

REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 14 FEB 2023	DAY: WED
TABLED BY:	Deputy leader majority Ton Owen Baya, MP
CLERK-AT-THE-TABLE:	Finlaya Mwangi

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LIBRARY

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**INTELLIGENCE SERVICE DEVELOPMENT  
FUND**

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



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY

29 SEP 2023

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**INTELLIGENCE SERVICE DEVELOPMENT FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**

**30<sup>TH</sup> JUNE 2023**

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

**INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

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**INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

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**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

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**1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS**

**A. Acronyms and Abbreviations**

DG	Director General
NIS	National Intelligence Service
ISDF	Intelligence Service Development Fund
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SNA	System of National Accounts
IPSAS	International Public Sector Accounting Standards

**Glossary of Terms**

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

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

**INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)**  
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**2. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

The Intelligence Service Development Fund (ISDF) was established in 2002 vide Legal Notice No.110 of 2002. It was established with a funding of **Kshs. 10,000,000.00** from the Exchequer.

**(b) Principal Activities**

The objective of the fund is to provide for and meet the basic intelligence needs of Kenya in a manner consistent with the overall intelligence policy.

**(c) Key Management**

The Fund is governed by the Exchequer and Audit (Intelligence Service Development Fund) Regulations of 2002. These regulations prescribe procedures for utilization and administration of the fund.

The day-to-day management of the **Intelligence Service Development Fund** is undertaken by:

- Director General,
- Intelligence Service Development Fund Committee.

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Director General	Noordin M. Haji, CBS, OGW, `nsc` (AU)

**(e) Fiduciary Oversight Arrangements**

- Office of the Auditor General (OAG)- *Audit activities,*
- Parliamentary Committee on Defence, Intelligence and Foreign Relations-*Legislative and oversight functions.*

**(f) ISDF Headquarters**

P.O. Box 30091-00100  
National Intelligence Service Headquarters,  
Ruaraka,  
Nairobi, Kenya



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**(g) ISDF Contacts**

Telephone: (254) 020-2930000)

E-mail: [finance@kensi.org](mailto:finance@kensi.org)

Website: nis.go.ke

**(h) Entity Bankers**

The banker for the previous years was: -

Standard Chartered Bank

Kenyatta Avenue

P.O. Box 30003-00100

Nairobi, Kenya

*The account was closed on 30<sup>th</sup> June 2022*

**(i) Independent Auditors**

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**(j) Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

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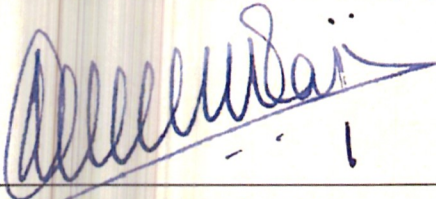
**3. REPORT OF THE DIRECTOR GENERAL**

The Intelligence Service Development Fund was established to provide for and meet the basic intelligence needs of Kenya in a manner consistent with the overall intelligence policy. This is to be achieved through a variety of activities, which include supporting research and training in intelligence matters.

In order to finance its services, operations and development programmes, regulations provide that the Fund shall receive money from the following sources: -

- i. External grants and donations from friendly organizations,
- ii. Receipts from sale of goods and services,
- iii. Rent on lands and buildings,
- iv. Catering fees,
- v. Reimbursement due to the fund,
- vi. Sale of properties, equipment, plant and machinery.

The Funds bank account was officially closed during the period ended June 30<sup>th</sup>, 2022 after utilization of all the monies for the implemented project.



**Noordin M. Haji, CBS, OGW, 'nsc' (AU)**  
**Director General.**

Date: ..... 27/09/2023



#### **4. CORPORATE GOVERNANCE STATEMENT**

##### **a) Management of the Fund**

The Fund is governed by the Exchequer and Audit (Intelligence Service Development Fund) Regulations of 2002. These regulations prescribe procedures for utilization and administration of the fund.

Pursuant to these regulations, the Director General established the **Intelligence Service Development Committee** to manage the fund. The committee comprises of the following: -

- i. Chairman,
- ii. Two (2) representatives from Operations Department,
- iii. Finance representative,
- iv. Legal representative,

No Board meetings were held during the period under review.

##### **b) Responsibilities of the Accounting Officer**

The responsibilities of the Accounting Officer as per the Regulations are as follows: -

- i. Impose conditions, if necessary, of reasonable prohibition, restriction or requirement as to the use to be made of any expenditure authorized by him or on his behalf.
- ii. Provide additional information, books and records on the Fund sought by the Auditor General for the purpose of examination and audit.
- iii. Ensure that every statement of account submitted shall include details of the financial status of the Fund as at the end of the financial year concerned.
- iv. The Accounting Officer or an officer administering the Fund takes responsibility for the finances of the Fund.

#### **5. MANAGEMENT DISCUSSION AND ANALYSIS**

##### **a) The Fund's operational and financial performance**

During the financial year ending 30<sup>th</sup> June 2023, the Fund registered no activities.

##### **b) Fund's compliance with statutory requirements**

The Accounting Officer in charge of the Intelligence Service Development Fund confirms that the Service has complied fully with applicable Government Regulations, and the Fund did not receive any funds during the period under review.

Further the Accounting Officer confirms that the Intelligence Service Development Fund financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.



**c) Key projects and investment decisions the entity is planning/implementing**

The Fund does not have any key projects and investment decisions planned for implementation.

**d) Major risks facing the entity**

The Fund does not have neither Credit risk nor Interest rate risks, arising from bank deposits. Credit risk exposure arises from the possibility that the bank will be unable to pay the deposited amounts in full when demanded to do so, noting the bank account was closed.

**e) Material arrears in statutory/financial obligations**

The Fund does not have any arrears in statutory/financial obligations, such as loan default, pending bills, tax default, outstanding staff & pension obligations/actuarial deficit on pension schemes, non payment of dividends and loan redemption to the National Exchequer.

**f) The entity's financial probity and serious governance issues**

The Fund does not have any financial improbity, as confirmed by the internal audit committee, external auditors, or other National Government Agencies providing oversight; and there are no governance issues among the top management, including conflict of interest.

**6. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The Intelligence Service Development Fund has a constitutional mandate to provide for and meet the basic intelligence needs of Kenya in a manner consistent with the overall intelligence policy. The Fund achieved the above mandate by supporting research and training on intelligence matters.

**i) Sustainability strategy and profile**

The Fund is an entity within the National Intelligence Service (NIS) which endeavoured to safeguard the national interest and ensure that Kenyans live in a safe environment. The Fund supported the Service in undertaking Research and Development (R&D) on intelligence related matters to ensure that intelligence operations were carried out in a sustainable manner.



**ii) Environmental performance**

The Fund, through the National Intelligence Service environmental programmes has endeavoured to maintain a friendly ecosystem by protecting forest at its headquarters where the natural environment has been evidently sustained. The Service has put in place measures to ensure proper waste management and disposal systems and further ensured that its operations do not affect the environment adversely. Furthermore, the Service has adopted clean energy by installing solar systems in its offices and operational units.

**iii) Employee welfare**

The Funds operates under the National Intelligence Service employment policies which seek to provide equal employment opportunities. Employment opportunities are advertised through a portal or a medium that has a nationwide circulation. In addition, the Service's recruitment is guided by the Public Service Commission guidelines and ensures adherence to the Constitutional gender threshold. For employee skills development, the Service provides equitable training opportunities which seek to bridge skills gap identified through training needs assessment.

The Service provides a group and personal accident covers to employees injured in the course of their duties. Employees are further trained on safety protocols and procedures in order to mitigate workplace accidents.

**iv) Market place practices-**

The Service ensures competitive bidding in the tendering processes where the most competitive bidders are awarded contracts with focus on value for money. It ensures timely payment of bills and hence ensuring no pending bills at the closure of every financial year. The Service, and by extension the Fund is a non-political entity rooted in professionalism when executing its mandate.

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

The Service is covertly involved in various initiatives that support neighbouring communities in its operational areas through provision of health and water services.

**INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)**  
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**7. REPORT OF THE MANAGEMENT COMMITTEE**

The Management Committee submits its report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund's financial affairs.

**i) Principal activities**

The principal activities of the entity were to be support research and training in intelligence matters. There are no activities being carried out by the Fund.

**ii) Results**

The results of the entity for the year ended June 30, 2023 are set out on page 1. During the 2022/2023 financial year, the Fund recorded a **nil** profit/loss.

**iii) Management Committee**

The members of the Management who served during the year are shown on page IV. During the year 2022/2023 Director General, Maj Gen (Rtd) Philip Kameru retired and Director General Noordin M. Haji was appointed with effect from June 14, 2023.

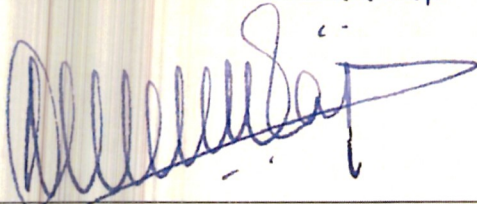
**iv) Surplus remission**

The Fund did not make any surplus during the year and hence no remittance to the consolidated Fund.

**v) Auditors**

The Auditor General is responsible for the statutory audit of the Fund for the year ended June 30, 2023 in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

The **Intelligence Service Development Fund** financial statements were approved and signed by the Accounting Officer on 27/09/ 2023.



Noordin M. Haji, CBS, OGW, 'nsc' (AU)  
Director General.



Duke Isaboke Matoke  
Head of Accounting Unit.



## INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)

### Annual Reports and Financial Statements

For the year ended June 30, 2023.

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#### 8. STATEMENT OF DIRECTOR GENERAL'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Exchequer and Audit (Intelligence Service Development Fund) Regulations of 2002 require the Director General to prepare financial statements in respect of the Fund which give a true and fair view of the state of affairs of the Fund at the end of the financial year/period and the operating results of the Fund for that year/period. The Director General is also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Directors are also responsible for safeguarding the assets of the Fund.

The Director General is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (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.

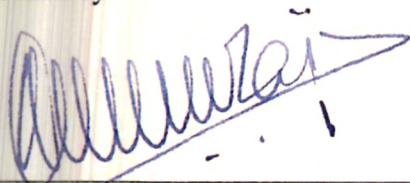
The Director General accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Exchequer and Audit (Intelligence Service Development Fund) Regulations of 2002. The Director General is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date.

The Director General further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

The Fund is no longer a going concern since the management already initiated its winding up process in order to adhere to the provisions of Public Finance Management Act Regulations, 2015.

#### Approval of the financial statements

The Fund's financial statements were approved by the Board on 27/09/ 2023 and signed on its behalf by:



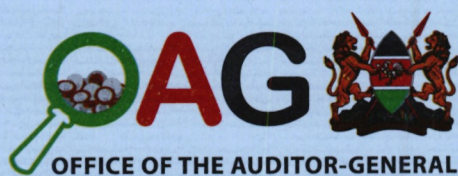
Noordin M. Haji, CBS, OGW, 'nsc' (AU)  
Director General.



Duke Isaboke Matoke  
Head of Accounting Unit.



# REPUBLIC OF KENYA



*Enhancing Accountability*

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Website: www.oagkenya.go.ke

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

## **REPORT OF THE AUDITOR-GENERAL ON INTELLIGENCE SERVICE DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2023**

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### **PREAMBLE**

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

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

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

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

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

#### **Opinion**

I have audited the accompanying financial statements of Intelligence Service Development Fund set out on pages 1 to 16, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets and the statement of cash flows for the year then ended, and a

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*Report of the Auditor-General on Intelligence Service Development fund for the year ended 30 June, 2023*



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, the financial statements present fairly, in all material respects, the financial position of the Intelligence Service Development Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Intelligence Service Development 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 opinion.

### **Emphasis of Matter**

#### **Delay in Transfer of Fixed Assets**

As previously reported and disclosed in Note 16 to the financial statements, Management is in the process of winding-up of the Fund in adherence with the provisions of Regulation 207 (1)(i) of the Public Finance Management Regulations, 2015 which states that the initial approval for establishment of a national public Fund shall be for a maximum period of ten (10) years. The Fund's bank account has been closed and the acquired property, plant and equipment is in the process of being transferred to National Intelligence Service.

My Opinion is however, not modified in respect of this matter.

### **Key Audit Matters**

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.



## **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 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 governance were not effective.

### **Basis for Conclusion**

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

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or 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 Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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



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

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

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

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

**Nairobi**

**08 January, 2024**

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*Report of the Auditor-General on Intelligence Service Development fund for the year ended 30 June, 2023*



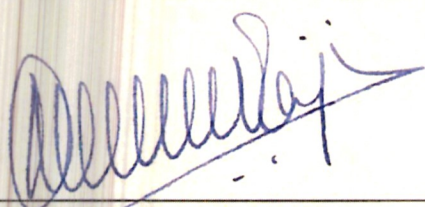
**INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)**  
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**10. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2022-2023	2021-2022
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
<b>Total Revenue from non-exchange transactions</b>		-	-
<b>Revenue from exchange transactions</b>			
Other Income (deposits)	6	-	1,500
<b>Total revenue</b>		-	1,500
<b>Expenses</b>			
Use of goods and services-Bank charges	8	-	13,440
<b>Total expenses</b>		-	13,440
<b>Surplus/(deficit) before tax</b>		-	(11,940)
Taxation			-
<b>Surplus/(deficit)for the period/year</b>		-	(11,940)
<b>Net Surplus/(deficit) for the year</b>		-	(11,940)
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		-	-
		-	(11,940)

The notes set out on pages 5 to 16 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:



Noordin M. Haji, CBS, OGW, 'nsc' (AU)  
 Director General.



Duke Isaboke Matoke  
 Head of Accounting Unit.

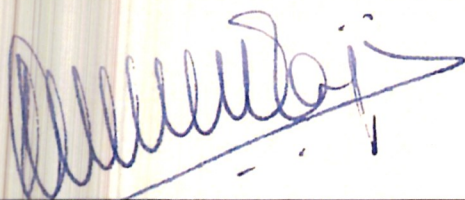


**INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)**  
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**11. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023**

	Notes	2022-2023	2021-2022
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	-	-
<b>Total Current Assets</b>		-	-
<b>Non- Current Assets</b>			
Property, Plant & Equipment	7	31,200,000	31,200,000
<b>Total Non-Current Assets</b>		<b>31,200,000</b>	<b>31,200,000</b>
<b>Total Assets</b>		<b>31,200,000</b>	<b>31,200,000</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
<b>Total Current Liabilities</b>		-	-
<b>Total Liabilities</b>		-	-
<b>Net assets</b>			
Accumulated surplus		31,200,000	31,200,000
Capital Fund		-	-
<b>Total Net Assets</b>		<b>31,200,000</b>	<b>31,200,000</b>
<b>Total Net Assets and Liabilities</b>		<b>31,200,000</b>	<b>31,200,000</b>

The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:



Noordin M. Haji, CBS, OGW, 'nsc' (AU)  
 Director General.



Duke Isaboke Matoke  
 Head of Accounting Unit.



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**12. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
As at July 1, 2021		-	-	-	21,210,920	-	10,000,000	31,210,920
Transfer of Capital fund to retained Earnings		-	-	-	10,000,000	-	(10,000,000)	-
Prior year Adjustments duplicated bank charges 2020/2021	9	-	-	-	1,020	-	-	1,020
Surplus/ (Deficit) for the year		-	-	-	(11,940)	-	-	(11,940)
As at June 30, 2022		-	-	-	(11,940)	-	-	31,200,000
Prior year Adjustments arithmetic correction 2021/2022	10	-	-	-	31,200,000	-	-	31,200,000
As at July 1, 2022		-	-	-	31,200,000	-	-	31,200,000
As at June 30, 2023		-	-	-	31,200,000	-	-	31,200,000



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**13. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023**

		2022-2023	2021-2022
	Notes	Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Other deposits	6	-	1,500
Prior year adjustments	10		1,020
<b>Total Receipts</b>		-	<b>2,520</b>
<b>Net changes in operating assets and liabilities</b>		-	-
<b>Payments</b>			
Use of goods and services	8	-	(13,440)
<b>Total Payments</b>		-	<b>(13,440)</b>
<b>Net cash flows from/(used in) operating activities</b>	11	-	<b>(10,920)</b>
<b>Cash flows from investing activities</b>			
Purchase of Property, Plant & Equipment	7	-	(31,200,000)
<b>Net cash flows from/(used in) investing activities</b>		-	<b>(31,200,000)</b>
<b>Cash flows from financing activities</b>		-	-
<b>Net cash flows from /(used in) financing activities</b>		-	-
<b>Net increase/(decrease)in cash and cash equivalents</b>		-	<b>(31,210,920)</b>
Cash and cash equivalents at 1 JULY		-	31,210,920
<b>Cash and cash equivalents at 30 JUNE</b>	9	-	-

The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:



Noordin M. Haji, CBS, OGW, 'nsc' (AU)  
 Director General.



Duke Isaboke Matoke  
 Head of Accounting Unit.



## **14. NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

Intelligence Service Development Fund was established by and derived its authority and accountability from the Legal Notice No. 110 of 2002. The entity was wholly owned by the Government of Kenya and domiciled in Kenya. The entity's principal activity was financing intelligence research.

### **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 Fund's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Fund.

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



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

**3. Adoption of New and Revised Standards**

*i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

Standard	Impact
<p>IPSAS 41: Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>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 cashflows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul> <p><i>(The standard did not have an impact on the fund during the current financial year)</i></p>



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

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

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul> <p><i>(The standard did not have an impact on the fund during the current financial year)</i></p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>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:</p> <p>(a) The nature of such social benefits provided by the entity;</p>



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Standard	Effective date and impact:
	<p>(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.</p> <p><i>(The standard did not have an impact on the Fund during the current financial year)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(The standard did not have an impact on the Fund during the current financial year)</i></p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <ul style="list-style-type: none"> <li>• IPSAS 22 Disclosure of Financial information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• IPSAS 39: Employee Benefits Now deletes the term composite social security benefits as it no longer defined in IPSAS.</li> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b> Standard no longer included in the 2023 IPSAS handbook as it now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul> <p><i>(The standard did not have an impact on the Fund during the current financial year)</i></p>



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Standard	Effective date and impact:
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>(The standard did not have an impact on the Fund during the current financial year)</i></p>
IPSAS 44: Non-Current Assets Held for Sale and Discounted Operations	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>(The standard did not have an impact on the Fund during the current financial year)</i></p>

*iii. Early adoption of standards*

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



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

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

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

**Fees, taxes and fines**

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

**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.

**b) Property, plant and equipment**

All property, plant and equipment are stated at cost. 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 use. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if 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.



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

**c) Research and development costs**

The Fund expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Fund can demonstrate:

- a) The technical feasibility of completing the asset so that the asset will be available for use or sale
- b) Its intention to complete and its ability to use or sell the asset
- c) How the asset will generate future economic benefits or service potential
- d) The availability of resources to complete the asset
- e) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**d) 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 Director General of NIS and Committee Members.

**e) 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.

**f) Comparative figures**

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

**g) Subsequent events**

The Fund has been wound up and is no longer a going concern from June 30, 2022. The Fund's bank account was closed and the asset acquired was transferred to the National Intelligence Service.



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

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Fund'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. There were no judgments, estimates and assumptions made during the year under review.

**6. Other Deposits**

Description	2022-2023	2021-2022
	KShs	KShs
Other deposits	-	1,500
<b>Total</b>	<b>-</b>	<b>1,500</b>

**7. Property, Plant, Equipment**

Description	2022-2023	2021-2022
	KShs	KShs
Purchase of Property, Plant, Equipment	-	31,200,000
<b>Total expenses</b>	<b>-</b>	<b>31,200,000</b>

**8. Use of goods and services-Bank charges**

Description	2022-2023	2021-2022
	KShs	KShs
Use of goods and services-Bank charges	-	13,440
<b>Total cash and cash equivalents</b>	<b>-</b>	<b>13,440</b>

**9. Cash and Cash Equivalents**

Description	2022-2023	2021-2022
	KShs	KShs
Current Account	-	-
<b>Total cash and cash equivalents</b>	<b>-</b>	<b>-</b>



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

**Detailed Analysis of the Cash and Cash Equivalent**

Financial institution	Account number	2022-2023 KShs	2022-2023 KShs
a) <b>Current account</b>			
1. Standard Chartered Bank	0102096149200	-	-

**10. Prior year adjustments.**

	2022-2023 KShs	2021-2022 KShs
<b>As at July 1,2021</b>		<b>21,210,920</b>
Transfer of Capital fund to retained earnings		10,000,000
Prior year adjustments duplicated bank charges 2020/21		1,020
Surplus/(deficit) for the year 2021/2022		(11,940)
Prior year adjustments arithmetic(total) correction 2021/2022		<b>31,200,000</b>

**11. Cash Generated from Operating activities**

	2022-2023 KShs	2021-2022 KShs
<b>Surplus for the year before tax</b>	-	<b>(11,940)</b>
<b>Adjusted for:</b>		
<b>Prior year Adjustments</b>	-	1,020
Depreciation	-	-
<b>Working Capital adjustments</b>		
Increase/(Decrease) in refundable deposits	-	-
<b>Net cash flow from operating activities</b>	-	<b>(10,920)</b>



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

**12. Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the Fund 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 Fund, holding 100% of the Fund' 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) National Intelligence Service,
- ii) National Government

The Fund did not receive any funds from the related parties indicated during the 2022/2023 financial year

**13. Events after the Reporting Period**

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

**14. Ultimate and Holding Entity**

The entity is a Fund under the National Government of Kenya which is its ultimate parent.

**15. Currency**

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

**16. WINDING UP OF ISDF**

In order to adhere to the provision of Public Finance Management Act Regulations, (2015) 207, 1(i), the management of the Intelligence Service Development Fund (ISDF) resolved to wind up the fund. The National Intelligence Service Accounting Officer approved the winding up process to commence. The fund's bank account was closed during the period ended 30th June, 2022 after utilization of all the monies, i.e. KShs 31,200,000 and the asset acquired transferred to the National Intelligence Service. Consequently, the Service, in accordance with Public Finance Management Act Regulations, (2015), 209 (3), via a letter to the Cabinet Secretary, Ministry of Interior and National Administration was notified of the closure of the fund via letters reference numbers LEG-ADM-NIS-POL.F.4/4 VOL. 27(32) and LEG-ADM-NIS-POL. F 4/4 VOL. 27(85) dated 24th October, 2019 and 30th April, 2020 respectively.



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

There being no response from the office of the Cabinet Secretary, a reminder letter reference number ADM/NIS/POL. F 50-4/27Y (92) dated 14th December, 2022 was sent to the Cabinet Secretary, Ministry of Interior and National Administration and copied to the Cabinet Secretary, National Treasury, the Head of Public Service, the Auditor General and the Clerk of the National assembly; however, there has been no official communication from the ministry. The Service is still waiting for further direction on the matter and subsequent removal of the fund from the consolidated accounts.

Copies of the cited letters have been included as an appendix.



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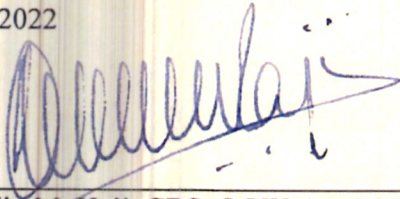
**15. APPENDIX**

**APPENDIX 1: IMPLEMENTATION STATUS OF AUDITOR-GENERAL'S  
RECOMMENDATIONS**


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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
None	None	None	None	None

The ISDF received an **Unqualified Audit Opinion** for the financial statements for the year ended 30<sup>th</sup> June, 2022



Noordin M. Haji, CBS, OGW, 'nsc' (AU)  
Director General.



Duke Isaboke Matoke  
Head of Accounting Unit.