

REPUBLIC OF KENYA



**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*

**REPORT**  
PARLIAMEN  
OF KENYA  
LIBRARY

**OF**

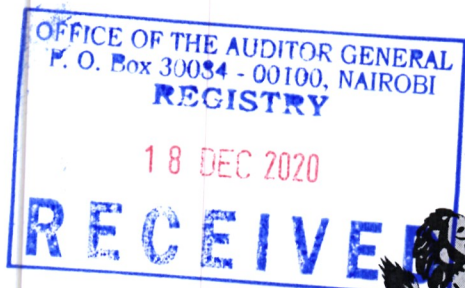
**THE AUDITOR-GENERAL**

**ON**

**PRISON FARMS REVOLVING FUND**

**FOR THE YEAR ENDED**

**30 JUNE, 2020**



Revised Template 30<sup>th</sup> June 2020



---

REGULATORY AND OTHER NON-COMMERCIAL ENTITIES

**KENYA PRISON SERVICE**  
*(Prison Farms Revolving Fund- (PFRF))*

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2020

---

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

**Kenya Prisons Service (Prison Farms Revolving Fund)**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

Table of Contents

Page

KEY ENTITY INFORMATION AND MANAGEMENT .....	ii
THE BOARD OF MANAGEMENT .....	iv
THE BOARD OF MANAGEMENT .....	vii
STATEMENT BY THE PRINCIPAL SECRETARY .....	ix
CORPORATE GOVERNANCE STATEMENT .....	x
MANAGEMENT DISCUSSION AND ANALYSIS .....	xi
STATEMENT BY THE COMMISSIONER GENERAL OF PRISONS .....	xi
STATEMENT BY THE DIRECTOR OF PRISONS ENTERPRISE .....	xii
STATEMENT BY THE DEPUTY DIRECTOR PRISONS FARMS .....	xiii
CORPORATE SOCIAL RESPONSIBILITY STATEMENT .....	xiv
REPORT OF THE DIRECTORS .....	xv
STATEMENT OF OFFICER ADMINISTERING THE FUND RESPONSIBILITIES .....	xvi
REPORT OF THE INDEPENDENT AUDITORS ON THE <i>PFRF</i> .....	xvii
STATEMENT OF FINANCIAL PERFORMANCE .....	1
STATEMENT OF FINANCIAL POSITION .....	2
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 <sup>TH</sup> JUNE 2020 .....	3
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS .....	4
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020 .....	6
NOTES TO THE FINANCIAL STATEMENTS .....	7
1. GENERAL INFORMATION .....	7
2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION .....	7
3. ADOPTION OF NEW AND REVISED STANDARDS .....	8
4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	9
20. FIXED ASSET SCHEDULE AS AT 30 <sup>TH</sup> JUNE 2020 .....	19
21. APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS .....	20
22. APPENDIX II- KENYA PRISONS SERVICE FARMS SECTION-STOCK TAKING .....	23
23. APPENDIX III - EXPENDITURE RETURN SUMMARY AS AT 30TH JUNE 2020 .....	27

## **KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

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

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

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

### **ESTABLISHMENT OF THE FARMS REVOLVING FUND**

LEGAL NOTICE No. 87

THE EXCHEQUER AND AUDIT ACT  
(Cap. 412)

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

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

1. These Regulations may be cited as the Exchequer and Audit (PRISONS FARMS FUND) Regulations, 1993 and shall be deemed to have come into operation on the 1<sup>st</sup> July, 1992.
2. In these Regulations, unless the context otherwise requires-
  - “Financial year” means the period of twelve months ending  
On 30<sup>th</sup> June in each year;
  - “Fund” means the Prison Farms Fund established by regulate on 3;
  - “Officer administering the Fund” means the accounting officer of the Ministry for the time being responsible for prisons or any person appointed by him in writing for that purpose.
3. (1) There shall be established a fund to be known as the  
Prison Farm Fund which shall consist of moneys appropriated by Parliament for that purpose.  
(2) The Fund shall be administered by the accounting officer of the Ministry for the time being responsible for prisons or any person appointed by him in writing to administer the Fund on his behalf.

***Kenya Prisons Service (Prison Farms Revolving Fund)***  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

---

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

(4) The object and purpose of the Fund is to provide funds required for the development and running of Prison farms for training and rehabilitation of prisoners and inmates.

4. (1) The initial capital of the Fund shall be K£210,000 appropriated by Parliament for that purpose in the 1992/93 financial year.

(2) The surplus realized in any financial year from the operations of the Fund shall be retained on a reserve account of the Fund and any deficiency realized in any financial year shall, subject to prior concurrence of the Treasury, be offset against the realized surplus held in the reserve account of the Fund.

5. The purchase of farm produce from prison farms shall be open to Government ministries or departments, local authorities, state corporations, private organizations and individuals.

6. The selling prices of the farm produce and livestock referred to in regulation 3 shall, where they are not subject to international market forces, be reviewed from time to time by the officer administering the Fund in consultation with the Treasury.

7. The expenditure on development and running of prison farms under the Fund shall be on the basis of and limited to the annual budget which shall be submitted to the Treasury for approval before the beginning of the financial year to which the budget relates, and any revision of the approved annual budget shall be referred to the Treasury for necessary approval.

8. The Government procurement and disposal procedures shall be strictly adhered to.

9. All receipts, earnings and accruals of the Fund and the balance of the Fund at the close of each financial year shall be retained for the purpose for which the Fund is established.

10. The officer administering the fund shall:-

(a) Supervise and control the administration of the Fund;

(b) Consult with the Minister for the time being responsible for matters relating to finance as may from time to time be required;

(c) If he thinks fit, impose conditions on the use of any expenditure authorized by him or on his behalf and may impose any reasonable prohibition, restriction or other requirement concerning such use or expenditure;

(d) Cause to be kept all proper books of accounts and other books and records relating to the Fund and to all the various activities and undertakings financed by the Fund;

(e) Prepare, sign and transmit to the controller and Auditor – General in respect of each financial year and within four months after the end thereof, a statement of account relating to the Fund in such form as the Treasury may from time to time direct, in accordance with section 18 (2) of the

Act.

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

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

*Kenya Prisons Service (Prison Farms Revolving Fund)*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

---

**THE BOARD OF MANAGEMENT**

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

**(b) Principal Activities**

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

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

**OUR CORE VALUES**

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

**(c) PIRF Headquarters**

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

**Registered Office**

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

**(d) PIRF Contacts**

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

**(e) PIRF Bankers**

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000 - City Square 00200  
Nairobi, Kenya.

**(f) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**(g) Principal Legal Adviser**

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

**Kenya Prisons Service (Prison Farms Revolving Fund)**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

---

**(c) KEY MANAGEMENT**

The *PFRF's* day-to-day management is under **The Accounting Officer who is the Principal Secretary State Department for Correctional Service assisted by the Commissioner General of Prisons.**

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal Secretary	<b>Zeinab A. Hussein (Mrs.), CBS</b>
2.	Commissioner General of Prisons	<b>Wycliffe O. Ogallo, CBS, CGP</b>
3.	Director of Prison Enterprise	<b>Wairimu R. Thang'ate, HSC, SACGP</b>
4.	Deputy Director Prison Enterprise	<b>Mr. Patrick M. Kariri, MKIM, SOCCA</b>

**(e) Fiduciary Oversight Arrangements**

**Audit and finance committee activities**

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

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


***Kenya Prisons Service (Prison Farms Revolving Fund)***  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

---

**CORE FUNCTIONS;**

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

**THE BOARD OF MANAGEMENT**

Board Members photo and name.	Board Members key qualifications and work experience.
 <p style="text-align: center;"><b>Zeinab A. Hussein (Mrs.), CBS</b>  <b><u>Principal Secretary.</u></b></p>	<p><b>Principal Secretary</b> for State Department for Correctional Services, Ministry of Interior and Coordination of National Government.</p> <p><b>Principal Secretary</b> for State Department for Post-Training &amp; Skills Developments in the Ministry of Education.</p> <p><b>Principal Secretary</b> for State Department for Irrigation in the Ministry of Water &amp; Irrigation.</p> <p><b>Principal Secretary</b> for State Department for Gender Affairs in the ministry of Public Service, Youth and Gender Affairs.</p> <p><b>EAST Africa &amp; Africa Delivery Hub, McKinsey &amp; Co.</b>          - Head of recruitment and administration as well as a consultant.</p> <p><b>Accelerate Africa</b> – A co-founder of the management consulting firm that focuses exclusively on serving the growth, expansion and management needs of Africa’s medium to large organizations.</p> <p><b>Shell Company</b> – Regional sales and marketing manager – west Africa</p> <p><b>EDUCATIONAL BACKGROUND</b>  <b>MBA (Business, International Business Management), UON</b>  <b>MPA Business and Economics, Harvard University Kennedy School of Government</b></p>
 <p style="text-align: center;"><b>Mr. Wycliffe O. Ogallo, CBS (CGP)</b>  <b><u>Commissioner General of Prisons.</u></b></p>	<p>A career administrator with solid credentials and a track record of public service spanning over thirty two years. My appointment as the <b>Commissioner General of Prisons (CGP)</b> in March, 2018 capped an illustrious career that began in 1985 as <b>District Officer</b> in the Office of the President with a stint of tour of duty all over the Republic. Prior to my appointment as the CGP, I was the Secretary National Government Coordination.</p> <p>I have undertaken a series of professional courses in security management, administration and management.</p> <p>Since taking over office as the CGP, I have contributed immensely to the reorganization and professionalization of the service through our clarion call for the Prisons Service we envisage thereby shaping the role of Kenya Prisons Service and its purpose in delivering a just and secure Nation.</p> <p>I am a persuasive communicator with proven abilities in building teams that has since intensified our collaboration with the other criminal justice players in the development of common approaches to the matter of penal reform so that these noble tendencies find concrete expressions.</p> <p><b>Qualifications:</b>          * <b>MA(Public Policy &amp; Administration) - Kenyatta University 2014</b>          * <b>BA(Hons) UON 1985</b></p>

*Kenya Prisons Service (Prison Farms Revolving Fund)*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**



**Ms. Wairimu R. Thang'ate, HSC, [SACGP]**  
**Director Prisons Enterprise**

Enlisted in Kenya Prisons Service in 1985 as Chief Officer One (COI) and risen through ranks to the current rank of Senior Assistant Commissioner General of Prisons (SACGP). Has served in Kenya Prisons Service for over 33 Years in the following capacities:

- \* 1987-1990 Deputy Officer in charge, Nyeri Women Prison.
- \* 1990 – 1991 Superintendent in charge Shimo la Tewa B.I.
- \* 1991-1999 PHQ Inspection Directorate
- \* 1999 – 2001 Deputy officer in charge Langata Women maximum security prison.
- \* 2001 – 2006 PHQ Administration Directorate
- \* 2006 - 2008 Deputy Provincial Commander, Eastern Province.
- \* 2008 - 2009 Deputy Provincial Commander, Nairobi Province
- \* 2009 - 2016 Deputy Commandant, PSTC
- \* 2016 –2019 Regional Commander, Nairobi Area
- \* 2019 - PHQ, Director Legal, Human Rights Research & Statistics
- \* Nov 2019 to date Director Prisons Enterprise

**Qualifications:**

- \* **BA(Social Science) Bhopal-India 1985**



**Mr. Patrick Kariri, MKIM, SOCAA**  
**Deputy Director Prisons Enterprise (Farms)**

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

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

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

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

**Qualifications:**

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

*Kenya Prisons Service (Prison Farms Revolving Fund)*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

---

**STATEMENT BY THE PRINCIPAL SECRETARY**

It is my pleasure to release the Prisons Farms Revolving Fund Financial Statement and Report for the year ended 30<sup>th</sup> June, 2020. The fund has continued to fulfil its set purpose and objective of training and rehabilitation of prisoners and operating in accordance with business principles.

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

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

The Enterprise also embraced Zero Based Budgeting for F/Y 2019/2020 in order to improve in efficiency and be effective in operations. ZBB entailed preparing the budget from the scratch with a zero-base which also involved re-evaluating every line item of cash flow statement and justifying all the expenditures that are incurred by the section.

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

During the year under review, the fund realized a gross profit of **Kshs. 153,655,326.76**. The net asset base of the fund also increased from **Kshs 512,964,732.33 to kshs 664,121,896.76** indeed this was an improvement in the operations of the fund.

This impressive financial performance of the fund indicates that prison farms are increasingly supplying more food to the prisons as food and ration. This is a clear indication that prison farms revolving fund is on course to achieve our strategic objective of making prisons self sufficient in food production.

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

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

*Kenya Prisons Service (Prison Farms Revolving Fund)*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

---

**CORPORATE GOVERNANCE STATEMENT**

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

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

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

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

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

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **STATEMENT BY THE COMMISSIONER GENERAL OF PRISONS**

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

The establishment of Prison Farms Revolving Fund in 1993 has provided the much needed support for prisons farming activities by ensuring timely and reliable source of money required for procurement of farm inputs. During the year under review, the fund supported farming activities in 90 agricultural prisons with 15 being flagship stations financed vide the Zero Based budgeting (ZBB) across the country and offered agricultural training to over 10,000 prisoners in various fields.

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

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

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

*Kenya Prisons Service (Prison Farms Revolving Fund)*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

---

**STATEMENT BY THE DIRECTOR OF PRISONS ENTERPRISE**

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

During the financial year 2019/2020, the operations of prisons farms revolving fund remained focused on the set purpose and objectives. As a result, the performance of the fund was impressive. Prison farms remained as centres of training and learning for prisoners and by extension demonstration farms for the local communities. The number of prisoners joining agricultural training in various fields increased. Besides employing technical agricultural prison officers in the training programme, prison farms also partnered and collaborated with Government and Nongovernmental agro-business organizations key among them being Kenya Forestry Service, Faraja Trust, Resource Oriented Initiative (Rodi) and local universities. The joint collaboration enriched the training program, exchange of best practices and lessons learnt in the field of agriculture.

During the year under review, prison farm also experienced great expansion and intensification of large scale farming in the 15 flagship farm stations financed vide Zero Based Budgeting where the farms were identified to increase livestock farming, Hay growing and Potato & Rice farming. Generally the year 2019/2020 has seen marked improvement despite the emergence of the COVID 19 pandemic which led to lockdown of Prisons hence limiting movement of Prisoners to farms. The year's performance is impressive despite the challenges and plans have been formulated and piloted to scale up food production from prison farms for prison's food self- sustainability.

## **STATEMENT BY THE DEPUTY DIRECTOR PRISONS FARMS**

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

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

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

The establishment of Prison Farms Revolving Fund in 1993 has provided the much needed support for prisons farming activities by ensuring timely and reliable source of money required for procurement of farm inputs. During the year under review, the fund supported farming activities in 15 out of the 90 agricultural prisons across the country and offered agricultural training to over 10,000 prisoners in various fields. The 15 flagship farm stations funded were identified vide adoption of Zero Based Budgeting (ZBB) in consideration of large scale production and to enhance revenue collection. Rehabilitation of prisoners through agricultural training in modern farming methods and technology is one of the most appropriate training for prisoners as agriculture is the backbone of Kenya's economy. Prisoners who benefit from agricultural training in prison farms leave prisons with sufficient and relevant skills ready to be absorbed and integrated into the fast growing agricultural sector. This does not only provide chance for prisoners to get employment but also contribute to national food security and poverty reduction in line with vision 2030 and the Big4 agenda of the Government.

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

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

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

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

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

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

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

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

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

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

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

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

**Kenya Prisons Service (Prison Farms Revolving Fund)  
Annual Reports and Financial Statements  
For the year ended June 30, 2020**

---

**REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the *Prisons farm's Revolving fund* affairs.

**Principal activities**

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

**Results**

The results of the PFRF for the year ended June 30, 2020 are set out on page 17 onwards

**Directors**

The members of the management team who served during the year are shown on page 2' i.e. **Principal Secretary, Zeinab A. Hussein (Mrs.), CBS, Commissioner General of Prisons, Wycliffe O. Ogallo, CBS, Director of Prisons Enterprise Wairimu R. Thang'ate, HSC, [SACGP] and Deputy Director of Prisons Enterprise(Farms) Mr. Patrick Kariri, MKIM, SOCAA**

**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 *PFRF* for the year/period ended June 30, 2020.

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

**Date:.....**

**Kenya Prisons Service (Prison Farms Revolving Fund)**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**STATEMENT OF OFFICER ADMINISTERING THE FUND RESPONSIBILITIES**

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


The Officer administering the Fund is responsible for the preparation and presentation of the *Prison Farms Revolving Fund* financial statements, which give a true and fair view of the state of affairs of the *Fund* for and as at the end of financial year (period) ended 30<sup>th</sup> June, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the PFRF; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Fund* (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

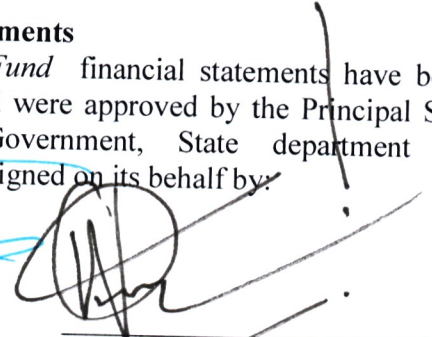
The Officer administering the Fund accepts responsibility for the *Prison Farms Revolving Fund* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act. The Officer administering the Fund is of the opinion that the *Prison Farms Revolving Fund* financial statements give a true and fair view of the state of *Fund* transactions during the financial period ended 30<sup>th</sup> June, 2020, and of the *Funds* financial position as at that date. The Officer administering the Fund further confirms the completeness of the accounting records maintained for the *Prison Farms Revolving Fund* which have been relied upon in the preparation of the *Funds* financial statements as well as the adequacy of the systems of internal financial control.

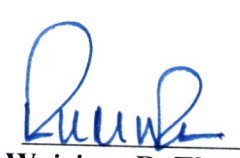
Nothing has come to the attention of the Officer administering the Fund to indicate that the *Prison Farms Revolving Fund* will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The *Prison Farms Revolving Fund* financial statements have been prepared in accordance with Section 83 of the PFM Act and were approved by the Principal Secretary Ministry of Interior and coordination of National Government, State department of correctional Services on \_\_\_\_\_ 2020 and signed on its behalf by:

  
Zeinab A. Hussein (Mrs.), CBS  
PRINCIPAL SECRETARY  
DEPT' FOR CORRECTIONAL  
SERVICES

  
Wycliffe O. Ogallo, CBS  
COMMISSIONER GENERAL  
OF PRISONS

  
Wairimu R. Thang'ate, HSC, SACGP  
DIRECTOR PRISONS  
ENTERPRISE

**REPORT OF THE INDEPENDENT AUDITORS ON THE PFRF**

We have audited the accompanying (consolidated) financial statements of *PFRF for the annual ended June 30, 2020*, which comprise: (i) a statement of financial performance; (ii) a statement of financial position; (iii) a statement of changes in net assets; (iv) a statement of cash flows; (v) a statement of comparison of budget and actual amounts and (v) a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**

The *PFRF's* Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS), PFM Act 2012 and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the *PFRF's* preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the *PFRF's* internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the *PFRF* as at June 30, 2020, and its financial performance as well as cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) and the requirements of the PFM Act 2012.

---

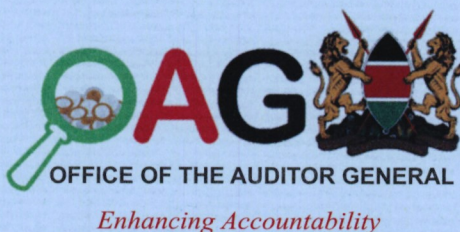
Auditor General

---

Date

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON PRISON FARMS REVOLVING FUND FOR THE YEAR ENDED 30 JUNE, 2020**

---

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Prison Farms Revolving Fund set out on pages 1 to 22, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Prison Farms Revolving Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **Unsupported and Unreconciled Pay Master General Account Balance**

The statement of financial position reflects a Pay Master General (P.M.G) Account balance of Kshs.56,021,755 as at 30 June, 2020. As disclosed in Note13 to the financial statements, the P.M.G. account represents unspent income from all stations and is held in the Ministry's Deposit Account on behalf of the Fund. However, the Ministry's Deposits Bank Account reflected a balance of Kshs.127,732,298 resulting to a difference of Kshs.71,710,543 which has not been analyzed or explained.

Consequently, the completeness and accuracy of the P.M.G. Account balance of Kshs.56,021,755 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Prison Farms Revolving Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical

requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

### **Other Matter**

### **Pending Bills**

As disclosed in Note 14 to the financial statements, the Fund had pending bills totalling Kshs.1,700,000 as at 30 June, 2020. These bills were not settled during the year under review but were instead carried forward to the 2020/2021 financial year. Failure to settle bills during the year to which they are incurred adversely affects the provisions of the subsequent financial year for which they have to be charged and paid.

## **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 sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Unused Tractors**

The statement of financial position reflects an amount of Kshs.28,035,111 under tractors as at 30 June, 2020. As disclosed in Note 20 to the financial statements, the balance includes an amount Kshs.19,965,600 relating to additions during the year under review. However, the additional tractors were acquired without operational accessories and have thus remained unused to date. The required operational accessories includes 6-ton tipping trailers (2), lateral boom sprayers (3), 22-disc harrow (2), 4-row crop planters (2) and 3- disc plough (4).

Under the circumstances, the Kenya Prison Service has not obtained value for money from the acquisition of tractors worth Kshs.19,965,600.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, 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**

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or 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 Fund's 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 the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**24 May, 2021**

*Kenya Prisons Service (Prison farms Revolving Fund)*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**


**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2020**

DETAILS		30th JUNE 2020	30th June 2019
<b>Sales</b>	4n	228,185,727.40	128,553,689.00
Less: previous Debts paid during the year		-	-
		228,185,727.40	<b>128,553,689.00</b>
<b>Opening Stock (1-7-2018)</b>			
Livestock	}	44,512,300.00	42,782,510.00
Growing Crops		116,019,741.04	164,208,900.10
Harvested Crops		10,782,400.00	
Farm Inputs		3,481,977.10	9,050,897.00
<b>Sub-Total</b>		<b>174,796,418.14</b>	<b>253,650,797.10</b>
<b>ADD PURCHASES</b>	14	64,628,939.00	10,546,000.00
<b>Sub-Total</b>		<b>239,425,357.14</b>	<b>264,196,797.10</b>
<b>LESS CLOSING STOCK</b>			
Livestock	}	50,969,900.00	44,512,300.00
Growing Crops		105,054,838.50	116,019,741.04
Harvested Crops		6,301,295.00	10,782,400.00
Farm Inputs		2,568,923.00	3,481,977.10
<b>Sub-Total</b>		<b>164,894,956.50</b>	<b>174,796,418.14</b>
<b>Cost of Sales</b>		<b>74,530,400.64</b>	<b>89,400,378.96</b>
<b>Gross Profit/Loss</b>		153,655,326.76	39,153,310.04
<b>Less Operating Expenses:</b>		24,998,480.00	16,845,341.00
Depreciation - uncoded	20	1,999,076.10	2,190,466.16
Accident vehicle 2 months Depreciation	19		108,532.69
<b>Total Operating costs</b>		<b>26,997,556.10</b>	<b>19,144,339.85</b>
<b>Net Profit/Loss</b>		<b>126,657,770.66</b>	<b>20,008,970.19</b>

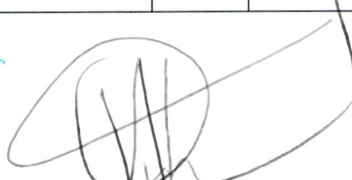
**Kenya Prisons Service (Prison farms Revolving Fund)**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30<sup>TH</sup> JUNE 2020**

	Notes	2019-2020 Kshs	2018-2019 Kshs
<b>NON CURRENT ASSETS</b>			
Motor Vehicles NBV		7,383,187.23	7,733,236.42
Tractors	} 20	28,035,110.69	8,966,123.35
Farm machinery		11,590,350.18	6,685,560.73
Computers		1,749,783.34	1,841,877.20
Motor bikes		646,662.10	718,521.72
Trailers		1,195,725.55	1,328,583.92
Scrap machinery		1,096,300.00	1,096,300.00
<b>Total Noncurrent Assets</b>			<b>51,697,119.09</b>
Investments	6	2,364,895.00	2,364,895.00
<b>SUB TOTALS</b>		<b>54,062,014.09</b>	<b>30,735,098.34</b>
<b>CURRENT ASSETS</b>			
Livestock	22	50,969,900.00	44,512,300.00
Growing crops	5&22	105,054,838.50	116,019,741.04
Harvested crops	22	6,301,295.00	10,782,400.00
Farm inputs	22	2,568,923.00	3,481,977.10
Debtors	9	246,202,001.57	156,459,706.77
P.M.G.	12	56,021,755.00	56,021,755.00
CASH EQUIVALENT ( BANK)	13	144,641,169.60	95,825,186.00
<b>Total Current Assets</b>		<b>611,759,882.67</b>	<b>483,103,065.91</b>
<b>LESS CURRENT LIABILITIES</b>			
Creditors	14	1,700,000.00	996,000.00
<b>Net Current Assets</b>		<b>610,059,882.67</b>	<b>482,107,065.91</b>
<b>NET ASSETS</b>		<b>664,121,896.76</b>	<b>512,842,164.25</b>
<b>FINANCED BY;</b>			
Prisons farm fund account	15	4,200,000.00	4,200,000.00
Government Capital injection (Machines)	17	19,965,600.00	-
Accumulated reserves	16	510,933,631.10	480,459,143.73
Capital investment reserve	6	2,364,895.00	2,364,895.00
Suspense		-	5,809,155.33
Net Profit/Loss	16	126,657,770.66	20,008,970.19
		<b>664,121,896.76</b>	<b>512,842,164.25</b>

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

Date.....

  
**Wycliffe O. Ogallo, CBS.**  
**COMMISSIONER GENERAL**  
**OF PRISONS**

17/12/2020

  
**Wairimu R. Thang'ate, HSC, SACGP**  
**DIRECTOR PRISONS**  
**ENTERPRISE**

17/12/2020

*Kenya Prisons Service (Prison farms Revolving Fund)*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**

CASH FLOWS FROM OPERATING ACTIVITIES(REVENUE		2019/2020	2018/2019
<b>RECEIPT FROM VARIOUS STATION</b>		<b>138,443,432.60</b>	<b>120,108,202.00</b>
<b>PAYMENTS</b>			
2210101	Electricity		
2210102	Water & Sewerage Charges		
2210201	Telephone Telex Mobile Charges		
2210301	Travel Costs	281,000.00	39,900.00
2210302	Accommodation, Domestic Travel	2,457,350.00	5,037,690.00
2210303	Dai y Subsistence	1,177,710.00	645,200.00
2210504	Advertising Awareness and Publicity	-	
2210505	Trade Shows & Exhibition	277,200.00	142,850.00
2210503	Subscription to Newspaper		
2210706	Book Allowances		
2210708	Project Allowance		
2210711	Tuition Fees	198,000.00	
2210310	Consultancy Fee	15,000.00	
2210801	Catering Services	134,760.00	
2211003	Vet. Supplies & Materials	2,244,200.00	1,195,000.00
2211004	Fungicides Insects & Sprays	9,757,145.00	1,690,000.00
2211007	Agr. Matt Supplies & Small Equipments	40,315,244.00	4,482,000.00
2211016	Purchase of uniform & clothing (staff)	-	150,000.00
2211101	General Office Supplies	1,129,553.00	352,620.00
2211102	Supplies and Accessories for Computers	-	98,100.00
2211201	Refined Fuel and Lubricants for Transport	4,162,227.00	4,158,421.00
2211202	Refined Fuel For Production	13,036,064.00	5,365,560.00
2211301	Bank Services & Commission Charges	48,960.00	
2211324	Land Registration	-	
2220101	Maintenance of Motor Vehicles	-	
2220201	Maintenance of plant, Mech. & Equipments	1,648,186.00	855,000.00
2220205	Maintenance of Building (None residential)	220,000.00	
2220210	Maintenance of Computers & Equipments	212,500.00	
3111002	Purchase Of Computers & Printers		
3111103	Purchase Of Agri. Machinery & Equip.		2,183,000.00
3111301	Purchase Of Certified Crop Seed	6,312,350.00	7,084,500.00
	Add Payments ( credits from previous years b/f)		
<b>SUB TOTAL</b>		<b>83,627,449.00</b>	<b>26,395,341.00</b>
<b>ADD CASH FLOWS FROM INVESTING ACTITIVIES</b>			
Purchase of Breeding stock, Plants and Equipment		4,000,000.00	0
<b>TOTAL PAYMENT</b>		<b>89,627,449.00</b>	<b>147,099,065.00</b>
Net increase/decrease in cash		48,815,983.60	93,712,861.00
Cash equivalent as at 1st July		95,825,186.00	2,112,325.00
<b>Cash equivalent as at 30th June</b>		<b>144,641,169.60</b>	<b>95,825,186.00</b>

**Kenya Prisons Service (Prison farms Revolving Fund)**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

ITEM	DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENT	FINAL BUDGET 2019-2020	ACTUAL COMPARABLE BASIS 2019/2020	PERFORMANCE DIFFERENCE 2019-2020
1450101	SUNDRY REVENUE	86,009,821.00		86,009,821.00	228,185,727.40	142,175,906.40
	EXPENSES					
2211003	Veterinarian supplies & materials	1,740,450.00		1,740,450.00	2,244,200.00	-503,750.00
2211004	Fungicides, insecticides & sprays	3,191,950.00		3,191,950.00	9,757,145.00	-6,565,195.00
2211007	Agricultural materials, supplies & s. equip	11,342,614.00		11,342,614.00	40,315,244.00	-28,972,630.00
2211016	Purchase of uniform & clothing	0.00		0.00	-	0.00
3111301	Purchase of certified crop seed	9,584,000.00		9,584,000.00	6,312,350.00	3,271,650.00
3111302	Purchase of animals & breeding stock	0.00		0.00	6,000,000.00	-6,000,000.00
2210101	Electricity	0.00		0.00	-	0.00
2210102	Water & Sewerage charges	0.00		0.00	-	0.00
2210201	Telephone, Telex, Fax & mobile	250,000.00		250,000.00	-	250,000.00
2210203	Postage services	0.00		0.00	-	0.00
2210301	Travel cost (airline, bus & railway) allow.	0.00		0.00	281,000.00	-281,000.00
2210302	Accommodation- domestic travel	3,500,000.00		3,500,000.00	2,457,320.00	1,042,680.00
2210303	Daily subsistence allowance	1,500,000.00		1,500,000.00	1,177,710.00	322,290.00
2210310	Consultancy Services	5,000,000.00		5,000,000.00	15,000.00	4,985,000.00
2210503	Subscription to newspapers, magazine	0.00		0.00	-	0.00
2210504	Advertising awareness & Publicity	0.00		0.00	-	0.00
2210505	Trade shows & exhibitions	500,000.00		500,000.00	277,200.00	222,800.00
2211201	Refined fuel & Lubricant for transport	2,195,508.00		2,195,508.00	4,162,227.00	-1,966,719.00
2211202	Refined fuel & lubricant for production	10,920,000.00		10,920,000.00	13,036,064.00	-2,116,064.00
2211301	Bank services commissions & charges	0.00		0.00	48,960.00	-48,960.00

*Kenya Prisons Service (Prison farms Revolving Fund)*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

2211324	Land registration		0.00						
2211101	General office supplies	840,123.00	0.00			840,123.00	0.00	-	0.00
2211102	Supplies & Accessories for compPs & print		0.00				1,129,553.00		-289,430.00
2220101	Maintenance expenses of M/vehicles		0.00				0.00		0.00
2220201	Maintenance of Plant, Machinery & Equip	606,154.00	0.00			606,154.00	0.00	-	0.00
2220209	Minor Alt. to building & civil works	75,000.00	0.00			75,000.00	1,648,186.00		-1,042,032.00
2220210	Maintenance of computers software & networks	200,000.00	0.00			200,000.00	220,000.00		-145,000.00
2210706	Book allowance		0.00				212,500.00		-12,500.00
2210707	Project allowance		0.00				0.00		0.00
2210711	Tuition fee allowance	1,200,000.00	0.00				0.00		0.00
2210801	Catering services, food and drinks	200,000.00	0.00			1,200,000.00	198,000.00		1,002,000.00
3110705	Purchase of trucks & trailers		0			200,000.00	134,760.00		65,240.00
3110706	Purchase of tractors		0			0	-		0.00
3110701	Motor vehicles		0			0	-		0.00
3111002	Purchase of compPs, printers & IT equip		0			0	-		0.00
3111004	Purchase of exchanges & comm. Equip		0.00			0.00	-		0.00
3111103	Purchase of agricultural machinery & equipment		0.00			0.00	-		0.00
	<b>TOTAL EXPENDITURE B+C+D</b>		32,025,917.00			32,025,917.00	-		32,025,917.00
	<b>Surplus for the period</b>		84,871,716.00			84,871,716.00	89,627,419.00		-4,755,703.00
			1,138,105.00			1,138,105.00	1,138,105.00		138,558,308.40

**Kenya Prisons Service (Prison farms Revolving Fund)**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020**

	<b>Initial Capital</b>	<b>Accumulated Reserves</b>	<b>Investments</b>
Balance as at 30th June,2012	4,200,000.00	184,976,217.45	2,364,895.00
Add surplus for the prev. year	-	40,690,008.93	-
Balance as at 30th June, 2013	4,200,000.00	225,666,226.38	2,364,895.00
Add surplus for the prev. year	-	47,412,412.82	-
Balance as at 30th June,2014	4,200,000.00	273,078,639.20	2,364,895.00
Add surplus for the prev. year	-	50,387,194.32	-
Balance as at 30th June 2015	4,200,000.00	323,465,833.52	2,364,895.00
Add surplus for the prev. year	-	53,451,524.52	-
Balance as at 30th June 2016	4,200,000.00	376,917,358.04	2,364,895.00
Add surplus for the prev. year	-	4,591,650.00	-
Balance as at 30th June 2017	4,200,000.00	381,509,008.04	2,364,895.00
Add surplus for the prev. year	-	43,865,533.18	-
Balance as at 30th June 2018	4,200,000.00	425,374,541.22	2,364,895.00
Add surplus for the prev. year	-	55,084,603.33	-
Balance as at 30th June 2019	4,200,000.00	480,459,144.55	2,364,895.00
Add surplus from Prev. year		20,008,970.19	
Balance as at 30th June 2020	4,200,000.00	500,468,113.52	2,364,895.00

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

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

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

Section 11 of the Legal Notice No 87, requires the Officer administering the Fund to prepare financial statements in respect of that Prison Farms Revolving Fund, which gives a true and fair view of the state of affairs of the Fund at the end of the financial period on operating results of the Fund for that period.

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

### **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 *PFRF's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Notes

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

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

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

**i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020**

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

**i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019**

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

**ii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020.

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

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

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

***Rendering of services***

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

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

***Sale of goods***

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

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

**b) Budget information**

The original budget for FY 2019-2020 was approved by the Principal Secretary for State Department for correctional Services.

The PFRF'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.

**c) Property, plant and equipment**

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

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

Tractors	10%
Computers	5%
Machinery	5%
Motor vehicles	10%
Tools	33 1/3%

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

**d) Research and development costs (Continued)**

*Impairment of financial assets*

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

*Impairment of financial assets (Continued)*

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

*Financial liabilities*

*Initial recognition and measurement*

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

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

**e) 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.

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

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

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

### **f) Provisions**

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

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

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

### ***Contingent liabilities***

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

### ***Contingent assets***

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

### **g) Nature and purpose of reserves**

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

### **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.

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

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

**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.

**k) Related parties**

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

**l) Capital Investment Reserves**

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

**m) Revenue Reserve**

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

**n) Sales of Goods and Services**

The preparation of statement of financial performance and statement of financial position for the year ended 30<sup>TH</sup> JUNE, 2020 is based from manual records i.e. Revenue, Expenditure return and stock taking certificates from the stations.

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

Description	2019-2020	2018-2019
	Kshs	Kshs
Sale of goods – Cash sales	138,443,432.60	120,108,202.00
Sale of goods – credit sales	89,742,294.80	8,445,487.00
Other( prepayments)	0.00	0.00
Previous debt collected during the year	0.00	0.00
<b>Total sales from the sale of goods</b>	<b>228,185,727.40</b>	<b>128,553,689.00</b>

The credit sales of Kshs.89,542,294.00 was realised during the Pending bills verification exercise done during the Financial year.

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

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

**o) Cash and cash equivalents**

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

Summary;

**p) Budget information**

The original budget for FY 2019-2020 was approved by the Principal Secretary State Department for Correctional services. 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 PFRF'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.

**q) Comparative figures**

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

**r) 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, 2020.

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

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

**5. Significant judgments and sources of estimation uncertainty**

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

**Useful lives and residual values**

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

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

**5. Growing Crops**

The growing crops have been valued in conjunction with the Ministry of Agriculture and Ministry of Livestock Development officials. The items are adjusted by  $33\frac{1}{3}\%$  or  $\frac{1}{3}$  of the selling price being the lower of the estimated cost and market value **Kshs 157,503,506.00 by  $33\frac{1}{3}$  to be Kshs 105,054,838.50**

**6. Investment/Share Allotment**

**Investment Reserve**

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

**Kenya Prisons Service (Prison farms Revolving Fund)**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

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

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

<b>Station</b>	<b>Company</b>	<b>Share cert No.</b>	<b>No. of shares.</b>	<b>Value .</b>	<b>Total.</b>
<b>a. Kericho</b>					
	KTDA Momul Factory	R0016238	46,790	Kshs. 5	233,950.00
		R0017356	35,679	Kshs. 5	178,380.00
	KTDA Tegat Factory	G0011577	114,185	kshs. 5	570,925.00
		R0012892	21,016	kshs. 5	105,080.00
		R0032560	142,461	kshs. 5	712,305.00
<b>b. Uruku</b>					
	Mwikigi Farm	9391	14,987	kshs. 5	74,935.00
	KTDA Githongo Factor	G0008179	3,50	kshs. 5	17,520.00
		G0008472	20,037	Kshs 5.	100,185.00
		B04391	21,562	Kshs 5.	107,810.00
	KTDA Imenti Leaf Base	G0005692	6,412	kshs 5.	32,060.00
		G0011798	7,059	kshs 5.	35,295.00
	KTDA Kionyo Factory	R0001928	16,497	kshs 5.	82,485.00
		R0006211	14,023	Kshs 5	70,115.00
<b>c. Ruiru</b>					
	KPCU	0034699	516	kshs 10.	5,160.00
	KPCU	8687-0659	3,869	kshs 10.	38,690.00
<b>TOTAL</b>				<b>Kshs.</b>	<b>2,364,895.00</b>

**9) Debtors-**

They are as indicated in the below schedule.

<b>S/NO</b>	<b>PAYEE</b>	<b>VOUCHER NO</b>	<b>AMOUNT</b>
1.	Commissioner General Of Prisons	56	6,852,336.71
2.	Commissioner General Of Prisons	57	6,364,408.63
3.	Commissioner General Of Prisons	58	11,571,035.13
4.	Commissioner General Of Prisons	59	10,243,468.87
5.	Commissioner General Of Prisons	60	5,929,312.10
6.	Commissioner General Of Prisons	61	52,079,595.26
7.	Commissioner General Of Prisons	62	14,312,048.44
8.	Commissioner General Of Prisons	63	12,267,571.45
9.	Commissioner General Of Prisons	64	52,168,672.48
10.	Commissioner General Of Prisons	65	40,359,847.33
11.	Commissioner General Of Prisons	66	17,584,345.00
12.	Commissioner General Of Prisons	67	7,996,096.50
13.	Commissioner General Of Prisons	68	8,473,263.68
	<b>TOTAL</b>		<b>246,202,001.58</b>

**Kenya Prisons Service (Prison farms Revolving Fund)**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**10) Fixed Assets Schedule**

See page 19

**11) Scrap machinery- in Fixed Assets Schedule**

See page 19

**12) PMG ANALYSIS 2019/2020**

Balance B/F PMG **56,021,755.07**

**13) CASH & CASH EQUIVALENT**

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

	<b>30<sup>th</sup> June 2019</b>	<b>30<sup>th</sup> June 2020</b>
Opening balance	2,112,235.72	95,825,186.72
Add: Sales (cash)	<u>120,108,202.00</u>	<u>138,443,432.60</u>
	<b>122,220,527.72</b>	<b>234,268,619.32</b>
Less: Expenditures/Withdraw	<u>26,395,341.00</u>	<u>89,627,419.00</u>
Closing Bank balance	<b><u>95,825,186.72</u></b>	<b><u>144,641,200.32</u></b>

**14) Purchases & Creditors**

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

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

Purchases

	<b>30<sup>th</sup> June 2019</b>	<b>30<sup>th</sup> June 2020</b>
2211003-veterinary supplies	1,195,000.00	2,244,200.00
2211004-fungicide	1,690,000.00	9,757,145.00
3111301-purchase of seeds	3,179,000.00	6,312,350.00
3111302-purch.of breeding stock	-	6,000,000.00
2211007-agricultural	<u>4,482,000.00</u>	<u>40,315,244.00</u>
	<b><u>10,546,000.00</u></b>	<b><u>64,628,939.00</u></b>

The creditors are as analyzed below;

M/s KENFRI LPO 3119725 dated 5/11/2018

Kshs. 765,000.00

M/s KENFRI LPO 304516 dated 10/5/2019

Kshs. 231,000.00

**996,000.00**

**CREDITOR 2019/2020**

KEPHIS REF PRIS/16/27/VOL.I/75

Kshs. 56,000.00

WAJODA Traders

Kshs 250,000.00

ASILI General Merchants

Kshs 300,000.00

Dry Tree Contractors

Kshs 98,000.00

**704,000.00**

**Grand Total**

**Kshs. 1,700,000.00**

Opening balance

**2018/2019**

**2019/ 2020**

Closing balance

NIL

996,000.00

**996,000.00**

**1,700,000.00**



**Kenya Prisons Service (Prison farms Revolving Fund)  
Annual Reports and Financial Statements  
For the year ended June 30, 2020**

**20. FIXED ASSET SCHEDULE AS AT 30<sup>TH</sup> JUNE 2020**

	TRACTORS	MORTALISED	KNAPSACK	PORTABLE	RICEHO	COMPUTER	M/VEHICLE	TENTS AND	MOTOR/BI	TRAILERS	TOOLS	TOTAL
	KES	SPRAYER	SPRAYER	ENGINE	MAchine			GREENHOUS	KE		EQUIPME	TOTAL
		KES	KES	KES	KES	KES	KES	E	KES	KES	NT	KES
BALANCE B/F AS AT 1.07.2019	8,966,123.10	875,342.11	49,833.71	4,652,323.25	819,184.45	1,841,877.20	7,733,236.42	-	718,512.30	1,328,583.95	411,444.31	27,396,460.80
LESS VALUE OF GKB 777C AWAITING REPORT												
TOTAL ASSET AS AT 30/06/2020	8,966,123.10	875,342.11	49,833.71	4,652,323.25	819,184.45	1,841,877.20	4,232,744.57	-	718,512.30	1,328,583.95	411,444.31	4,232,744.57
ADDITIONS DURING THE YEAR	19,965,600.00	-	667,380.00	-	636,400.00	-	3,500,491.85	3,580,260.00	-	-	-	23,163,716.23
DISPOSAL	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSET AS AT 30/06/2020	28,931,723.00	875,342.11	49,833.71	4,652,323.25	1,455,584.50	1,841,877.20	3,500,491.84	3,580,260.00	718,512.30	1,328,583.95	411,444.31	47,345,976.17
DEPRECIATION	896,612.31	43,767.11	2,491.69	232,616.16	40,959.22	92,093.86	350,049.18	-	71,852.23	132,858.40	135,776.62	1,999,076.78
ADD VALUE OF GKB 77C AWAITING REPORT												
NBV AS AT 30.06.2020	28,035,110.69	831,575.00	714,722.02	4,419,707.09	1,414,625.28	1,749,783.34	7,383,187.23	3,580,260.00	646,662.10	1,195,725.55	629,460.79	50,600,819.09

The balance reflected as Farm machinery constitute the following:

Description	Amount KES
1.Motorised sprayers	831,575.00
2.Knapsack sprayers	714,722.02
3.Portable Engine	4,419,707.09
4.Rice Haulier Machine	1,414,625.28
5.Tool/Equipment	629,460.79
6 TENTS AND GREENHOUSE	3,580,260.00
<b>TOTAL</b>	<b>11,590,350.18</b>

**NB/** There is Scrap machinery of kshs 1,096,300.00 not included in the schedule

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

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor (F/Y 2017/2018 Audit Report). We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name & designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
219.Unreconciled and Unexplained Difference in P.M.G Cash Balance	The statement of financial position as at 30 June 2018 reflects a P.M.G cash balance of Kshs. 58,134,080 and as disclosed in Note 9 to the financial statements held in the Ministry's Deposit Account on behalf of the Fund. However, the Ministry's Deposit Account had a balance of only Kshs. 49,091,790 instead of Kshs. 58,134,080.00 as at 30 June 2018. The resulting difference of Kshs. 9,042,290.00 has not been reconciled or explained. Consequently, it has not been possible to confirm the accuracy of the P.M.G cash balance of Kshs. 58,134,080	The statement of financial position reflects an amount of kshs 58,134,080.00 against P.M.G. This figure had been disclosed in the notes attached to the financial statements as the amount that was held in the Ministry's Deposits account on behalf of the fund. The Ministry Deposit Account is run by both Farms and Industry where they deposit revenue and withdraw from the same account hence having a balance of kshs 49,091,730.00. An amount of Kshs. 55,245,088.53 of the PMG was not readily available for utilization.	Accountant PFRF	Not Resolved	Awaiting PAC recommendation
220.Credit Sales Balance	The statement of financial performance for the year ended 30 June 2018 reflects sales of Kshs. 228,302,006.00 which includes credit sales balance of Kshs. 80,572,895.00 as disclosed in Note 2 under Summary of Significant Accounting Policies. However, details of the sales including a breakdown of the amount have not been provided for audit	The statement of financial performance reflects sales balance of kshs.228,302,006.00 which include credit sales balance of kshs. 80,572,894.55 as analyzed below; Cash sales as at 30 <sup>th</sup> June 2018 -Kshs 147,729,111.79 Credit sales as at 30 <sup>th</sup> June 2018 -Kshs <u>80,572,894.55</u> <b>Grand total sales Kshs. 228,302,006.00</b>	Accountant PFRF	Not Resolved	Awaiting PAC recommendation

**Kenya Prisons Service (Prison farms Revolving Fund)**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name & designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	review. In the circumstances, it has not been possible to confirm the validity, completeness and accuracy of the sales figure of Kshs 228,302,006.00 reflected in the statement of financial performance for the year ended 30 June 2018.				
221.Suspense Account	The statement of financial position as at 30 June 2018 reflects a balance of Kshs. 5,809,155.00 in the suspense account. However, the balance has not been supported with analysis and verifiable source documents contrary to regulation 107 (1) of the Public Finance Mngt (National Government) Regulations 2015.	The suspense was due to unavailability of records from District Treasuries on returned balances of AIE funds issued to stations which were not spent at the closure of the financial years. Since these returns are made direct to the National Treasury, by district treasuries the balances are not captured in the fund final statement and therefore affect the overall balance sheet.	Accountant PFRF	Not Resolved	Awaiting PAC recommendation
222.Fixed Assets	The statements of financial position as at 30 June 2018 reflects total fixed assets balance of Kshs. 30,669,201.00. This does not agree with the balance of Kshs. 29,572,901.00 shown in the fixed assets movement schedule, resulting in unexplained and unreconciled difference of Kshs. 1,096,300.00	The fixed asset bal. of Kshs. 30,667,201.41 which differs with Kshs. 29,572,901.00 as shown in the Fixed Assets movement schedule. The difference is caused by a balance of scrap machinery of Kshs, 1,096,300.00 which cannot be depreciated further.	Accountant PFRF	Not Resolved	Awaiting PAC recommendation
223.Failure to Achieve Budgeted Revenue and Expenditure	The statement of comparison of budget and actual amounts for the year ended 30 June, 2018 reflects budgeted	Prison farm revolving fund budget does not depend on exchequer from National Treasury. It operates	Accountant PFRF	Not Resolved	Awaiting PAC recommendation

**Kenya Prisons Service (Prison farms Revolving Fund)**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name & designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Targets	revenue amounts of Kshs. 246,300,000.00 while the actual revenue amount realized was Kshs. 147,729,112.00 resulting in a shortfall of Kshs. 98,570,888.00 or 40% of the budgeted revenue. In addition, while the budgeted expenditure was Kshs. 234,750,000.00 the actual expenditure amounted to only Kshs. 130,699,065.00 or 56% of the budgeted amounts. This is an indication that public resources were not effectively used and the Fund, therefore, did not achieve a significant proportion of its planned goals during the F/Y ended 30 June 2018.	basically on income from the prison farm stations all over the country. The budgetary expenditure of Kshs 234,750,000.00 to raise budgeted revenue of kshs. 246,300,000.00 was a projection and it was not realized due to exigencies from uncertain weather conditions all over the country and invasion of Fall Army Worms in the maize growing areas hence actual expenditure of kshs. 130,699,065.00 resulting to collection of actual revenue amounting to kshs. 147,729,111.79.			



.....

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

Date.....









**Kenya Prisons Service (Prison farms Revolving Fund)  
Annual Reports and Financial Statements  
For the year ended June 30, 2020**

**23. APPENDIX III - EXPENDITURE RETURN SUMMARY AS AT 30TH JUNE 2020**

CODE	STATION	VET/MAT	FUN/GI	CERT/SEED	PURCHASE	PUROF	TRANSPORT	PROD	TRAV.	ACCO	DAI	G.O	CATERING	COMPU	CONSULTANCY	M.ALT. BULD	MAINT. PLANT	TUITIO	SHOW	BANK	TOTALS	TOTAL
	<b>NBI AREA</b>																					
	PHQ	56,000		231,000		18,812,910	1,359,901	163,970	102,000	2,297,320	1,177,710	694,520	134,760	192,500	15,000	120,000		198,000	277,200	48,960	25,881,751	36,428,392.75
	NBI M/S																					
	KAMITI M/S	1,309,850	234,195	547,000		510,000		429,999													3,031,044	773,110.00
	<b>COAST PROVINCE</b>																					
	SHIMO M/S																					
	KWALE																					837,740.00
	KILIFI																					157,353.00
	MANYANI																					255,559.50
	MALINDI																					734,770.00
	HOLA																					471,857.00
	HINDI																					23,172.00
	WUNDANYI																					31,050.00
	SHIMO BI																					258,660.00
	VOI																					53,721.00
	TAVETA																					182,100.00
	SHIMO 'W'																					39,750.00
	MALINDI WOMEN																					55,325.00
	<b>NYANZA PROVINCE</b>																					58,284.00
	KIBOS 'A'																					1,545,290.00
	KISUMU 'A'																					5,235,230.00
	HOMA BAY																					180,438.15
	SIAYA																					40,500.00
	MIGORI																					1,000.00
	KISUMU 'W'																					496,472.00
	KISII																					274,820.00
	RACHUNYO																					216,720.00
	KISII WOMEN																					





