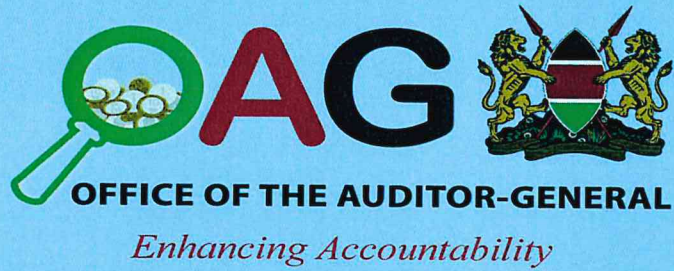


REPUBLIC OF KENYA



REPORT


OF

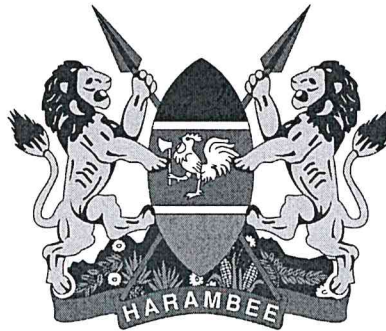
THE AUDITOR-GENERAL

ON

PRISON INDUSTRIES REVOLVING FUND

FOR THE YEAR ENDED
30 JUNE, 2019

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 11 FEB 2021	DAY: Thursday
TABLED BY:	Leader of Majority
CLERK-IN-CHARGE:	Halima Ahmed



KENYA PRISON SERVICE
(Prison Industries Revolving Fund- (PIRF))
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019

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

Kenya Prisons Service (Prison Industry Revolving Fund)
Annual Reports and Financial Statements
For the year ended June 30, 2019

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Prisons Industries Revolving Fund (PIRF) is domiciled in the directorate of Prisons Enterprise, Industries section of Kenya Prisons Service. The Fund was established by Legal Notice No. 314 of the Exchequer and Audit Act (Cap 412) Regulations of 1988. The Directorate of Prisons Enterprise is situated at the Prisons Headquartered, Magereza House in Nairobi and has branches in 103 industrial prisons countrywide.

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

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

ESTABLISHMENT OF THE PRISONS INDUSTRIES REVOLVING FUND

LEGAL NOTICE No. 314

THE EXCHEQUER AND AUDIT ACT (Cap. 412)

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

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

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

2. In these Regulations, unless the context otherwise requires-
“Financial year” means the period from the 1st July in any year to the 30th June in the immediately succeeding year (both days inclusive);

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

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

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

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

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

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

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

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

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

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

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

11. The officer administering the Fund shall-

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

Made on the 22nd July, 1988.

GEORGE SAITOTI,
Minister for Finance.

Kenya Prisons Service (Prison Industry Revolving Fund)
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(b) Principal Activities

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

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

OUR CORE VALUES

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

(c) Key Management

The *PIRF's* day-to-day management is under **The Accounting Officer who is the Principal Secretary, State Department for Correctional Services and the Commissioner General of Prisons.**

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal Secretary	Zeinab A. Hussein (Mrs.), CBS
2.	Principal Secretary	Alfred Cheruiyot
3.	Commissioner General of Prisons	Wycliffe O. Ogallo, EBS, CGP
4.	Commissioner General of Prisons	Isaya M. Osugo, CBS, CGP
5.	Director of Prison Enterprise	Josphat K. Ituka, MBS, ACGP
6.	Deputy Director Prison Industries	Kennedy A. Aluda ndc(k) MBS, DCP

(e) Fiduciary Oversight Arrangements

Audit and finance committee activities

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

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

CORE FUNCTIONS;

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

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Annual Reports and Financial Statements
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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(d) 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

(e) PIRF Contacts

Telephone: (254) 20-2722900-6
E-mail: commissioner.prisons.go.ke
Website: www.go.ke

(f) PIRF Bankers

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


(g) Independent Auditors

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

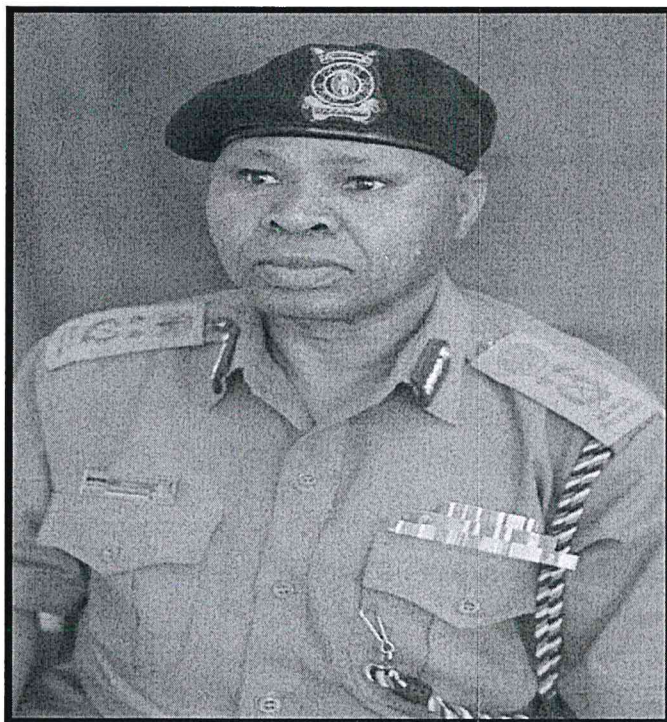
(h) Principal Legal Adviser

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

Kenya Prisons Service (Prison Industry Revolving Fund)
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THE BOARD OF MANAGEMENT

Board Members photo and name.	Board Members key qualifications and work experience
 <p data-bbox="197 1144 724 1216">Zeinab A. Hussein (Mrs.), CBS (PS) <u>Principal Secretary</u></p>	<p data-bbox="842 365 1525 427">Principal Secretary, State Department for Correctional Service Ministry of Interior and Coordination of National Government.</p> <p data-bbox="842 456 1525 519">Principal Secretary, State Department for Post-Training & Skill Developments in the Ministry of Education.</p> <p data-bbox="842 548 1525 611">Principal Secretary, State Department for Irrigation in the Ministry of Water & Irrigation.</p> <p data-bbox="842 640 1525 703">Principal Secretary, State Department for Gender Affairs in the Ministry of Public Service, Youth and Gender Affairs.</p> <p data-bbox="842 732 1525 824">EAST Africa & Africa Delivery Hub, McKinsey & Co. - Head of professional development & human Resources, Head of recruitment and administration as well as a consultant.</p> <p data-bbox="842 853 1525 967">Accelerate Africa – 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 data-bbox="842 969 1525 1025">Shell Company – Regional sales and marketing manager – West Africa</p> <p data-bbox="842 1028 1246 1057"><u>EDUCATIONAL BACKGROUND</u></p> <p data-bbox="842 1059 1525 1115">* MBA (Business, International Business Management) UON</p> <p data-bbox="842 1117 1525 1173">* MPA Business and Economics, Harvard University Kennedy School of Government.</p>
 <p data-bbox="197 1928 730 2013">Mr. Wycliffe O. Ogallo, EBS <u>Commissioner General of Prisons</u></p>	<p data-bbox="842 1256 1525 1370">I am a career administrator with solid credentials and a track record of public service spanning over thirty two years. My appointment as the Commissioner General of Prisons (CGP) in March, 2018 capped an illustrious career that began in 1985 as a District Officer in the Office of the President with a stint of two years of duty all over the Republic. Prior to my appointment as the CGP, I was the Secretary National Government Coordination.</p> <p data-bbox="842 1373 1525 1525">I have undertaken a series of professional courses in security management, administration and management. 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 to envisage thereby shaping the role of Kenya Prisons Service at its purpose in delivering a just and secure Nation.</p> <p data-bbox="842 1527 1525 1821">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 data-bbox="842 1850 1018 1879">Qualifications:</p> <p data-bbox="842 1881 1525 1955">* MA(Public Policy & Administration) - Kenyatta University 2014</p> <p data-bbox="842 1957 1161 1986">* BA(Hons) UON 1985</p>

Kenya Prisons Service (Prison Industry Revolving Fund)
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Mr. Josephat K. Ituka, MBS, [SACGP]
Director Prison Enterprises

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 32 Years in the following capacities:

- * Duty Officer
- * Courts Officer
- * Documentation Officer
- * Deputy Officer in Charge
- * Officer in Charge Shimo Annexe, Isiolo, Eldoret and Kakamega Prisons
- * Deputy Provincial Prisons Commander
- * Deputy Director Administration, Research & Statistics
- * Director Reforms and Planning, Gender and NGO Coordination
- * Inspections and Complaints and Prison Enterprises
- * Served in United Nations Mission in Liberia (UNMIL) as a Correctional Adviser for 18 months

Qualifications:

- * **MA(International Conflict Management) UON 2010**
- * **BA(Hons) UON 1985**



Mr. Kennedy Aluda, ndc(K), MBS [DCP]
Deputy Director Prison Industries

Enlisted in Kenya Prisons Service in 1990 as cadet Chief Officer One (COI) and risen through ranks to the current rank of Deputy Commissioner of Prisons (DCP). Has served in the following capacities:

- 1991-1992 worked as a Court's Liason officer at High Court of Kenya
- 1992-1994 Incharge motor vehicle number plate section, Kamiti Maximum security prison
- 1994-1996 Duty Officer Nairobi Remand & Allocation Prison
- 1996-1998 Deputy Officer in charge, Athi River Prison
- 1998-2000 Deputy officer in charge Prisons Industries, Naivasha Maximum Security Prison
- 2000-2005 Officer in charge Prisons Industries, Naivasha Maximum Security Prison
- 2005-2010 Deputy Director, Technical services, Prisons Headquarters
- 2010-2012 National Defence College(ndc) for Strategic Security Studies
- 2012-2013 Acting Director Prisons Enterprises
- 2013 to date Deputy Director Prisons Enterprises

Qualifications:

- **MA (International Studies) UON 2012**
- **BA(Hons) Design – UON**

REPORT OF THE CHIEF EXECUTIVE OFFICER

STATEMENT BY THE PRINCIPAL SECRETARY

It is my pleasure to release the Prison Industries Revolving Fund Annual Report and Financial Statement for the year ended 30th June, 2018. I am proud to note that the fund has continued to fulfil its set purpose and objective of training and rehabilitation of prisoners while operating in accordance with business principles. During the year under review, over 7,000 prisoners participated in various industrial vocational training programs and a total of 4,293 were booked for government trade test. A total of 643 candidates were examined and passed trade test grade I while 1,374 and 2,276 were examined and passed grades II and III respectively. The government spent Kshs. 34,616,100.00 in paying for examination fees and Kshs. 6,665,000.00 on training and testing materials.

These prisoners are well skilled in their areas of trades and some of them have already been released from prisons to the society as skilled artisans ready to join their families and communities in nation building.

Besides offering vocational and on- the- job training to prisoners, prison industries make valuable contribution to the economy of the country by producing a pool of skilled artisan critical for the industrial and construction industry in line with vision 2030 and the government's BIG four agenda. Also, prison industries produce high quality furniture for the local market and save the economy of our country from importing both office and household furniture in line with the government policy of encouraging local manufacturers.

During the year under review, the fund experienced a marginal decrease of sales to **444,535,244.94** as compared to Kshs, 457,603,352.60_ realized in 2017/2018 financial year while net assets decreased from Kshs. 554,987,043.27 in 2017/2018 to Kshs 554,023,845.78 in 2018/2019 financial year.

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

In order to ensure sustainability of the industries, the state department has initiated reforms to turn prison industries and farms into a state corporation to be known as Kenya Prisons Enterprise Corporation and also reequipping the enterprise. It is my hope that once the corporation is formed and modernizing the machineries, prison industries will witness unprecedented transformation in operations and management.

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

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

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.

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

MANAGEMENT DISCUSSION AND ANALYSIS
STATEMENT BY THE COMMISSIONER GENERAL OF PRISONS

I am pleased to share this annual report and financial statement of Prisons Industries Revolving Fund for the year ended on 30th June 2019. Prison Industries Revolving Fund is crucial to the achievement of main prison objectives of rehabilitation and reformation of prisoners. The fund facilitates provision of vocational and on the job training to the Country's over 30,000 prisoners population. Prison industries provide practical technical and soft-skills training to prisoners while at the same time modelling appropriate workplace behaviours to prisoners. By providing this training, offenders learn "how to work" so as to successfully obtain and retain employment upon release from incarceration and reduce recidivism.

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

The performance of Prison Industries Revolving Fund during the financial year 2018/2019 is yet another confront. The fund has continued to grow from the initial seed capital of Kshs. **14,000,000.00** appropriated by parliament in 1987/88 to the current net assets base of Kshs. 554,023,845.78. At the same time, the number of prisoners enrolling in industrial vocational training programs has witnessed remarkable increase.

During the year under review, the fund operated 105 industrial prisons across the country offering industrial vocational training to over 7000 prisoners. As the country continues to embrace devolution, the service has taken steps to ensure that there is at least one industrial prison in each one of the 47 counties. These industrial prisons not only offer vocational training in different skills to prisoners at the grass root level but also provide employment opportunities to prisoners serving prison sentences and manufacture high quality products for sale in the local markets. The main beneficiary of prison industries products are schools, churches, hospitals, county governments, national government department, non-governmental organizations, private firms and individuals. Once released from prisons, the skilled prisoners are absorbed and integrate in society where they add to the national pool of artisans necessary for national development.

Further, during the year under review, the department continued participating in trade fairs and exhibitions which has enhanced the human resource capacity for the existing technicians and prisoners training programs and industrial production. This will go a long way in injecting new ideas and technology to keep our industrial vocational training and products competitive.

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

Kenya Prisons Service (Prison Industry Revolving Fund)
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CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

The Directorate of Prison Enterprises (DPE) is the corporate division of the Department that manages industry 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 workforce covers a broad range of processing operations including woodwork, metalwork, spray painting, general engineering and assembly textiles which contributes to the Department's needs in the provision of clothing.

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 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 ASK during trade fairs, provision of tool kits and start-up 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 Industry Revolving Fund)
Annual Reports and Financial Statements
For the year ended June 30, 2019
REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the *entity's* affairs.

Principal activities

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

Results

The results of the PIRF for the year ended June 30, 2019 are set out on page 17 onwards

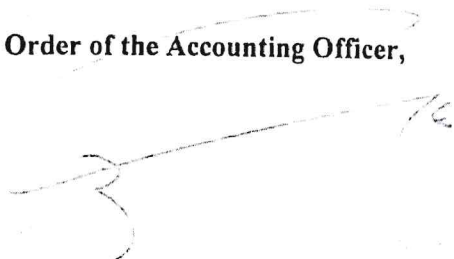
Directors

The members of the management team who served during the year are shown on page 2. During the year there was change of mantle of the Accounting officers' i.e. **Principal Secretary, Mr. Alfred Cheruiyot, was transferred and replaced by PS Zeinab A. Hussein (Mrs.), CBS** with effect from July, 2018, later in the month of March 2019 another reshuffle happened where **Commissioner General of Prisons, Mr. Isaya M. Osugo, CBS** was replaced by **Wycliffe O. Ogallo, EBS, CGP.**

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 *PIRF* for the year/period ended June 30, 2019.

By Order of the Accounting Officer,


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

Date:.....

STATEMENT BY THE DIRECTOR OF PRISONS ENTERPRISE

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

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

During the financial year 2017/2018, the operations of prison industries revolving fund registered yet again another impressive business report. The fund not only lived true to its purpose and objectives, but also witnessed tremendous improvement and expansion in vocational training programs, capital investment and revenue generation.

During the period under review, an average of over 7,000 prisoners was registered for various vocational training skills in prison industries. Out of these, 4,293 were booked for government trade test grade I, II and III which they were examined and passed.

Efforts have also been directed towards improvement of the quality of training. During the period under review, 34 technical officers were retrained at Kenya Technical Teachers College, National Industrial Training Authority (NITA) and Prisons Staff Training College on technical instructors' courses in Polishing, Tailoring, knitting, upholstery and leather tannery respectively.

Further, preparations have been made to roll out new generation motor vehicle number plates. Contracts for supply and delivery of raw materials for manufacture of new generation motor vehicle number plate have been signed.

Besides, efforts have also been made to make prison industries sustainable and profitable businesses. Towards this end, the industries engaged in electricity meters separation from the main stations power supply and reviewed costing procedures to ensure actual cost of production and profitability of the industries.

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

STATEMENT BY THE DEPUTY DIRECTOR PRISONS INDUSTRIES

The Kenya Prison Enterprises offers inmates training that equip them with appropriate skills to help them find jobs upon release from prisons, stay away from crime and contribute to society development. Those who support prison industries are our partners in helping reduce crime in our great country. Prison industries provide valuable training programs for inmates in the Kenyan prison system. This training focuses on developing technical skills and pro-social attitudes which contribute to offenders' successful re-entry into society upon release.

The Prisons industries play a vital role in our mission of promoting public safety and the training opportunities provided to offenders to reduce prison idleness while reinforcing positive behaviour change and work habits necessary for effective social reintegration.

Prisons Industries provides rehabilitation opportunities to inmates and produces high quality merchandise at competitive prices for sale in the market. The program aids in the rehabilitation of inmates by teaching them job skills that are easily transferable to the private sector upon release. The industries employ over 800 technical instructors who train over 7,000 inmates placed on various vocational training programs.

Over the years, the industries has endeavoured to find creative and efficient ways to advance our products and services while reducing costs to the government and providing profit making opportunities to our private sector partners as is elicited in the production of new look Parliamentary and County Assembly chambers as well as refurbishment of the law courts of Kenya all over the country.

Many inmates who come to our prisons have never held a real job or learnt the value of work. The industries are designed to help such inmates with hands-on vocational training and social values that include work ethics, responsibility and a sense of self-worth they missed or never experienced before. The program facilitates inmates' adjustment and reintegration into the society upon release. This means that the inmate work assignment emulates real-life to the greatest extent possible.

It is designed to provide inmates with the vocational training and work experience needed to help ease their transition to life outside the prison walls. Their adjustment and reintegration into society upon release is the program's greatest value. This can only be possible if there is support and goodwill from all stake holders. Thank you for your continued support.

**Kenya Prisons Service (Prison Industry Revolving Fund)
Annual Reports and Financial Statements
For the year ended June 30, 2019**

STATEMENT OF OFFICER ADMINISTERING THE FUND RESPONSIBILITIES

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

The Officer administering the Fund is responsible for the preparation and presentation of the *Prison Industries Revolving Fund* financial statements, which give a true and fair view of the state of affairs of the *Fund* for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the PIRF; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Fund* (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Officer administering the Fund accepts responsibility for the *Prison Industries Revolving Fund* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act. The Officer administering the Fund is of the opinion that the *Prison Industries Revolving Fund* financial statements give a true and fair view of the state of *Fund* transactions during the financial year ended June 30, 2019, and of the *Funds* financial position as at that date. The Officer administering the Fund further confirms the completeness of the accounting records maintained for the *Prison Industries Revolving Fund* which have been relied upon in the preparation of the *Funds* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The *Prison Industries Revolving Fund* financial statements were approved by the Principal Secretary State Department for Correctional Services, Ministry of Interior and Coordination of National Government. _____ 2019

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

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

**Kennedy Aluda, ndc(k)DCP
Ag. DIRECTOR OF PRISONS
ENTERPRISE**

Kenya Prisons Service (Prison Industry Revolving Fund)
Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF OFFICER ADMINISTERING THE FUND RESPONSIBILITIES

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

The Officer administering the Fund is responsible for the preparation and presentation of the *Prison Industries Revolving Fund* financial statements, which give a true and fair view of the state of affairs of the *Fund* for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the PIRF; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Fund* (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Officer administering the Fund accepts responsibility for the *Prison Industries Revolving Fund* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act. The Officer administering the Fund is of the opinion that the *Prison Industries Revolving Fund* financial statements give a true and fair view of the state of *Fund* transactions during the financial year ended June 30, 2019, and of the *Funds* financial position as at that date. The Officer administering the Fund further confirms the completeness of the accounting records maintained for the *Prison Industries Revolving Fund* which have been relied upon in the preparation of the *Funds* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The *Prison Industries Revolving Fund* financial statements were approved by the Principal Secretary State Department for Correctional Services, Ministry of Interior and Coordination of National Government. _____ 2019

Zeinab A. Hussein (Mrs.), CBS
PRINCIPAL SECRETARY
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SERVICES

Wycliffe O. Ogallo, EBS
COMMISSIONER GENERAL
OF PRISONS

Kennedy Aluda, ndc(k)DCP
Ag. DIRECTOR OF PRISONS
ENTERPRISE

REPORT OF THE INDEPENDENT AUDITORS ON THE *P.I.R.F* ()

We have audited the acetifying (consolidated) financial statements of *PIRF* for the year ended June 30, 2019, 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 *PIRF’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 *PIRF’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 *PIRF’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 acetifying financial statements present fairly, in all material respects, the financial position of the *PIRF* as at June 30, 2017, 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

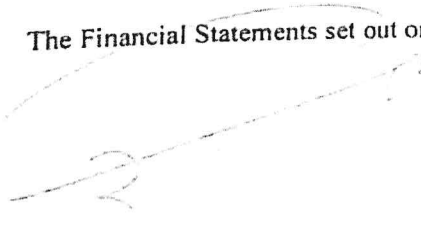
Date

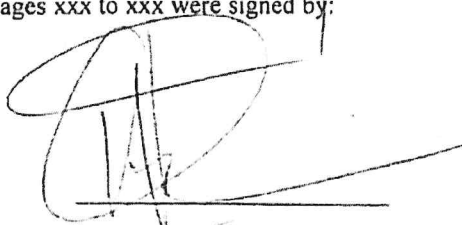
(NB: This draft report is supposed to be removed from the final financial statements after a certificate has been issued by the Auditor General and included in these financial statements)


Kenya Prisons Service (Prison Industry Revolving Fund)
Annual Reports and Financial Statements
For the year ended June 30, 2019
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

		2019	2018
NON CURRENT ASSETS	15		
Motor Vehicles NBV		9,193,526.00	10,215,029.43
Machinery NBV		54,312,861.00	60,186,160.70
Computers		4,361,890.00	4,591,462.53
Scrap Machinery		2,926,440.00	2,926,440.00
Total Fixed Assets		70,794,717.00	77,919,092.66
CURRENT ASSETS			
Raw Materials	}	109,907,032.24	195,756,762.27
Work in progress		27,144,177.14	102,464,558.21
Finished Goods		25,109,291.42	24,819,339.17
Cash and Cash Equivalent	12	487,925,093.99	60,914,293.10
Debtors	14	142,875,846.99	116,930,606.86
P.M.G.	12	175,987,430.00	175,987,430.00
Total Current Assets		968,948,871.78	676,872,989.61
LESS CURRENT LIABILITIES			
Customers deposits(Advance Income)	17	110,765,053.00	11,565,704.00
Creditors		374,954,690.00	188,239,335.00
Net Current Assets		485,719,743.78	477,067,950.61
NET ASSETS		554,023,845.78	554,987,043.27
FINANCED BY:			
Capital	8	14,000,000.00	14,000,000.00
Accumulated Revenue	9	529,847,589.94	529,847,589.94
Net Profit/(Loss)		10,176,255.07	7,309,220.90
Suspense Account	10	0	3,830,232.43
		554,023,845.78	554,987,043.27

The Financial Statements set out on pages xxx to xxx were signed by:


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


Wycliffe O. Ogallo, EBS
COMMISSIONER GENERAL
OF PRISONS


Kennedy Aluda, ndc(k)DCP
Ag. DIRECTOR OF PRISONS
ENTERPRISES

The notes set out on pages 17 to 51 form an integral part of these Financial Statements

REPUBLIC OF KENYA

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Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON PRISON INDUSTRIES REVOLVING FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Prison Industries Revolving Fund set out on pages 1 to 32, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Prison Industries Revolving Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Pay Master General (P.M.G) Account

The statement of financial position reflects a balance of Kshs.175,987,430 under Pay Master General (P.M.G) Account. The balance represents amounts held on behalf of the Fund in the former Ministry of Home Affairs Deposits Account which was yet to be transferred to the Fund's new account as at 30 June, 2019. In addition, documentary evidence including bank certificates and bank reconciliation statements for the said deposits account have not been provided to support this balance.

In the circumstances, the existence, completeness and accuracy of the P.M.G Account balance of Kshs.175,987,430 as at 30 June, 2019 could not be confirmed.

2. Cash in Transit

As disclosed in Note 12 to the financial statements, the statement of financial position reflects a balance of Kshs.30,318,827 in respect of cash in transit as at 30 June, 2019.

Although the same amount was also reflected in the previous year's financial statements, no documentary evidence has been provided to support the balance of Kshs.30,318,827.

Consequently, the existence, validity and accuracy of the cash in transit balance of Kshs.30,318,327 as at 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Prison Industries Revolving Fund Management in accordance with ISSAI 130 on 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

Budget Control and Performance

The statement of comparison of budget and actual amounts reveals that the Prison Industries Revolving Fund realized an actual revenue amount of Kshs.444,535,245 or 86% against budgeted revenues of Kshs.517,092,226. Further, the statement indicates that the Fund utilized an amount of Kshs.251,351,321 which represents 51% of the budget expenditure figure of Kshs.493,797,982, resulting to an under expenditure of Kshs.242,446,661 which represents 49% of the budgeted expenditure. Consequently, the Fund may not have implemented all programs and work plans fully as approved in the budget.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Stalled Project for Production of Modern Motorized Vehicle Number Plates and Supply and Delivery of Motorized Vehicle Number Plate Blanks

An audit inspection done on 25 September, 2019 and a review of records at Kamiti Main Prison Industry revealed that machines for producing modern motorized vehicle number

plates which were supplied and delivered in the year 2016 at a cost of Kshs.15,295,500 had never been used for the intended purpose and remained idle. In addition, a three-year contract for supply and delivery of motorized vehicle number plate blanks was signed on 7 November, 2017 and executed. However, the raw materials (motorized vehicle number plate blanks) delivered, were still held at the Kamiti Main Prison Industry stores.

In the circumstances, and although the Fund's Management indicated that the matter is under investigation, value for money has not been achieved owing to the delay in implementing the project.

2. Unequal Treatment of Suppliers

A review of payments registers at the Prisons Headquarters for the financial year 2018/2019 revealed that out of invoices totalling Kshs.238,601,175 submitted to the State Department of Correctional Services Headquarters for payment, invoices amounting to only Kshs.102,671,940 were paid during the year, leaving pending bills of Kshs.135,929,235.

Further, out of the seventy-four (74) suppliers, only twelve (12) suppliers were paid during the year. However, reasons for prioritizing the payments of Kshs.102,671,940 to the twelve (12) suppliers were not clearly explained by Management. It would, therefore, appear that there was unequal treatment of suppliers contrary to the provisions of Article 227(1) of the Constitution which requires a state organ or any other public entity that enters into a contract for supply of goods or provision of services to ensure that the system used is fair, equitable, transparent, competitive and cost- effective.

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 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 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 overall governance.

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

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

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

Those charged with governance are responsible for overseeing the 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 sustainability of services 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 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

21 January, 2021

Kenya Prisons Service (Prison Industry Revolving Fund)
Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Revenue from exchange transactions			
Sale of furniture and number plates	6	444,535,244.94	457,603,352.60
Total revenue		444,535,244.94	457,603,352.60
Expenses			
Use of goods and services	7	374,754,454.85	375,385,890.19
Depreciation and amortization expense	9	7,127,510.02	9,066,221.51
Repairs and maintenance	10	224,777.00	12,342,900.00
General expenses	11	52,252,248.00	53,499,120.00
Total expenses		434,358,989.87	450,294,131.7
Other gains/(losses)		0.00	0.00
Surplus/(deficit) for the period/year		10,176,255.67	7,309,220.90
Remission to National Treasury		-	0.00
Net Surplus for the year		10,176,255.67	7,309,220.90
Attributable to:			

The notes set out on pages 8 to 30 forms an integral part of these Financial Statements

Kenya Prisons Service (Prison Industry Revolving Fund)
Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
NON CURRENT ASSETS	15		
Motor Vehicles NBV		9,193,526.00	10,215,029.43
Machinery NBV		54,312,861.00	60,186,160.70
Computers		4,361,890.00	4,591,462.53
Scrap Machinery		2,926,440.00	2,926,440.00
Total Fixed Assets		70,794,717.00	77,919,092.66
CURRENT ASSETS			
Raw Materials	13	109,907,032.24	195,756,762.27
Work in progress		27,144,177.14	102,464,558.21
Finished Goods		25,109,291.42	24,819,339.17
Cash and Cash Equivalent	12	487,925,093.99	60,914,293.10
Debtors	14	142,875,846.99	116,930,606.86
P.M.G.	12	175,987,430.00	175,987,430.00
Total Current Assets		968,948,871.78	676,872,989.61
LESS CURRENT LIABILITIES			
Customers deposits(Advance Income)	17	110,765,053.00	11,565,704.00
Creditors		374,954,690.00	188,239,335.00
Net Current Assets		485,719,743.78	477,067,950.61
NET ASSETS		554,023,845.78	554,987,043.27
FINANCED BY;			
Capital	8	14,000,000.00	14,000,000.00
Accumulated Revenue	9	529,847,589.94	529,847,589.94
Net Profit/(Loss)		10,176,255.07	7,309,220.90
Suspense Account	10	0	3,830,232.43
		554,023,845.78	554,987,043.27

The Financial Statements set out on pages xxx to xxx were signed by:

Zeinab A. Hussein (Mrs.), CBS
PRINCIPAL SECRETARY
DEP'T OF CORRECTIONAL
SERVICES
Date.....

Wycliffe O. Ogallo, EBS
COMMISSIONER GENERAL
OF PRISONS

Kennedy Aluda, ndc(k)DCP
Ag. DIRECTOR OF PRISONS
ENTERPRISES

The notes set out on pages 17 to 51 form an integral part of these Financial Statements

Kenya Prisons Service (Prison Industry Revolving Fund)
Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

STATEMENT OF CHANGES IN NET ASSETS		
For the year ended 30th June 2018		
	Industries Account	Accumulated Reserves
Balance as at 30th June, 2015	14,000,000.00	367,333,575.76
Add surplus 2015/2016	-	126,982,366.32
Balance as at 30th June, 2016	14,000,000.00	494,315,942.08
Add surplus 2016/2017	-	26,222,426.96
Balance as at 30th June, 2017	14,000,000.00	522,538,369.04
Add surplus 2017/2018	-	7,309,220.90
Balance as at 30th June, 2018	14,000,000.00	529,847,589.94
Add surplus 2018/2019		10,176,255.67
Balance as at 30th June, 2019	14,000,000.00	540,023,845.61

Note:

1. .

Kenya Prisons Service (Prison Industry Revolving Fund)
Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

			2018-2019	2017-2018
		Notes	Kshs	Kshs
CASHFLOW FROM OPERATING ACTIVITIES				
Receipts	Sales		420,333,316.94	416,477,351.60
	Transfer from development			
Total receipts			420,333,316.94	416,477,351.60
Payments		Pg53		
	Electricity		-	2,363,490.00
	Water & Sewerage Charges		5,660.00	
	Telephone Telex Mobile Charges		-	70,000.00
	Travel Costs		19,500.00	3,478,800.00
	Accommodation, Domestic Travel		5,998,200.00	7,519,400.00
	Daily Subsistence		903,450.00	6,724,250.00
	Foreign Travel		-	-
	Foreign Travel Accommodation		4,209,261.00	-
	Advertising Awareness and Publicity		390,097.00	30,000.00
	Trade Shows & Exhibition		422,350.00	2,466,325.00
	Subscription to Newspaper		-	109,509.00
	Book Allowances		-	-
	Project Allowance		-	-
	Tuition Fees		-	1,536,900.00
	Catering Services		43,500.00	689,150.00
	Purchase of uniform & clothing (staff)		128,000.00	882,000.00
	Supplies for Production		102,909,965.05	288,034,131.13
	General Office Supplies		932,000.00	1,628,500.00
	Supplies and Accessories for Computers		111,000.00	423,756.00
	Refined Fuel and Lubricants for Transport		4,473,130.00	8,285,540.00
	Other Fuel (wood)		-	3,150,000.00
	School Fees Examination			14,141,500.00
	Maintenance of Motor Vehicles		150,777.00	4,994,050.00
	Maintenance of plant, Mech. & Equipments		74,000.00	2,750,000.00
	Maintenance of Building (None residential)		-	4,540,850.00
	Maintenance of Computers		-	58,000.00
Total Payments			120,770,890.05	
Net cash flows from operating activities			299,562,426.89	
CASH FLOWS FROM INVESTING ACTIVITIES				
	Purchase of Non Current Asset	pg 40	-	(3,874,800.00)
	Proceeds from sale of property, plant and equipments		-	-
	Decrease in non-current receivables		-	-
Net cash flows used in investing activities			-	(3,874,800.00)
CASHFLOWS FROM FINANCING ACTIVITIES				
	Proceeds from borrowings		-	-
	Repayment of borrowings		-	-
	Increase in deposits		114,916,053.00	-
Net cash flows used in financing activities			114,916,053.00	

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Net increase/(decrease) in cash and cash equivalents		426,961,553.89	58,726,400.47
Cash and cash equivalents at 1 JULY 2017		236,901,723.10	178,175,322.63
Cash and cash equivalents at 30 JUNE 2018		663,863,276.99	236,901,723.10
	<i>PMG A/C carrying amount</i>	<i>175,987,430.00</i>	<i>175,987,430.00</i>
	<i>Cash & cash equivalent</i>	<i>487,875,846.99</i>	<i>60,914,293.10</i>

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation)

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019

Item	Original budget 2018-2019 Kshs	Adjustments 2018-2019 Kshs	Final budget 2018-2019 Kshs	Actual on comparable basis 2018-2019 Kshs	Performance difference 2018-2019 Kshs
Revenue					
Government grants and subsidies					
Rendering of services	0	0	0	0.00	0.00
Sale of goods and services	517,092,225.62	-	517,092,225.62	444,535,244.94	72,556,980.68
Total income	517,092,225.62	-	517,092,225.62	444,535,244.94	72,556,980.68
Expenses					
Electricity expenses	4,000,000.00		4,000,000.00	0	4,000,000.00
Water and sewerage charges	100,000.00		100,000.00	5,660.00	94,340.00
Telephone, Telex, Facsimile & mobile phone services	200,000.00		200,000.00	0	200,000.00
Travel costs (Bus/Railway etc)	4,300,000.00		4,300,000.00	19,500.00	4,280,500.00
Accommodations Domestic travels	11,350,000.00		11,350,000.00	5,998,200.00	5,351,800.00
Daily subsistence allowance	6,300,000.00		6,300,000.00	903,450.00	5,396,550.00
Consultancy Services	5,000,000.00		5,000,000.00	0	5,000,000.00
Travel costs (bus/Railway etc)	0.00		0.00	4,209,261.00	-4,209,261.00
Accommodations-Foreign travel	0.00		0.00		0.00
Daily subsistence	0.00		0.00		0.00
Subscription newspapers, periodic	330,000.00		330,000.00		330,000.00
Advertising awareness and publicity campaigns	1,000,000.00		1,000,000.00	390,097.00	609,903.00
Trade shows and exhibitions	3,000,000.00		3,000,000.00	422,350.00	2,577,650.00
Book Allowance	100,000.00		100,000.00	0	100,000.00
Project allowance	100,000.00		100,000.00	0	100,000.00
Tuition fees allowance	3,000,000.00		3,000,000.00	0	3,000,000.00
Catering services (reception accommodation Gifts, Food and drinks	1,000,000.00		1,000,000.00	43,500.00	956,500.00
Purchase of workshop tools, spares and small equipment	16,000,000.00		16,000,000.00	0	16,000,000.00
Purchase of Uniform and clothing staff	1,200,000.00		1,200,000.00	128,000.00	1,072,000.00
Supplies for production	360,017,981.84		360,017,981.84	198,874,296.00	161,143,685.84
General Office supplies e.g. Pens, papers	1,500,000.00		1,500,000.00	932,000.00	568,000.00

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	etc								
2211102	Supplies & accessories for computers and printers	700,000.00			700,000.00		111,000.00		589,000.00
2211201	Refined fuel and lubricants for transport	7,000,000.00			7,000,000.00		4,473,130.00		2,526,870.00
2211204	Other fuel(wood charcoal)	4,000,000.00			4,000,000.00		0		4,000,000.00
2211301	Bank charges and commissions	0.00			0.00		0		0.00
2211302	School examination and invigilation fees	35,000,000.00			35,000,000.00		34,616,100.00		383,900.00
2220101	Maintenance expenses - motor vehicles	3,700,000.00			3,700,000.00		150,777.00		3,549,223.00
2220201	Maintenance of plant, machinery and equipments.	2,000,000.00			2,000,000.00		74,000.00		1,926,000.00
2220205	Maintenance of buildings and stations (Non Residential)	6,000,000.00			6,000,000.00		0		6,000,000.00
2220210	Maintenance Of computers, soft ware and Communication Equipments	400,000.00			400,000.00		0		400,000.00
3110701	Purchase of motor vehicles	0.00			0.00		0		0.00
3111003	Purchase of computers, printers &other IT equipment	1,500,000.00			1,500,000.00		0		1,500,000.00
3111201	Overhaul of plant, machinery equip.	15,000,000.00			15,000,000.00		0		15,000,000.00
	Total expenditure	493,797,981.84			493,797,981.84		251,351,321.00		242,446,660.84
	Surplus for the period	23,294,243.78			23,294,243.78		193,183,923.94		-169,889,680.16

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis(budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

Explanation of material variances

We were not able to meet our budget targets because the tendering process had not been accomplished hence procurement of raw materials was partially possible. Moreover the stations were not given any AIE allocation for operations through the financial year.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Prisons Industries Revolving Fund (PIRF) was established by Legal Notice No. 314 of the Exchequer and Audit Act (Cap 412) Regulations of 1988. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya (Prison Enterprises, Industries section of Kenya Prisons Service). The Directorate of Prisons Enterprise is positioned at the Prisons Headquarters, Magereza House in Nairobi and has branches in 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 314, requires the Officer administering the Fund to prepare financial statements in respect of that Prison Industries Revolving Fund, which gives a true and fair view of the state of affairs of the Fund at the end of the financial period on operating results of the Fund for that period.

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

Capital Fund

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (*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 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 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 are covered purely under Public Sector combinations as amalgamations. <i>(State the impact of the standard to the entity if relevant) Not affected!</i>

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <i>(State the impact of the standard to the entity if relevant) No Early adoption</i>

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Standard	Effective date and impact:
IPSAS 42: Social Benefits	Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <i>(State the impact of the standard to the entity if relevant)</i>

i. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

a) Budget information

The original budget for FY 2017-2018 was approved by the Principal Secretary for State Department for correctional Services on October 2017.

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

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

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

b) 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

c) Non-current/Fixed assets

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Inventories (Continued)

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) 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;

m) Budget information

The original budget for FY 2018-2019 was approved by the Principal Secretary State Department for Correctional services on 24th October, 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

n) Comparative figures

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

o) 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, 2018.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

6 SALE OF GOODS

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

Description	2018-2019	2017-2018
	KShs	KShs
Sale of goods – Cash sales	420,333,316.94	404,911,647.60
Sale of goods – credit sales	50,933,560.00	64,947,586.00
Other(prepayments)	11,565,704.00	13,152,856.00
Previous debt collected during the year	<u>(38,297,336.00)</u>	<u>(25,408,737.00)</u>
Total sales from the sale of goods	<u>444,535,244.94</u>	<u>457,603,352.60</u>

NB. The amount of 420,333,316.94 excludes 110,765,053.00 which was a prepayment hence was not included in the sales of the financial year

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 USE OF GOODS AND SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Opening Stock (1-7-2018)		
Raw Materials	195,756,762.27	189,335,152.84
Work in Progress	102,464,558.21	116,841,459.37
Finished goods	24,819,339.17	28,574,753.63
Purchases - (2211023)	213,874,296.00	363,675,184.00
Total Cost of Materials	536,914,955.65	698,426,549.84
Less Closing Stock (30-06-2019)		
Raw Materials	109,907,032.24	195,756,762.27
Work in progress	27,144,177.14	102,464,558.21
Finished goods	25,109,291.42	24,819,339.17
Sub-Total	162,160,500.80	323,040,659.65
Cost of goods sold	374,754,454.85	375,385,890.19

8 OTHER INCOME

Description	2018-2019	2017-2018
	KShs	KShs
Income from disposal of assets		
Total other income	0.00	0.00

9 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019	2017-2018
	KShs	KShs
Motor Vehicles	1,021,502.94	1,135,003.27
Carpentry	378,913.91	398,856.75
Tailoring	827,423.64	870,972.25
Printing	115,825.37	121,921.44
Metal	108,205.39	113,900.41
Number plates	755,177.86	794,924.06
Other Machinery	-	581.85
Leather	305,966.71	322,070.23
Coconut	11,772.23	12,391.82
Computer	229,573.13	241,655.92
Tools & Equipment	3,373,148.84	5,053,943.51
Total depreciation and amortization	7,127,510.02	9,066,221.51

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 REPAIRS AND MAINTENANCE

Description	2018-2019	2017-2018
	KShs	KShs
Maintenance of property, building	0	4,540,850
Maintenance of equipment and machinery	74,000	2,750,000
Maintenance of motor Vehicles	150,777	4,994,050
Maintenance of computers and accessories	0	58,000
Total repairs and maintenance	224,777	12,342,900

11 GENERAL EXPENSES

Description	2018-2019	2017-2018
	KShs	KShs
Catering services	43,500	689,150
Tuition fees	0	1,536,900
Newspapers subscriptions	0	109,509
Other fuels - wood fuel	0	3,150,000
Refined fuels	4,473,130	8,285,540
Travel cost	19,500	3,478,800
Accommodation domestic	5,998,200	7,519,400
Daily subsistence	903,450	6,724,250
Daily subsistence(Foreign)	4,209,261	0
Electricity expenses	0	2,363,490
Water & Sewerage	5,660	0
Purchase of uniforms	128,000	882,000
Office supplies - Stationeries	932,000	1,628,500
Supplies computers	111,000	423,756
Publicity & advertisements	390,097	30,000
Trade shows	422,350	2,466,325
Telephone expenses	0	70,000
School examinations (NITA)	34,616,100	14,410,000
Total general expenses	52,252,248.00	53,767,620.00

12 CASH AND CASH EQUIVALENTS

Description	2018-2019	2017-2018
	KShs	KShs
Current account(CBK)	457,606,266.99	30,575,456.10
On - call cash	30,318,827.00	30,318,827.00
Others(PMG)	175,987,430.00	175,987,430.00
Total cash and cash equivalents	663,912,523.99	236,881,713.10

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 (a). DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

		2018-2019	2017-2018
Financial institution	Account number	KShs	KShs
a) Current account			
Central Bank of Kenya	1000307498	457,606,266.99	30,575,456.10
Paymaster General (PMG)		175,987,430.00	175,987,430.00
Sub- total		633,593,696.99	206,652,886.10
b) Others(specify)			
Cash in transit		30,318,827.00	30,318,827.00
Sub- total		30,318,827.00	30,318,827.00
Grand total		663,912,523.99	236,881,713.10

13 INVENTORIES

Description	2018-2019	2017-2018
	KShs	KShs
Raw materials	109,907,032.24	195,756,762.27
Work in Progress	27,144,177.14	102,464,558.21
Manufactured goods held for sale	25,109,291.42	24,819,339.17
Total inventories at the lower of cost and net realizable value	162,160,500.80	323,040,659.65

14. RECEIVABLES FROM EXCHANGE TRANSACTIONS

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

Description	2018-2019	2017-2018
	KShs	KShs
Current receivables		
Sale of goods debtors – Government institutions	142,798,086.99	116,852,846.86
Sale of goods debtors – Private customers	77,760.00	77,760.00
Less: impairment allowance	0.00	0.00
Total current receivables	142,875,846.99	116,930,606.86
Total receivables	142,875,846.99	116,930,606.86

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PRISONS INDUSTRIES GOVERNMENT/PRIVATE TOTAL OUTSTANDING DEBTS AS AT 30-06-2019						
STATION	NAME OF DEBTOR	ITEMS DESCRIPTION	QTY	LPO NO	INVOICE NO	AMOUNT
Kitengela	Commissioner of Prisons	Palm bar	10,000		36574/9-6-2009	750,000.00
	Commissioner of Prisons	Bar Soaps				4,995,000.00
	Ministry of Transport	Office Furniture				3,523,348.83
Naivasha main	DIG Admin Police order	Office furniture		26581 of 13-5-2017		12,373,000.00
Kitengela	Commissioner of Prisons	Prisoners bar soaps		2541601 of 20/5/2016	0921 of 1/11/2010	3,500,000.00
Kapenguria	OIC Kapenguria	Coffee Table	1		3619	30,000.00
	OIC Kapenguria	Wine Stool	1		3618	3,600.00
	OIC Kapenguria	Dinning Set	1		3622	55,000.00
Shimo M	KSG Matuga	Office Furniture		3P011589 30/5/16	5090	1,600,000.00
	KSG Matuga	Office Furniture		3P011590 30/5/16		1,421,000.00
	KSG Matuga	Office Furniture		3P012130 2/5/17		18,000.00
	KSG Matuga	Office Furniture		6P001091 19/5/17		4,441,379.31
	KSG Matuga	Office Furniture		6P001090 19/5/17		5,454,837.58
	KSG Matuga	Office Furniture		6P001092 19/5/17		681,375.00
	Kenya Airports Authority	School Furniture		4500018871 8/2/2018		4,418,103.44
Kisumu main	District Surveyor -Siaya	Jackets & Trousers	26	25286 / 23-11-81	58057 / 15-02-82	6,560.00
Kisumu main	magistrates	shelves	24	2939853 of 19.5.09		63,072.00
Kisumu main	Kakamega County	Office furniture				3,750,000.00
Kisumu main	Bomet County	Office furniture				695,000.00
Homa Bay	DC Homa Bay	D/combined	1		4079	13,000.00
	DC Homa Bay	Dinning Set	1		4079	18,000.00
	DC Homa Bay	Dinning Set	1		4079	16,000.00
NYANZA	Kisii main	Kisii County govt	Working uniform	5213945 of 16/3/2019	3338 of 18/3/2019	658,000.00
	DC Homa Bay	C/Table with stools	1		4079	10,000.00
Rachuonyo	OIC Rachuonyo	Office Furniture				16,100.00
Kamiti Main	Vigilance House	Office Furniture				2,952,800.83
Kamiti Main	UNESCO	Refurbishment				9,421,000.00
Kamiti Main	The Clerk- Senate	Furniture				152,000.00
Kamiti Main	KMTC	Furniture				980,000.00
Kamiti Main	Regional Coordinator - Nbi	Furniture				240,000.00
Kamiti Main	Kenya Airport Police			2386160/1/2 OF 2/3/2015	645/6/7 OF 10/11/2015	5,550,600.00
Kamiti Main	Kenya Railways	(initial order- 13,892,740.00)		KRC/PLM/016/15-16	088 of 19/2/2019	4,482,000.00
Kamiti Main	State Dept of Interior-harambee ave	Office furnitures		33207 OF 6/0/2018		1,102,000.00
Kamiti Main	Parliament	Repairs		psc/proc/2/vol iii/6 p00292233 of 24-03-2017	064 of 30/5/2018	2,001,550.00
Kamiti Main	UON	Office furnitures				3,802,500.00
Kamiti Main	Clerk of the senate	Intercontinental Hotel Repair				1,886,000.00
Kamiti Main	Clerk of the National Assembly	Parliament Repair		043 of 26/03/2018	0080 of 11/10/018	980,000.00

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Kamiti Main	Commissioner of Prisons	Stitching Prisoners Uniforms				5,343,200.00
Kamiti Main	Tourism Regulatory Authority	Classification plaques		223935 of 2/12/2015	0063 of 9/5/2018	4,056,000.00
Kamiti Main	NTSA	Number plates		004,009,0010 & 0012		50,275,560.00
PHQ showroom	PS Min of Interior & Cord	Office furniture			4610-29/11/2018	561,000.00
PHQ showroom	National Housing Corporation	Office furniture			4611 - 7/10/2018	501,500.00
		TOTAL				142,798,086.99
PRIVATE OUTSTANDING DEBTS FOR THE PERIOD ENDED 30-06-2019						
Kitui Rem.	Simon K.Kingor	Furniture	1		10,400.00	10,400.00
	Mr.E.M Guantai			S/bed,D/set,C/set		67,360.00
						77,760.00
						142,875,846.99

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 PROPERTY, PLANT AND EQUIPMENT

Details	Motor Vehicles	Carpentry	Tailoring	Printing	Metal	Number plates	Leather	Coconut	Computer	Tools & Equipment	Total
Balance B/f 1 July 2018	10,215,029.43	7,578,278.27	16,548,472.70	2,316,507.39	2,164,107.79	15,103,557.16	6,119,334.28	235,444.54	4,591,462.53	10,109,403.36	74,981,597.45
Additions during the year(tt)										11,055.21	11,055.21
Disposal											-
Total assets At 30th June 2019	10,215,029.43	7,578,278.27	16,548,472.70	2,316,507.39	2,164,107.79	15,103,557.16	6,119,334.28	235,444.54	4,591,462.53	10,120,458.57	74,992,652.66
Depreciation	1,021,502.94	378,913.91	827,423.64	115,825.37	108,205.39	755,177.86	305,966.71	11,772.23	229,573.13	3,373,148.84	7,127,510.02
N.B. V. as at 30th June 2019	9,193,526.49	7,199,364.35	15,721,049.07	2,200,682.02	2,055,902.40	14,348,379.30	5,813,367.56	223,672.32	4,361,889.4	6,747,309.73	67,865,142.64
N.B. V. as at 30th June 2018	11,350,032.71	7,977,135.02	17,419,444.95	2,438,428.83	2,278,008.20	15,898,481.22	6,441,404.50	247,836.36	4,483,118.45	11,638,546.88	80,184,074.17

Summary

Carpentry	7,199,364.35
Tailoring	15,721,049.07
Printing	2,200,682.02
Metal	2,055,902.40
Number plate	14,348,379.30
Leather	5,813,367.56
Coconut	223,672.32
Tools&equipment	6,747,309.73
Total	54,309,726.75

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS - creditors

Description	2018-2019	2017-2018
	KShs	KShs
Trade payables (exchange creditors)	374,954,690	188,239,335
Payments received in advance (gov't)	110,564,053	9,107,804
Payments received in advance (private)	0	2,457,900
Total trade and other payables	485,518,743	199,805,039

16 REFUNDABLE DEPOSITS FROM CUSTOMERS

Description	2018-2019	2017-2018
	KShs	KShs
Consumer deposits - Government	110,564,053	9,107,804
Consumer deposits - Private	0	2,457,900
Total deposits	110,564,053	11,565,704

17 Outstanding creditors as 30th June, 2018

16. CREDITORS AS AT 30th June, 2019

S/NO	SUPPLIER	DISCRIPTION	LPO no	INVOICE date	AMOUNT	TOTAL
1	BOKAJ AGENCIES	Number Plates Materials	2774765	22/05/2017	1,991,025.00	
2	KIMGEN SUPPLIES	Number Plates Materials	2774773	10/07/2017	10,400,000.00	
3	ABCOS INDUSTRIAL LTD	Number Plates Materials	2774778	06/10/2017	7,200,000.00	
4	KIMGEN SUPPLIES	Number Plates Materials	2774774	11/10/2017	10,400,000.00	
5	ABCOS INDUSTRIAL LTD	Number Plates Materials	2774776	01/11/2017	9,360,000.00	
6	ABCOS INDUSTRIAL LTD	Number Plates Materials	2774584	01/11/2017	9,360,000.00	
7	ABCOS INDUSTRIAL LTD	Number Plates Materials	2774777	19/12/2017	9,360,000.00	
8	ABCOS INDUSTRIAL LTD	Number Plates Materials	2774576	19/12/2017	9,360,000.00	
9	APEX COATING LTD	Number Plates Materials	2774887	24/01/2018	2,100,000.00	
10	KERICON EAST AFRICA LTD	Number Plates Materials	3119620	26/04/2018	730,000.00	
11	WEB ENTERPRISES	Number Plates Materials	2774894	21/06/2018	10,800,000.00	
12	WEB ENTERPRISES	Number Plates Materials	2774991	22/06/2018	247,500.00	
13	GIYAN ENTERPRISES LTD	Number Plates Materials	2774975	20/07/2018	89,000.00	
14	ORGAM ENTERPRISES	Number Plates Materials	2774976	20/07/2018	92,500.00	
		SUB-TOTAL (KSHS)				81,490,025.00
15	NAIRE ENTERPRISES	Timber	2572016	21/11/2016	2,762,500.00	
16	RATIO MERCHANTS	Timber	2774758	21/06/2017	3,900,000.00	
17	BANTU IMPLEX	Timber	2774782	14/08/2017	4,697,500.00	
18	BANTU IMPLEX	Timber	2774751	15/08/2017	2,850,000.00	
19	TRAM TECH SERVICES	Timber	2572033	21/12/2017	5,515,000.00	
20	SUPPLYMAX AGENCIES	Timber	2774880	28/12/2017	5,235,000.00	
21	REALTIME CAPITAL INVEST	Timber	2774885	16/02/2018	3,812,500.00	
22	ALFRE SUPPLIERS	Timber	2755442	20/03/2018	1,900,739.00	
23	SUPPLYMAX AGENCIES	Timber	2755427	10/04/2018	4,575,000.00	
24	KAKULE GENERAL	Timber	3119615	10/04/2018	3,092,500.00	
25	ALFRE SUPPLIERS	Timber	2755430	24/04/2018	1,577,500.00	
26	ELVORIAN ENTERPRISES	Timber	2755432	24/04/2018	1,600,000.00	
27	Bright Vantage	Timber	2755439	02/05/2018	3,420,000.00	
28	KEYMAT AGENCIES	Timber	2755437	14/05/2018	2,100,000.00	
29	Decra Est Africa Ltd	Timber	2755431	17/05/2018	1,652,500.00	

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30	Decra Est Africa Ltd	Timber	2755445	17/05/2018	2,420,000.00	
31	MARA RAJA SPRINGS	Timber	2755435	17/05/2018	1,720,000.00	
32	CHENNAI FABRICATORS	Timber	2755438	21/05/2018	1,950,000.00	
33	KEYMAT AGENCIES	Timber	2755446	07/06/2018	1,697,500.00	
34	MOITA GENERAL	Timber	3119636	11/06/2018	8,100,000.00	
35	SKYWEB LTD	Timber	3119638	11/06/2018	10,450,000.00	
36	TIMBER TANK ENT	Timber	3119639	12/06/2018	5,235,000.00	
37	TIMBER TANK ENT	Timber	3119640	12/06/2018	4,802,500.00	
38	PAKAJE ENTERPRISE	Timber	3119641	12/06/2018	8,012,000.00	
39	NOVAS KENYA LTD	Timber	2774752	16/06/2018	1,706,796.00	
40	Decra Est Africa Ltd	Timber	3119707	26/06/2018	3,084,954.00	
41	TIMBER TANK ENT	Timber	3119705	26/06/2018	3,180,000.00	
42	TIMBER TANK ENT	Timber	3119704	26/06/2018	5,080,000.00	
43	Decra Est Africa Ltd	Timber	3119708	26/06/2018	1,200,000.00	
44	MOITA GENERAL	Timber	3119649	04/07/2018	2,645,000.00	
45	TIMBER TANK ENT	Timber	C/Note		9,794,850.00	
46	KAKULE GENERAL	Timber	C/Note		3,247,500.00	
		SUB-TOTAL (KSHS)			123,016,839.00	123,016,839.00
47	APEX COATING LTD	Supply of wood varnish	2774573	10/05/2017	2,180,000.00	
48	APEX COATING LTD	Sanding sealer	2774780	30/06/2017	5,850,000.00	
49	WEB ENTERPRISES	Polythene paper	2774770	31/08/2017	1,245,000.00	
50	NOWDYS ENTERPRISES	Upholstery Materials	2774853	16/10/2017	569,000.00	
51	LEISURE SUPPLIES	Conta Adhesive	2755418	23/01/2018	644,000.00	
52	WEABS VENTURES	H/D Cushions	2755415	06/03/2018	750,000.00	
53	SAJAM DUBON	machine oil	3119621	26/03/2018	325,000.00	
54	ASK	Membership Badges	737482	29/03/2018	300,000.00	
55	DAINA KIKOME GEN.	Veneer chipboard	3119617	11/04/2018	3,195,000.00	
56	HAMHAM GEN MERCHANTS	Rubber foam	3119611	18/04/2018	2,140,000.00	
57	FORTUNE RELIANCE	Machine sand paper	2774973	18/04/2018	356,000.00	
58	LEASURE PLAN	stationeries	2774969	18/04/2018	28,130.00	
59	RICHIN TRADERS	MDF Boards	3119624	23/04/2018	1,958,000.00	
60	RICHIN TRADERS	Plaques	3119630	23/04/2018	3,119,500.00	
61	M/S TRADE CIRCLES LTD	Tubeless Tyres	3119635	26/04/2018	1,509,800.00	
62	CELLCUR CONSTRUCTION LTD	Machines Engine Oil	3119619	26/04/2018	200,000.00	
63	ABINA INVESTMENTS LTD	Block Boards	3119603	02/05/2018	2,750,000.00	
64	ABINA INVESTMENTS LTD	MDF Boards	3119609	03/05/2018	2,225,000.00	
65	RAMACA INVESTMENTS	Embossed Velvet	3119601	03/05/2018	3,190,000.00	
66	APEX COATING LTD	Sanding sealer	3119604	10/05/2018	3,155,000.00	
67	MALDRO BUSINESS SOLUTIONS	Stationeries	2774979	15/05/2018	58,100.00	
68	RICHIN TRADERS	Square Tubes	3119632	15/05/2018	1,929,400.00	
69	DOUBLE K ENT	Long Life Milk	2774962	15/05/2018	900,000.00	
70	CONSIGNMENT GEN	Boiler materials	2755422	20/05/2018	64,500.00	
71	CONSIGNMENT GEN	Boiler materials	2755424	20/05/2018	61,000.00	
72	CONSIGNMENT GEN	Boiler materials	2755421	20/05/2018	300,680.00	
73	FORTUNE RELIANCE	Synthetic leather	3119631	23/05/2018	1,545,000.00	
74	ONE WAY TRADING	Rubber foam	3119626	28/05/2018	2,140,000.00	
75	LOURO ENT	H/D Cushions	3119627	28/05/2018	900,000.00	
76	TANDI ENTERPRISES	Rubber Belt	3119625	28/05/2018	225,000.00	
77	SUPPLYMAX AGENCIES	Spring Files	2774988	29/05/2018	33,750.00	
78	TWINLEX TEXTILES	Suiting Material	2774986	29/05/2018	297,000.00	
79	SQUARE EDGE	Flat bar	3119637	05/06/2018	2,926,000.00	
80	NOWDYS ENTERPRISES	H/D Cushions	3119612	08/06/2018	654,000.00	
81	GIYAN ENTERPRISES LTD	Plain velvet	2774990	22/06/2018	440,000.00	
82	DOUBLEK ENTERPRISES	Long lasting milk	3119709	26/06/2018	900,000.00	
83	APEX COATING LTD	Sanding sealer	3119648	26/06/2018	5,050,000.00	
84	REDDAMAC LEATHER LTD	Leather	3119702	26/06/2018	780,000.00	
85	APEX COATING LTD	Professional wood glue	3119647	26/06/2018	4,500,000.00	
86	HILDAMA CONSTRUCTION	Professional wood glue	2774966	20/07/2018	800,000.00	
87	RAMACA INVESTMENTS	Embossed Velvet	2755403	29/02/2018	2,500,000.00	
		SUB-TOTAL (KSHS)			62,693,860.00	62,693,860.00
88	JUNIOR PET INVESTMENT	Aluminium tube, flat bars	3119701	07/04/2018	850,000.00	

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89	MEGISTEP ENTERPRISES	Ballast, dump proof,DPC 1000g	3119714	07/05/2018	102,900.00	
90	ZEDRI AGENCIES	Tiles	3119712	04/04/2018	420,000.00	
91	JUNIOR PET INVESTMENT	Aluminium tube, flat bars	3119715	09/05/2018	930,600.00	
92	RAMACA INVESTMENTS	Embossed Velvet	3119650	02/07/2019	3,855,000.00	
93	ZEDRI AGENCIES	Cement, Iron sheets, Sand	3119713	07/04/2018	864,000.00	
94	MEGISTEP ENTERPRISES	Paints	3119711	07/05/2018	302,200.00	
95	JUNIOR PET INVESTMENT	Building Materials	3119646	31/05/2018	453,500.00	-
96	N.I.TA.	Trade Test Cost	Proforma INV 015	17/03/2019	10,305,000.00	-
97	N.I.TA.	Trade Test Cost	Proforma INV 016	18/03/2019	13,107,500.00	-
98	N.I.TA.	Trade Test Cost	Proforma INV 017	19/03/2019	11,170,000.00	-
99	N.I.T.A	Trade Test cost	Proforma INV 007	06/06/2017	14,141,500.00	-
100	N.I.TA.	Trade Test Cost	Proforma INV 014	16/08/2016	13,250,000.00	-
					69,752,200.00	69,752,200.00
	F/Y 2018/2019					-
1	TWINLEX TEXTILES	Ordinary Block Boards	3045001		2,700,000.00	-
2	V-MAX ENTERPRISES	Masking Tapes	3045020		1,350,000.00	-
3	GREAT HEIGHTS SERVICES	Contac Adhesive	3045003		894,000.00	-
4	KIMGEN SUPPLIES CO	Reflective Sheets	3045026		1,390,000.00	-
5	KIWAKA GENERAL MERCHANTS	Reflective Sheets	3045023		13,700,000.00	-
6	RAGE SUPPLIES LIMITED	Embossed Velvet	3119743		2,380,000.00	-
7	FORESIGHT HOLDINGS LTD	Black Cellulose	3045022		1,725,000.00	-
8	REDDAMAC LEATHER CENTRE	Pure Grade Leather	3119747		420,000.00	-
9	TRUE SERVICES INTERNATIONAL	External Hard disks	3045011		95,000.00	-
10	FABEN SOLUTIONS	Stationeries	3045010		98,100.00	-
11	R.H DEVANI	Fuel	3045019		1,592,900.00	-
12	TANDI ENTERPRISE	Welding rods	3045014		400,000.00	-
13	CAROPRIME VENTURES	Milk	3045015		585,000.00	-
14	FORTUNE RELIANCE	Upholstery material	3045004		144,000.00	-
15	DAVICINI INTERNATIONAL	Stationeries	3045009		208,500.00	-
16	ASK	Budges	3045029		300,000.00	-
17	LIBERTY GROUP EA	Upholstery Materials	3119744		1,748,000.00	-
18	ANGEL BROOK MERCHANTS	Upholstery Materials	3119741		5,775,000.00	-
19	TANDI ENTERPRISES	Mutton clothe	3119739		330,000.00	-
20	TANDI ENTERPRISES	Mutton clothe	3119748		550,000.00	-
21	FORTUNE RELIANCE	Upholstery Materials	3119746		1,577,000.00	-
22	NAIROBI CITY WATER\$SEWERAGE	water			5,666.00	
23	ICPAK	Subscription			33,600.00	
					38,001,766.00	38,001,766.00
	GRAND TOTAL				374,954,690.00	374,954,690.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and no allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from old debts

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

(iii) Market risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (continued)

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

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

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

Note; PIRF did not have transactions in foreign currency in the year under review.

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

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

iv) Capital Risk Management

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

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	555,023,845.61	529,847,589.94
Capital reserve	14,000,000.00	14,000,000.00
Total funds	569,023,845.61	543,847,589.94
Total borrowings	0.00	0.00
Creditors	374,954,690.00	188,175,322.62
Gearing/Acid test ratio	65.89	33%

19 RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

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

20 EVENTS AFTER THE REPORTING PERIOD

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

21 ULTIMATE AND HOLDING ENTITY

The entity (PIRF) is a fund established by a legal notice no 314 in the Kenya Prisons Service- Prisons Enterprises section (Prisons Revolving Industries Fund) under the State department for Correctional Services in the Ministry of Interior and Coordination of national government. Its ultimate parent is the Government of Kenya.

22 Currency

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

24 Suspense Account

The suspense account balance represents a balancing figure as the books of accounts were not in agreement. The suspense account has reduced to the current level. Movement in the account is as follows.

	2017/2018	2016/2017
Balance B/F	3,966,131.10	3,830,232.43
Increase/decrease	<u>18,760.00</u>	<u>(35,513,553.26)</u>
	3,830,232.43	(31,683,320.83)

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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. 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 and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Fixed assets	Non provision of detailed schedule	The assets register was updated and provided to the auditor		Resolved	
Debtors	Increase in outstanding debtors	The management has undertaken measures to hasten collection of debts from our customers, Demand letters were written		Not fully resolved	
PMG account	Non transfer of the amounts in the accounts from MOHA to the funds CBK account	The mngt has continued engaging relevant authorities seeking transfer of Kshs 178,987,430.00 which was left during the amalgamation of ministries	HAU-state dept for correctional services	Not resolved	
Suspense A/C	Presence of the account without full explanation	The suspense account balance represents the balancing figure as the books of account could not balance mainly because of unavailability of records from District Treasuries on returned balances of funds AIEs issued to stations at the closure of the financial years.	Accountant PIRF	Not resolved	
Creditors	Non payment to creditors while the PMG account has money	The amounts held in the PMG accounts are inaccessible since the MOHA was dismantled. The mgt has been seeking transfer of the same from treasury. The creditors are also	HAU-state dept for correctional services	Not resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		being subjected to recertification by auditors before payment.			

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Director General/C.E.O/M.D (enter title of head of entity)
 Chairman of the Board

Date.....

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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
nil						
nil						

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	N/A						
2	N/A						
3	N/A						

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of XXX				
FY 2018/2019				
c. Direct Payments				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Amounts for construction projects contracted		110,765,053.00	2018/2019
		Total	110,765,053.00	

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIE

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