,810	31.65
Surplus for the period	15,802,553		15,802,553	9,547,541	6,255,012.00	60.42
Capital Expenditure	476,741,014.00	0	476,741,014.00	843,350.00	475,897,664.00	0.18

Kenya Prisons Service (Prison Industry Revolving Fund)
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Budget notes

Explanation of material variances

We were not able to meet our budget targets because of the escalated cost of living due to high prices of fuel, depreciation of the shilling and other economic factors affecting the country.

18. Notes to the Financial Statements

1. General Information

The Prisons Industries Revolving Fund (PIRF) was established by Legal Notice No. 314 of the Exchequer and Audit Act (Cap 412) Regulations of 1988. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya (Prison Enterprises, Industries section of Kenya Prisons Service). The Directorate of Prisons Enterprise is positioned at the Prisons Headquarters, Magereza House in Nairobi and has branches in 106 industrial prisons countrywide.

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

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

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

Capital Fund

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value.

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

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

Kenya Prisons Service (Prison Industry Revolving Fund) PIRF
Annual Report and Financial Statements
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Notes to the financial statements (continued)

3. Adoption of New and Revised Standards

i. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: ● Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; ● Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and ● Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <i>No impact</i>
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <i>(No impact)</i>

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Standard	Effective date and impact:
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. <i>(No impact of the standard to the entity)</i>
Other improvements to IPSAS	<i>Applicable 1st January 2023</i> • IPSAS 22 <i>Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • IPSAS 39: <i>Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: <i>Financial instruments: Recognition and Measurement</i> Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. <i>No impact</i>
IPSAS 43	<i>Applicable 1st January 2025</i> 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

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

ii. *Early adoption of standards*

The entity did not early – adopt any new or amended standards in year 2022/2023.

Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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

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.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Interest income

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

ii) Revenue from exchange transactions

b) Budget information

The original budget for FY 2022-2023 was approved by the Principal Secretary for State Department for correctional Services on 14th July, 2022.

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

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

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

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

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

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

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

Kenya Prisons Service (Prison Industry Revolving Fund) PIRF
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

c) Taxes

Current income tax

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

Deferred tax

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

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

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

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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

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

Sales tax

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

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) **Investment property**

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

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

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

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

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Notes to the Financial Statements (Continued)

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: -

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

Initial recognition and measurement

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

c) Inventories

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

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

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

d) Provisions

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

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

e) Contingent liabilities

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

f) Contingent assets

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

g) Nature and purpose of reserves

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

h) Changes in accounting policies and estimates

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

i) Foreign currency transactions

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

j) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

k) Cash and cash equivalents

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

l) Comparative figures

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

m) 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, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. In this regard the management guesstimates that if the Motor Vehicle number plates production is transferred to NTSA or any other government entity the going concern of the entity shall be affected greatly. Moreover, the uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liability affected in future periods.

Estimates and assumptions

The PIRF assumes that the prevailing court cases may be detrimental to the entity due to the colossal amounts of money required in case found culpable. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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Notes to the Financial Statements (Continued)

Significant Judgments and Sources of Estimation Uncertainty (Continued)

Useful lives and residual values

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

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

Provisions

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

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

6. Sale of Goods

Sales represent revenue collected by respective stations and surrendered at Prison Headquarters

Description	2022-2023	2021-2022
	Kshs	Kshs
Sale of goods – Cash Revenue	232,362,073.40	276,187,072.00
Sale of goods – Credit Sales	130,977,566.50	196,156,448.00
Previous year Prepaid revenue crystalized	2,497,500.00	45,132,977.50
Previous year debt settled during the year	<u>- 162,803,364.00</u>	<u>-136,185,518.00</u>
Total sales from the sale of goods	203,033,775.90	381,290,979.50

NB. The amount of Kshs 232,362,073.40 excludes Kshs 26,419,934.00 which was an advance revenue (refundable deposits from customers) received hence was not included in the sales for the financial year. Therefore, the total cash revenue received in the year is Kshs 258,782,007.40 (236,564,073.40 + 26,419,934.00)

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Notes to the Financial Statements (Continued)

7. Use of Goods and Services

(a). Cost of goods sold

Description	2022-2023	2021-2022
	Kshs	Kshs
Opening Stock (1-7-2022)		
Raw Materials	158,811,194	75,038,330
Work in Progress	29,070,664	27,768,547
Finished goods	23,160,638	21,859,367
Purchases - (2211023)	141,675,995	386,841,560
Total Cost of Materials	352,718,492	511,507,805
Less Closing Stock (30-06-2023)		
Raw Materials	159,345,046	158,811,194
Work in progress	20,942,844	29,070,664
Finished goods	34,461,826	23,160,638
Sub-Total	214,749,717	211,042,496
Cost of goods sold	137,968,775	300,465,308

(b). General expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Electricity	1,670,529	1,058,898
Water	126,311	13,103
Telephone	50,000	598,005
Travel Cost	614,184	1,658,000
Accommodation & Domestic Travel	2,034,840	975,800
Daily Subsistence Allowance	5,039,440	3,230,500
Subscription to news papers	219,000	219,000
Tuition fees	-	1,760,000
Catering Services	412,150	338,400
Purchase of uniforms	567,000	35,000
Office supplies	2,066,350	2,746,300
Supplies of computer accessories	293,500	1,363,159
Refined Lubricants and fuel	8,636,411	4,306,515
Trade shows	4,654,530	1,157,000
School examinations (NITA)	588,000	31,633,080
Bank charges	44,115	117,454
Other fuel - wood fuel	-	-
Publicity and Advertisement	28,300	-
Total general expenses	27,044,660	51,210,214

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Notes to the Financial Statements (Continued)

(c) Analysis of expenditure to cashflow

Description	Total expenditure for the year	Owing expenses	Paid Expenses	Cash flow summary
	Kshs	Kshs	Kshs	Kshs
Purchase of workshop tools	843,350.00		843,350	843,350

(d) Analysis of expenditure to cashflow

Description	Total expenditure for the year	Owing expenses	Paid Expenses	Cash flow summary
	Kshs	Kshs	Kshs	Kshs
Supplies for production (purchases)	141,675,995.00	32,237,918	110,248,725	
Supplies for production (creditors)	186,193,731.00		99,722,531	209,971,256
		86,471,200.00		

(e) Analysis of expenditure to cashflow

Description	Total expenditure for the year	Owing expenses	Paid Expenses	Cash flow summary
	Kshs	Kshs	Kshs	Kshs
Electricity	1,670,528.66	1,125,002.50	545,526	
Water	126,310.82	11,939.00	114,372	
Telephone	50,000.00		50,000	
Travel Cost	614,184.00		614,184	
Accommodation & Domestic Travel	2,034,840.00		2,034,840	
Daily Subsistence Allowance	5,039,440.00		5,039,440.00	
Subscription to news papers	219,000.00		219,000	
Advertising and publicity campaigns	28,300.00		28,300	
Tuition fees	-		-	
Catering Services	412,150.00		412,150	
Purchase of uniforms	567,000.00		567,000	
Office supplies	2,066,350	606,500.00	1,459,850	
Supplies of computer accessories	293,500.00		293,500	
Refined Lubricants and fuel	8,636,411.00	340,038.00	8,296,373	
Trade shows	4,654,530.00	348,000.00	4,306,530	
School examinations (NITA)	588,000.00		588,000	
Bank charges	44,115.00		44,115	
Mpesa refunds		27,280.00		
Other fuel - wood fuel	-		-	24,648,069

(f) Analysis of expenditure to cashflow

Description	Total expenditure for the year	Owing expenses	Paid Expenses	Cash flow summary
	Kshs	Kshs	Kshs	Kshs
Maintenance of MV	904,450.00		904,450	
Maintenance of Equipment	1,155,661.00		1,155,661	
Maintenance of Building	1,295,673.00	275,500.00	1,020,173	
Maintenance of Computer	101,000.00		101,000	
Refurbishment of Building	19,810,730.00		19,810,730	22,992,014

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Notes to the Financial Statements (Continued)

8. Depreciation and Amortization Expense

Description	2022-2023	2021-2022
	Kshs	Kshs
Motor Vehicles	587,466	744,676
Carpentry	291,529	324,871
Tailoring	1,476,552	709,412
Printing	89,114	99,306
Metal	83,251	92,773
Number plates	581,020	647,471
Water plant	928,509	0
Leather	235,405	262,328
Coconut	9,057	10,093
Computer	184,607	205,720
Tools & Equipment	606,922	1,020,935
Building	173,852	0
Total depreciation and amortization	5,205,286	4,117,584

9. Repairs and Maintenance

Description	2022-2023	2021-2022
	Kshs	Kshs
Maintenance of property, building	1,295,673	2,371,275
Maintenance of equipment and machinery	1,155,661	8,115,000
Maintenance of motor Vehicles	904,450	2,484,225
Maintenance of computers and accessories	101,000	32,000
Refurbishment of Building	19,810,730	0
Total repairs and maintenance	23,267,514	13,002,500

10. Cash and Cash Equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Current account (CBK)- Account Number 10000307498	12,172,571	7,795,250
Total cash and cash equivalents	12,172,571	7,795,250

12.P.M.G

Financial institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
a) Current account			
Paymaster General (PMG)		175,987,430.00	175,987,430.00
Total		175,987,430.00	175,987,430.00

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

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13 Receivables from Exchange Transactions

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

13(a) Receivables from Exchange Transactions (Current)

Description	2022-2023	2021-2022
	Kshs	Kshs
Current receivables		
Sale of goods debtors – Government institutions	223,910,908	255,736,706
Sale of goods debtors – Private customers	77,760	77,760
Less: impairment allowance	00	00
Total current receivables	223,988,668	255,814,466
Total receivables	223,988,668	255,814,466

13(b) Receivables from Exchange Transactions (Long-term)

Description	2022-2023	2021-2022
	Kshs	Kshs
Total receivables		
Service, water and electricity debtors	0	0
Other exchange debtors	0	0
Less: impairment allowance	(0.00)	(0.00)
	0	0
Current portion transferred to current receivables	(0.00)	(0.00)
Total non-current receivables	0	0
Total receivables (a+b)	223,988,668	255,814,466

Analysis of carrying value of debtors to financial position

Balance B/F	255,814,466
Credit sales during year	130,977,567
Total sales	386,792,032
Less Invoices settled during the year	162,803,364
Balance C/F	223,988,668

(c) Ageing analysis for Receivables from exchange transactions

Description	2022-2023		2021-2022	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	130,977,567	58	196,156,448	77
Between 1- 2 years	44,333,083	20	-	0
Between 2-3 years	-		-	
Over 3 years	48,678,018	22	59,658,018	23
Total (a+b)	223,988,668	%	255,814,466	%

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14 (a) Inventories

Description	2022-2023	2021-2022
	Kshs	Kshs
Raw Materials	159,345,046	158,811,194
Work in Progress	20,942,844	29,070,664
Manufactured goods held for sale	34,461,826	23,160,638
Total inventories at the lower of cost and net realizable value	214,749,717	211,042,496

14 (b) Accumulated Reserve

Description	2022-2023	2021-2022
	Kshs	Kshs
Balance B/F	528,857,755	619,943,594
Earned Profit/Loss previous year F/Y	12,495,373	158,914,161
Transfer to Development	0	(250,000,000)
Prior year expensed Capital adjustment	6,954,070	0
Prior year undercasted depreciation	(2,050,761)	
Less Prior years unpaid creditors not recognised then	(1,595,150)	
Balance C/D	544,661,287	528,857,755

Analysis of the unpaid creditors

1	Sajam Dubon	machine oil	2774977	26/04/2018	325,000.00
2	Vision Hope Agencies	Raw Material	2774867	27/04/2018	1,270,150.00
					1,595,150.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 Property, Plant and Equipment

Cost	Buildings	Motor Vehicles	Carpentry	Tailoring	Printing	Metal	Number plates	Water Plant	Leather	Coconut	Computer	Tools & Equipmt	Scrap Machinery	Total
NBV as at 30th June 2021		7,446,756	6,497,426	14,188,247	1,986,116	1,855,452	12,949,412	-	5,246,564	201,864	4,114,398	3,063,111	2,926,440	60,475,786
Additions				16,798,950				19,547,565				700,000		37,046,515
Disposals														-
Transfer/Adjustments														-
As At 30th June 2022	-	7,446,756	6,497,426	30,987,197	1,986,116	1,855,452	12,949,412	19,547,565	5,246,564	201,864	4,114,398	3,763,111	2,926,440	97,522,301
Additions	6,954,070	-										843,350		7,797,420
Disposals	-	-												-
Transfer/Adjustments	-	-												-
As At 30th June 2023	6,954,070	7,446,756	6,497,426	30,987,197	1,986,116	1,855,452	12,949,412	19,547,565	5,246,564	201,864	4,114,398	4,606,461	2,926,440	105,319,721
Depreciation And Impairment														
At 1 July 2021	-	827,417	341,970	746,750	104,532	97,655	681,548	-	276,135	10,624	216,547	1,531,326	-	4,834,504
Depreciation	-	744,676	324,871	1,549,360	99,306	92,773	647,471	977,378	262,328	10,093	205,720	1,254,370	-	6,168,346
Impairment	-	-												-
Transfers/ Adjustments		-												-
As At 30 June 2022	-	1,572,093	666,841	2,296,110	203,838	190,428	1,329,019	977,378	538,463	20,717	422,267	2,785,696	-	11,002,950
Depreciation	173,852	587,466	291,529	1,434,554	89,114	83,251	581,020	928,509	235,405	9,057	184,607	606,922	-	5,205,286
Disposals		-												-
Impairment		-												-
Transfer/Adjustment		-												-
As At 30th June 2023	173,852	2,159,559	958,371	3,730,664	292,952	273,679	1,910,038	1,905,888	773,868	29,775	606,873	3,392,618	-	16,208,136
Net Book Values														
As At 30th June 2022	-	5,874,663	5,830,585	28,691,087	1,782,278	1,665,024	11,620,393	18,570,187	4,708,101	181,147	3,692,131	977,415	2,926,440	86,519,451
As At 30th June 2023	6,780,218	5,287,197	5,539,055	27,256,533	1,693,164	1,581,773	11,039,374	17,641,677	4,472,696	172,089	3,507,525	1,213,843	2,926,440	89,111,585

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Valuation

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

16 Trade and Other Payables - Creditors

Description	2021-2022	2021-2022
	Kshs	Kshs
Trade payables (exchange creditors)	121,381,209	186,193,731
Total trade and other payables	121,381,209	186,193,731

ANALYSIS OF THE CREDITORS as at 30th June, 2023

S/NO	SUPPLIER	DISCRIPTION	LPO no	INVOICE date	AMOUNT
1	KAKULE GENERAL	Timber	C/Note		3,247,500.00
2	MEGISTEP ENTERPRIS	Paints	3119711	07/05/2018	302,200.00
3	N.I.T.A.	Prisoners Trade Test	Proforma INV 007	06/06/2017	14,141,500.00
4	N.I.T.A.	Prisoners Trade Test	Proforma INV 015	17/03/2019	10,305,000.00
5	N.I.T.A.	Prisoners Trade Test	Proforma INV 016	18/03/2019	13,107,500.00
6	N.I.T.A.	Prisoners Trade Test	Proforma INV 017	19/03/2019	11,170,000.00
7	N.I.T.A.	Prisoners Trade Test	Proforma INV 014	16/08/2016	13,250,000.00
8	N.I.T.A.	Prisoners Trade Test	August 2019 series		10,610,500.00
9	N.I.T.A.	Prisoners Trade Test	Dec 2019 series		10,285,000.00
10	N.I.T.A.	Trade test			52,000.00
11	Sajam Dubon	machine oil	2774977	26/04/2018	325,000.00
12	Vision Hope Agencies	Raw Material	2774867	27/04/2018	1,270,150.00
11	Prime world	Timber	3725517	19/05/2023	1,100,750.00
12	Merstac Tech	Raw Material	3725674	19/06/2023	280,000.00
13	Liwani Enterprises	Raw Material	3725673	15/06/2023	725,000.00
14	Timber Tank	Timber	3725515	06/05/2023	10,896,325.00
15	ASK	Membership Badges	3725509		348,000.00
16	Hailow Trading	Toners	3725519		606,500.00
17	Swait Limited	Raw Material	3725231		527,000.00
18	Swait Limited	Raw Material	3725249		72,200.00
19	Swait Limited	Raw Material	3725250		199,700.00
20	Lasimani Enterprises	UNESCO Items	3725523		1,904,875.00
21	Lasimani Enterprises	UNESCO Items	3725524		2,793,000.00
22	R.H. Devani	Fuel	3725651		340,038.00
24	Arisan Tech.	Raw Material	3725513		4,698,000.00
25	Kenya Power	Kamiti Bill			557,104.50
25	Kenya Power	Kibos Bill			123,176.70
26	AFR Communication	Long life milk	3725667		500,000.00
27	Liwani Enterprises	Raw Material	3725652		545,000.00
28	Grecia DE Dios	Office Carpet	3725525		275,500.00
29	Solar Rays	Raw Material	3725654		1,147,000.00
30	Aumaco Enterprises	Raw Material	3725677		132,000.00
31	Nalyncy Enterprises	Raw Material	3725655		199,900.00
32	Solar Rays	Raw Material	3725669		648,000.00
33	Puremak Gen.	Raw Material	3725665		62,000.00
34	Puremak Gen.	Raw Material	3725660		596,000.00
35	Timcalos Agencies	Raw Material	3725663		246,000.00
36	Mukenya Communication	Raw Material	3725670		290,000.00
37	Mukenya Communication	Raw Material	3725668		395,000.00
38	Electrical Two thousand	Raw Material	3725671		2,320,000.00
39	Patmut General	Raw Material	3725659		365,000.00
40	Nairobi Water	Water bill Tyard			11,939.00

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41	Kenya Power	Garissa Bill		8,827.80
42	Kenya Power	Migori PI Bill		5,369.90
43	Kenya Power	Nvsha Bill		395,653.00
	GRAND TOTAL			121,381,209.00

NB/ Hitherto 30th September, 2022 Kshs 57,888,780.00 of the creditors are settled whilst efforts are been made to clear the remainder

17 Refundable Deposits and Prepayments from Customers

Description	2022-2023	2021-2022
	Kshs	Kshs
Consumer deposits - Government	25,703,154	2,001,000
Consumer deposits - Private	716,780	496,500
Total deposits	26,419,934	2,497,500

Prepayment/customers deposits analysis

Details of prepayments by government/parastatals by 30th June 2023.

STATION	N O	ITEMS DESCRIPTION	ESTIMATED COST	DEPOSIT PAID	MR.NO AND DATE
KAMITI M	1	Assembly Seats 36 No.	4,680,000.00	3,510,000.00	EFT
	2	Assembly Seats 40 No.	5,400,000.00	4,050,000.00	EFT
	3	Gallery Chairs 200 No.	5,000,000.00	3,750,000.00	EFT
	4	Assorted National Assembly Furniture	9,740,000.00	6,200,000.00	EFT
	5	Presidential Dias 3 No.	1,170,000.00	1,170,000.00	EFT
	6	National Assembly Furniture	2,574,000.00	1,930,500.00	EFT
	7	Executive Chairs 6 No.	360,000.00	120,000.00	4548806&4548824
	8	Lounge Chair	150,000.00	100,000.00	TRFS
	9	Assorted National Assembly Furniture	6,391,000.00	4,793,250.00	IFMIS
SIAYA	1	Repair Of Various Office Furniture Siaya County	79,657.00	79,404.00	6235319 OF 26.03.2023 & 6235324 OF 22.06.2023
			35,544,657.00	25,703,154	

Private Customers

STATION	N O	DESCRIPTION OF ITEMS	ESTIMATED COST	DEPOSIT PAID	M.R. NO AND DATE.
Kamiti M	1	Lounge chair	30,000.00	15,000.00	4548841
	2	Double bed	65,000.00	20,000.00	5121707
	3	Box sofa set, arm chair	190,000.00	130,000.00	5151723 & 5121782
	4	Church pews	295,000.00	200,000.00	5121958
	5	Sofa set 7-seater	230,000.00	100,000.00	5121986
Langata W	1	Round neck sweaters 4 no.	1,000.00	1,000.00	716136 OF 17.6.99
	2	Baby suit	220.00	100.00	5611520 OF 28.7.01
	3	Crotchet stool covers	1,893.00	400.00	5167034 OF 21.2.01
	4	Table clothes 32 pcs	5,000.00	3,500.00	548703 OF 22.12.22
Migori M	1	Coffee table	5,300.00	4,000.00	6463660
	2	Executive bed	22,000.00	14,000.00	6463676 OF 20.7.2023
Kitengela	1	Double bed 6*6	85,000.00	50,000.00	0490137 OF 11.5.23 & 0490138 OF 30.5.23
Naivasha M	1	Antique sofa set 7-seater	195,000.00	40,000.00	D474791

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Bomet		Bed 5*6	5,000.00	1,500.00	23.5.2023
Shikusa Farm	1	Double bed 5*6	15,000.00	5,000.00	049373 OF 23.12.22
				5,000.00	0490376 OF 11.01.23
Nakuru Main		Dinning set	170,000.00	100,000.00	4121656 OF 18.5.2023
Various		Mpesa reversals due		27,280.00	
		TOTAL	1,315,413.00	716,780.00	

18 Financial Risk Management

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

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

i) Credit risk

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

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Notes to the Financial Statements (Continued)

Financial Risk Management

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

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2023				
Receivables from exchange transactions	223,988,667.50	175,310,649.50	48,678,018.00	xxx
Receivables from non-exchange transactions	390,737,147.00	214,749,717.00	175,987,430.00	xxx
Bank balances	12,172,571	12,172,571	0	xxx
Total	626,898,385.50	402,232,937.50	224,665,448.00	xxx
As at 30 June 2022				
Receivables from exchange transactions	255,814,466.00	196,156,448.00	59,658,018.00	xxx
Receivables from non-exchange transactions	387,029,926.00	339,351,908.00	47,678,018.00	xxx
Bank balances	7,795,250.50	7,795,250.50	0	xxx
Total	650,639,642.50	543,303,606.50	107,336,036.00	xxx

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

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

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Notes to the Financial Statements (Continued)

ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2023				
Trade payables	-	32,680,231	88,700,978	121,381,209
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	32,680,231	88,700,978	121,381,209
As at 30th June 2022				
Trade payables	-	97,085,531	89,108,200	186,193,731
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	97,085,531	89,108,200	186,193,731

i) Market risk

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

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

Notes to the Financial Statements (Continued)

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

a) Foreign currency risk

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

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

Financial Risk Management

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

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

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

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Notes to the Financial Statements (Continued)

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:

	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	544,661,287	528,857,755
Capital reserve	14,000,000	14,000,000
Total funds	558,661,287	542,857,755
Total borrowings	0	0
Creditors	121,381,209	186,193,731
Gearing ratio	0.22	0.34

19 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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Notes to the Financial Statements (Continued)

Description	2022-2023	2022-2022
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of MV number plates to govt agencies	129,980,780.00	344,758,085.00
Total	129,980,780.00	344,758,085.00
B) purchases from related parties		
Purchases of electricity from KPLC	1,670,529	1,058,898
Purchase of water from govt service providers	126,311	13,103
Catering Services	412,150	338,400
School examinations (NITA) trade test	588,000	31,633,080
Total	2,796,990	33,043,481
b) Grants /transfers from the government		
Grants from national govt	00	00
Grants from county government	00	00
Donations in kind	00	00
Total	00	00
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	0	0
Payments for goods and services for xxx	00	00
Total		
d) Key management compensation		
Directors' emoluments	00	00
Compensation to key management	00	00
Total	00	00

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Notes to the Financial Statements (Continued)

20 Contingent Assets and Contingent Liabilities

Contingent Assets

	2022-2023	2022-2022
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	0	0
Assets arising from determination of court cases	0	0
Reimbursable indemnities and guarantees	0	0
Receivables from other government entities	250,000,000.00	250,000,000.00
Others (Specify)	0	0
Total	250,000,000.00	250,000,000.00

Contingent Liabilities

	2022-2023	2022-2022
	Kshs	Kshs
Contingent liabilities		
Court case E321 of 2020 against the entity	1,050,000,000.00	1,050,000,000.00
Bank guarantees in favour of subsidiary	0	0
Contingent liabilities arising from contracts including PPPs	USD 718,610	USD 718,610
Others (Specify)	0	0
Total	Nil	Nil

21 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 2022/2023 Nil) and hence no remittance to the Consolidated Fund.*

22 Events after the Reporting Period

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

23 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.

24 Currency

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

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19. Appendices

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
301. Unsupported cash (P.M.G) balance kshs. 175,987,430.	The statement of financial position as at 30 June, 2019 reflects a balance of Kshs 175,987,430 against a Paymaster General Account as at 30 June 2019. This balance represents amounts held on behalf of the Fund in the former Ministry of Home Affairs Deposit Account and which was yet to be transferred to the Fund's new account as of 30 June 2019. However, no documentary evidence in the form of bank certificate or bank reconciliation statements of the said deposit account has been provided to support this balance.	The mngt has continued engaging relevant authorities seeking transfer of Kshs 175,987,430.00 The non-transfer, was affected by the reorganization of government in the financial year 2013/14 where the MOHA was merged with OP to form the new Ministry of Interior and Coordination of National government.	HAU-state dept for correctional services	Not Resolved	Awaiting PAC recommendation
304. Stalled projects - supply and delivery of motorized vehicle number plate blanks Tender NO. KPS/T/ICB/10/2014-2017	During audit inspection and verification at Kamiti main prison industry it was noted that there is a three (3) year contract for tender supply and delivery of motorized vehicle number plate blanks tender no. KPS/T/ICB/10/2014-2017 which had stalled but contract validity period is still running. The contract was signed on 7 th November 2017 and the modern number plate's production machine was officially installed and officers trained on how to operate the machines. However, as indicated in the commissioner General of prisons' response Ref.17/17/vol.iv dated 30 th October 2019, proceed once the laser marking machines are in place.	It is true that the machines were procured and installed in 2016 at a cost of Kshs.15,295,500.00. The required machines, equipment and raw materials for new generation number plates are ready except laser marking machine used for final validation of number plates. The roll out of the project is expected to commence once the laser marking machine is in place.	Legal office - State dept for correctional services	Not Resolved	Awaiting PAC recommendation and conclusion of the court case
305. Unequal treatment of suppliers	Examination of payment register for Magereza Headquarters for the financial year 2018/2019 revealed that invoices totaling to kshs.238,601,175.00 were sent to the state department headquarters for payment of various suppliers but only kshs.102,671,940.00 was paid during the year, leaving pending bills of kshs. 135,929,235.00. Further, out of 74 suppliers, it was observed that only 12 suppliers were paid during the year. However, reasons for prioritizing the payments were not clearly stipulated by management as expected thus reflecting unfair distribution of the payments contrary to Article 227 (1) of the constitution which states that a "State organs or any other public entity contracts for goods or services, it should do so in accordance With a system that is fair, equitable, transparent competitive and cost	Hitherto the management has managed to settle 90% of the bills leaving a balance of Kshs 38,147,100.00 and the SDCS is following up with the settlement of the remaining debts.	HAU-state dept for correctional services	90% Resolved	Awaiting funds

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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)
	efficient"				
I. Inaccuracies in the Financial Statements	i) The cash flow statement reflects an amount of Kshs 2,671,989.00 in respect of purchase of noncurrent assets under investing activities and same was not included in the property, plant and equipment movement schedule. ii) That Kshs 30,318,827.00 was captured as an Increase in accounts receivables in the cash flow statement. iii) Decrease in accounts payables of Kshs 41,628,085.99 as reflected in the statement of cash flow is in respect of the payments made to creditors which were effected during the financial year	(i) It is true that the cash flow statement reflects an amount of Kshs 2,671,989.00 in respect of purchase of noncurrent assets under investing activities and same was not included in the property, plant and equipment movement schedule. The expenditure was part payment of the contract of Ksh.6,954,070.00 for construction of a building to house the Prison Industry PRIAQUA machines for the water purification project at PSTC. In the past Prison Industries Revolving Fund (PIRF) had not been recognizing industrial building as assets and that's why the expenditure was not capitalized (ii) It is true that Kshs 30,318,827.00 was captured as an Increase in accounts receivables in the cash flow statement. Previously, this amount was held as cash and cash equivalent in the books of accounts and has now been transferred to accounts receivables since the amount has not been realized. The amount of Kshs 82,790,432.10 is part of the amount in respect of credit sales made during the year of Kshs136,185,518.00 and does not affect cash flow since the statement is prepared using the direct method (iii) The decrease in accounts payables of Kshs 41,628,085.99 as reflected in the statement of cash flow is in respect of the payments made to creditors which were effected during the financial year. The balance of Kshs. 27,881,188.00 was not affecting the cash flow statement under investing activities but cash inflows under sales and had already been recognized.	HAU-state dept for correctional services	Resolved	
Unsupported Cash and Cash Equivalent	The statement of financial position reflects balance of Kshs 593,362,910.39 in respect to cash and cash equivalent. The closing bank balances are derived from the total revenues collected net of the total expenditures and is supported by the CBK bank account statement as at the date of closure.	It is true the statement of financial position reflects balance of Kshs 593,362,910.39 in respect to cash and cash equivalent. The closing bank balances are derived from the total revenues collected net of the total expenditures and is supported by the CBK bank account statement as at the date of closure. The books of the fund were closed on 19th July 2021. This was necessitated by some transactions which had not cleared in the IFMIS system but cleared after 30th June, 2021. The Prison fund maintains one cashbook and one CBK bank account which serves both Prison Industry Revolving Fund and Prison Farms Revolving Fund. Transactions in the cashbook are identified by use of either code 087 for Prison Industry and code 089 for Prison Farms Revolving Fund. The State Department sought authority from treasury for separation of the bank accounts but was advised to update the Prison Industry Fund regulation and Prison Farms regulations to align with the Public Finance Management Act before being granted the authority. The Prison Industry Fund is a unique case that relies heavily on the normal State Department operations hence the need to harmonize the cut-off date.	HAU-state dept for correctional services	Not Resolved	Six months for review of the legal notices
Unsupported Revenue from Exchange Transactions.		The Prison Industries Fund was able to collect Kshs. 397,006,637.00 as sales from furniture and number plates during the financial year 2020/2021. The fund had a total of 104 industry stations. Each station has its independent serialized Government miscellaneous receipt (MR) and independent MPESA Paybill numbers which are utilized to collect revenue. All sales are through cashless payment platform (paybills, Electronic funds transfer and corporate cheques) and are recorded in the miscellaneous receipt at the point of sale at the prison stations. The monies collected through the MPESA paybill are transmitted on a daily basis to the CBK account. Receipts are regularly presented from the Prison Stations to Prison Headquarters for verification and recording.	HAU-state dept for correctional services	Resolved	
Unsupported	The financial position reflected fixed	The financial position reflected fixed asset balance of	HAU-state	Resolved	

II. Statement of the Officer Administering the Responsibilities

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

The Officer administering the Fund is responsible for the preparation and presentation of the *Prison Industries Revolving Fund* 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, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the PIRF; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Fund* (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Officer administering the Fund accepts responsibility for the *Prison Industries Revolving Fund* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act. The Officer administering the Fund is of the opinion that the *Prison Industries Revolving Fund* financial statements give a true and fair view of the state of *Fund* transactions during the financial year ended June 30, 2023, and of the *Funds* financial position as at that date. The Officer administering the Fund further confirms the completeness of the accounting records maintained for the *Prison Industries Revolving Fund* which have been relied upon in the preparation of the *Funds* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The *Prison Industries Revolving Fund* financial statements were approved by the Principal Secretary State Department for Correctional Services, Ministry of Interior and Coordination of National Government. 23.11. 2023



Ms. Salome Wairimu Muhia-Beacco
PRINCIPAL SECRETARY
STATE DEPARTMENT FOR CORRECTIONAL SERVICES

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10. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the PIRF's affairs.

i) Principal activities

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

ii) Results

The results of the entity for the year ended June 30, 2023, are set out on page 1 onwards.

iii) Directors

The members of the management team who served during the year are shown on page viii' i.e., Principal Secretary, Hon. Safina Kwekwe Tsungu, CBS & Mary Muthoni Muriuki (Mrs.), HSC, Ms. Salome Wairimu Muhia-Beacco, Commissioner General of Prisons, Brig. (Rtd) John K. Warioba, EBS, CGP, Director Prisons Enterprise, Mr. James K. Too, ndc(k), [ACGP] and Deputy Director Mr Peter N. Njoroge, OGW[ACGP] now the Director.

iv) Surplus remission

The entity did not submit any surplus to the Consolidated Fund during the year (FY 2022/2023 i.e., Ksh Nil) since the surplus realized is directed to improvement and sustainability of the fund as guided by the establishing policy

v) Auditors

The Auditor General is responsible for the statutory audit of the PIRF in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the entity for the year/period ended June 30, 2023 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Management



Ms. Salome Wairimu Muhia-Beacco

Principal Secretary,

State Department for Correctional Services, Nairobi.

Date 23.11.23

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57	KANGETA	12,000.00			12,000.00	
58	GARISSA	138,651.00			138,651.00	
59	MANDERA	23,510.00			23,510.00	
60	WAJIR	1,200.00			1,200.00	
61	KISII M	135,900.00	53,040.00		188,940.00	
62	KISII W	59,200.00	39,900.00		99,100.00	
63	KISUMU M	1,135,270.00	89,273.00	138,000.00	1,362,543.00	
64	KISUMU W	71,100.00			71,100.00	
65	KIBOS	168,000.00			168,000.00	
66	RACHUONYO	91,665.00			91,665.00	
67	HOMA-BAY	3,400.00			3,400.00	
68	SIAYA	34,000.00		79,404.00	113,404.00	79,404
69	MIGORI M	260,300.00			260,300.00	18,000
70	MIGORI W	65,975.00			65,975.00	
71	KITENGELA	235,225.00			235,225.00	50,000
72	KERICHO M	105,500.00			105,500.00	
73	KERICHO W	79,080.00			79,080.00	
74	KERICHO MED	89,210.00			89,210.00	
75	KILGORIIS	48,200.00			48,200.00	
76	NANYUKI M	186,650.00			186,650.00	
77	NANYUKI W	151,860.00			151,860.00	
78	RUMURUTI	163,350.00			163,350.00	
79	NAKURU M	553,840.00			553,840.00	100,000
80	NAKURU W	90,923.00			90,923.00	
81	NAIVASHA M	584,320.00			584,320.00	40,000
82	NAIVASHA W	125,304.00			125,304.00	
83	NAIVASHA MED	137,441.00			137,441.00	
84	NAROK	3,200.00			3,200.00	
85	KITALE MED	133,850.00			133,850.00	
86	KITALE M	787,050.00	211,000.00		998,050.00	
87	KITALE W	104,950.00			104,950.00	
88	KITALE A	103,900.00			103,900.00	
89	ELDORET M	1,029,560.00			1,029,560.00	
90	ELDORET W	197,460.00			197,460.00	
91	BOMET	16,300.00			16,300.00	1,500
92	TAMBACH	53,200.00			53,200.00	
93	KAPSABET	98,010.00			98,010.00	
94	MARALAL M	68,189.00			68,189.00	
95	MARALAL W	86,425.00			86,425.00	
96	LODWAR	63,138.00			63,138.00	
97	KAPENGURIA	63,160.00			63,160.00	
98	KAPENGURIA W	24,620.00			24,620.00	
99	KABARNET	184,000.00			184,000.00	
100	ELDAMA- RAVINE	23,600.00			23,600.00	
101	KAJIADO	44,000.00			44,000.00	
102	KAJIADO W					
103	NGERIA FARM	125,440.00			125,440.00	
104	CHUKA					
105	BUNGOMA	33,610.00			33,610.00	
106	BUNGOMA WOMEN	86,485.00			86,485.00	
107	BUSIA	130,490.00			130,490.00	
108	BUSIA WOMEN	21,320.00			21,320.00	
109	KAKAMEGA M	818,881.00	294,000.00	940,500.00	2,053,381.00	
110	KAKAMEGA W	75,200.00			75,200.00	
111	SHIKUSABI	149,350.00			149,350.00	
112	SHIKUSA S S	114,300.00			114,300.00	
113	VIHIGA	17,300.00			17,300.00	10,000
114	MARIMANTI					
115	KEHANCHI					
	GRAND TOTAL	40,782,601.00	3,526,964.00	214,472,442.40	258,782,007.40	26,419,934

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Appendix iii: PIRF Government/Private outstanding debtors' analysis

PRISONS INDUSTRIES GOVERNMENT/PRIVATE TOTAL OUTSTANDING DEBTS AS AT 30TH JUNE 2023						
STATION	NAME OF DEBTOR	ITEMS DESCRIPTION	QTY	LPO NO	INVOICE NO	AMOUNT
Kitengela	Commissioner of Prisons	Palm bar	10,000		36574-9-6-2009	750,000.00
	Commissioner of Prisons	Bar Soaps				4,995,000.00
	Ministry of Transport	Office Furniture				3,523,348.83
Kitengela	Commissioner of Prisons	Prisoners bar soaps		2541601 of 20/5/2016	0921 of 1/11/2010	3,500,000.00
Kapenguria	OIC Kapenguria	Coffee Table	1		3619	30,000.00
	OIC Kapenguria	Wine Stool	1		3618	3,600.00
	OIC Kapenguria	Dinning Set	1		3622	55,000.00
Kisumu main	District Surveyor -Siaya	Jackets & Trousers	26	25286 / 23-11-81	58057 / 15-02-82	6,560.00
Kisumu main	Magistrates	shelves	24	2939853 of 19.5.09		63,072.00
Kisumu main	Kakamega County	Office furniture				3,750,000.00
Kisumu main	Bomet County	Office furniture				695,000.00
Rachuonyo	OIC Rachuonyo	Office Furniture				16,100.00
Kamiti Main	State Dept of Interior-harambee Ave	Office furniture		33207 OF 6/0/2018		1,102,000.00
Kamiti Main	Parliament	Repairs		PSC/proc/2/vol iii/6		2,001,550.00
Kamiti Main	Clerk of the senate	Repairs				1,886,000.00
Kamiti Main	Commissioner of Prisons	Stitching Prisoners Uniforms				5,343,200.00
PHQ Showroom	PS Min of Interior & Cord	Office furniture			4610-29/11/2018	561,000.00
PHQ showroom	Commissioner of Prisons	Imprests/payment vouchers			Imprests	20,318,827.00
Kamiti Main	NTSA	Number Plates		various	various	164,475,904.00
Shimo Main	Kenya Airport Authority	Furniture		LPO 4400019438	10/05/2023	4,386,600.00
PHQ -DPE	UNESCO	Refurbishment of office		contract	01/06/2023	6,333,122.00
Manyani	OIC Manyani	Furniture				115,004.00
		TOTAL				223,910,908

PRIVATE OUTSTANDING DEBTS FOR THE PERIOD ENDED 30-06-2023						
Kitui Rem.	Simon K Kingor	Furniture	1		10,400.00	10,400.00
	E.M Guantai			S/bed, D/set, C/set		67,360.00
						77,760.00
						223,988,668

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Appendix iv: Prison Industries paid & new debts as at 30-06-2023

PRISON INDUSTRIES PAID DEBTS AS AT 30-06-2023							
	STATION	NAME OF DEBTOR	ITEMS DESCRIPTION	QTY	LPO NO	INVOICE NO	AMOUNT
1	Kamiti Main	NTSA	Number Plates				151,823,364.00
2	Kamiti Main	Clerk of the National Assembly	Parliament Repair		043 of 26/03/2018	0080 of 11/10/018	980,000.00
3	PHQ showroom	Commissioner of Prisons	Imprests/payment vouchers			Imprests	10,000,000.00
			TOTAL				162,803,364.00

PRISON INDUSTRIES NEW DEBTS AS AT 30-6-2023						
S.NO	STATION	NAME OF DEBTOR	ITEM DESCRIPTION	LPO NO. & DATE	INVOICE & DATE	AMOUNT
1	Kamiti Main	NTSA	Number plates	5931/32		120,142,820.00
2	Shimo Main	KAA	Furniture	LPO 4400019438	45056	4,386,600.00
3	PHQ-DPE	UNESCO	Refurbishment of office	contract	01/06/2023	6,333,142.00
4	Manyani	OIC Manyani	Furniture			115,004.00
					TOTAL	130,977,566.00

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Appendix v: PIRF Capital Expenditure

CAPITAL EXPENDITURE					
S.NO		Purchase of W/Tools	Overhaul of Machinery	Purchase of Comps	Total
		2211006	3111201	3111002	
1.	PHQ	44,450.00			44,450.00
2.	Kamiti Main	798,900.00		-	798,900.00
3.	TOTAL	843,350.00	-	-	843,350.00

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KENYA PRISONS INDUSTRIES REVOLVING FUND			
TRIAL BALANCE FOR THE YEAR ENDED 30TH JUNE 2023			
		2022-2023	
NAME OF THE ACCOUNT		DEBIT	CREDIT
Motor Vehicles NBV		5,287,197	
Buildings		6,780,218	
Machinery NBV		70,610,205	
Computers		3,507,525	
Scrap Machinery		2,926,440	
Raw Materials		159,345,046	
Work in progress		20,942,844	
Finished Goods		34,461,826	
Cash and Cash Equivalent		12,172,571	
Debtors		223,988,668	
P.M.G.		175,987,430	
Cost of goods sold		137,968,775	
Repairs & Maintenance Expenses		23,267,514	
General Expenses		27,044,659	
Depreciation		5,205,286	
Sales		0	203,033,776
Customers deposits (Advance Income)		0	26,419,934
Creditors		0	121,381,209
Capital		0	14,000,000
Accumulated Revenue		0	544,661,287
		<u>909,496,206</u>	<u>909,496,206</u>

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Appendix vii: PIRF Stock Valuation & Revenue analysis as at 30th June, 2023

PRISON INDUSTRIES REVOLVING FUND STOCK & REVENUE SUMMARY VALUATION AS AT 30-06-2023										CLOSING STOCK AS AT 30TH JUNE 2023							
COD E	STATION	OPENING STOCK AS AT 1ST JULY 2022			CUSTOMERS DEPOSIT	PURCHASE OF R/MAT.	CLOSING R/MAT.	WORK IN PROGRESS		FINISHED GOODS AT COST	INVOICED PRICE	CUSTOMER'S DEPOSITS					
		R/MAT.										GOVT.	PRIVATE				
1	COMPRISONS	101,348,772				85,468,810							27,280				
2	PHQ S/ROOM									11,088,319	14,414,815						
3	PSIC					1,000,000											
4	TIMBER YARD	8,268,470															
5	KAMITHI	17,513,591	8,473,160		2,094,000	22,007,146	120,924,417	4,860,028		10,150,629	13,142,239	25,623,750	465,000				
6	KAMITHI MED		309,955			350,000	348,361	768,246									
7	LANGATA W	432,430	202,864			250,000	338,760	148,998			336,325						5,000
8	KAMAE GIRLS	59,459	22,213				17,262	4,510			46,659						
9	NBUWEST	222,078	1,928,071			450,000	885,976	2,163,646									
10	KIAMBUI		153,100			500,000	845,884	805,229		306,134	400,500						
11	KERUGOYA	500,922	73,292		300,000		220,549	244,183		64,237	83,500						
12	MWEA	614,030				500,000	748,842			40,000	52,000						
13	MURANGA M	185,143	129,834			500,000	296,754	397,825		217,769	283,100						
14	MURANGA W	34,900	9,800			200,000				16,449	34,650						
15	T/FALLS M	2,600	31,080							85,151	163,000						
16	T/FALLS W	110,210	11,105				44,555	5,450		20,940	27,530						
17	NYERI M	472,927	677,106			1,500,000	731,851	279,292		52,887	68,500						
18	NYERI W	82,169	19,691			200,000	136,500	21,633		41,849	56,448						
19	NYERI MED	683,915	127,610			250,000	632,408	148,445		95,917	126,200						
20	RURU	371,670	622,730			1,095,600	299,920	484,778		251,939	346,715						
21	THIKA M	764,072	33,132			200,000	758,276	45,500									
22	THIKA W	117,444	69,825				60,641	19,849		72,577	100,960						
23	MARANJAU	220,820	215,127			200,000	201,757	75,505									
24	KILIH	28,800	136,192			119,460				27,038	35,150						
25	KWALE M	90,800	40,111				302,349	58,760		32,240	38,000						
26	KWALE W	14,650	45,000			100,000	29,290	72,000		18,465	35,500						
27	HINDI	6,910	48,310				106,210	32,050		37,900	45,000						

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28	SHIMO MED	37,035		40,385		400,000	124,300	58,100	60,993	79,300	
29	SHIMO M	380,310	3,655,500	159,231		2,800,000	1,098,156	1,323,500	2,280,154	2,964,200	
30	SHIMOB I	188,798	48,875	71,063		547,205	540,661	70,625			
31	SHIMO W	187,700	4,800			200,000	101,965	17,959	84,350	110,155	
32	MANYANI	141,400		60,500		500,000	118,508	33,764	196,000	418,400	
33	VOI S S	66,350	39,000				23,005	21,000			
34	WUNDANYI	181,556	17,620	63,757			114,004		57,997		
35	WUNDANYI W	15,500		1,720			2,300				
36	HOLA	108,860	10,000				70,940	10,000			
37	MALINDIM	82,021	32,393	148,903			73,330		116,601	151,742	
38	MALINDI W	45,520	2,225	17,400			25,070	1,500	19,615	25,500	
39	TAVETA	105,040	56,600	30,480			162,395	153,000	36,153	47,000	
40	EMBU M	952,192	307,079	192,307	24,000	1,050,000	971,396	451,698	239,231	311,000	
41	EMBU W	60,360	5,495	30,112		100,000	94,373	10,855	19,370	61,250	
42	ISOLO	18,365	278,000	55,494			9,300	167,000	43,470	54,610	
43	KILU I M	172,965	45,659	41,865			162,585	50,114	160,389	235,015	
44	KILU I W	50,960	22,310	12,190			18,315	6,875	12,850	21,004	
45	MACHAKOS M	9,855,111	147,297	340,175		4,012,700	345,254		99,451	130,000	
46	MACHAKOS W	91,595	46,766	110,004		100,000	95,313	15,378	55,892	73,588	
47	MARSABIT	18,553		9,007				1,850	15,100	19,630	
48	YATTA	104,237	11,168	62,204		200,000	179,671	31,900	51,560	67,600	
49	MAKUENI	328,931	60,030	159,725			300,786	60,030	159,725	208,880	
50	MERU M	312,367	70,000	197,000	4,500	1,752,300			13,846	18,000	
51	MERU W	89,904	24,770	53,555		100,000	135,252	16,200	27,147	36,219	
52	URUKU							176,360			
53	MOYALE										
54	MWINGI										
55	KANGETA	8,720		22,400							
56	GARISSA	10,050	23,000				2,250	6,000			
57	MANDERA	48,130	4,300	12,539			44,600	2,000	5,450	10,700	
58	WAJIR	28,850	4,200	39,900			10,270		33,145	46,350	
59	KISUMU					700,000	370,020		187,908	246,300	
60	KISUMU W	71,900	23,490	6,390		100,000	45,365	8,520	83,890	117,450	
61	KISUMU M	53,250	4,481,000	426,421		1,500,000	1,018,541	4,481,000	470,808	612,050	

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62	KISUMU W	41,010	11,500	20,137		200,000	90,820	22,370	62,139	80,820		
63	KIBOS	11,825		102,645		550,000	48,682	167,450	393,338	496,450		
64	RACHUONYO	8,800	3,000	42,700								
65	HOMA BAY		37,565	23,000		100,000		11,125	5,800	20,000		
66	SIAYA										79,404	
67	MIGORI M	151,595	29,084	64,841		300,000	156,387	78,504	58,533	80,365		18,000
68	MIGORI W	23,520	6,070	16,000		80,000	46,880	16,900	24,854	34,090		
69	KITENGELA	7,830,259	3,680,708	885,876	25,000	1,985,864	2,313,019	1,246,499	2,083,453	2,708,480		50,000
70	KERICHO M			230,769								
71	KERICHO W	54,950	18,250	15,060				1,110				
72	KERICHO MED	6,910	35,450									
73	KILGORIS	20,800	63,800	21,150				4,000	18,100	30,000		
74	NANYUKI M	40,150	165,940	271,231		300,000	218,676	55,324				
75	NANYUKI W	145,350	3,600	121,900		200,000	255,110	4,800	25,395	33,500		
76	RUMURUTI							15,680				
77	NAKURU M	350,803	16,800	811,538		1,200,000	675,077		1,517,353	2,000,000		100,000
78	NAKURU W	100,310	12,475	1,500		200,000	135,010	8,210	33,740	44,215		
79	NAIVASHA M	1,007,000	98,288	285,040		2,150,000	1,628,727	202,552	135,807	230,000		40,000
80	NAIVASHA W	82,216	2,865	16,332		100,000	80,150	3,895	67,944	93,600		
81	NAIVASHA MED	228,809		74,850		250,000	178,437	13,000	89,040	225,700		
82	NAROK	4,400	4,900					7,200				
83	KITALE MED	38,546	82,755	17,849		150,000						
84	KITALE M	151,443	24,570	7,038	50,000	800,000	479,356	137,087	255,962	332,750		
85	KITALE W	48,700	5,410	10,153		100,000	84,950	12,000	4,827	12,500		
86	KITALE A	97,626	93,100	206,385		150,000						
87	ELDORET M	278,345	129,060			1,471,000			365,385	475,000		
88	ELDORET W					100,000	3,260	1,200	13,710	18,050		1,500
89	BOMET	10,000	45,000	30,800								
90	LAMBACH	16,310	45,140				8,160	47,100				
91	KAPSABET	185,235	14,428	167,182			23,203		24,605	32,300		
92	MARALAL M	94,300		43,588								
93	MARALAL W	50,600		11,300								
94	LODWAR		52,100									
95	KAPENGURIA	9,020	65,900									
96	KAPENGURIA W											

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97	KABARNET				51,450			500,000	37,716	22,016	103,846	135,000		
98	ELDAMA RAVINE													
99	KAJIADO	276,046	1,099,281	69,200						777,969				
100	KAJIADO W													
101	NGERIA FARM	40,000	40,000						137,075	32,980	256,849	339,210		
102	CHUKA													
103	BUNGOMA		119,999	92,308						46,000	138,462	180,000		
104	BUNGOMA WOMEN	10,350	4,350	12,846					2,350	1,340	1,962	2,550		
105	BUSIA	25,070	2,337	261,612							241,407	568,800		
106	BUSIA WOMEN	46,120	4,100	5,380						3,190	15,440	20,126		
107	KAKAMEGA M	1,040,974	206,762	185,989				1,300,000	880,754		669,434	870,370		
108	KAKAMEGA W	40,960	3,450	17,567				100,000	10,800	4,000	33,075	38,200		
109	SHIKUSAB I	171,680	41,743	156,370				655,910	173,718	38,933	80,612	102,350		
110	SHIKUSAS S	107,450		520					13,500				10,000	
111	VIHIGA								91,505	149,057				
112	MARIMANTI													
113	KEHANCH A													
	GRAND TOTAL	158,811,194	29,070,664	23,160,638	2,497,500			141,675,995	159,345,046	20,942,844	34,387,596	44,907,350	25,703,154	716,780

Appendix viii: PIRF expenditure analysis as at 30th June 2023
Prison Industries Expenditure Returns as at 30th June 2023

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