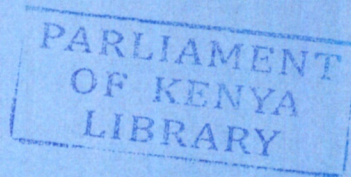


REPUBLIC OF KENYA



*Paper laid by the  
Leader of Majority  
on 06/06/2018  
Aburli.*

OFFICE OF THE AUDITOR-GENERAL



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
INTELLIGENCE SERVICE  
DEVELOPMENT FUND**

**FOR THE YEAR ENDED  
30 JUNE 2017**



**INTELLIGENCE SERVICE DEVELOPMENT FUND**

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**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD ENDED  
30<sup>TH</sup> JUNE, 2017**

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

INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)  
Reports and Financial Statements  
For the period ended 30<sup>th</sup> June, 2017 (Kshs)

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**INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)**  
**Reports and Financial Statements**  
**For the period ended 30<sup>th</sup> June, 2017 (Kshs)**

**I. FUND INFORMATION AND MANAGEMENT**

**1.1 Name and registered office**

Intelligence Service Development Fund,  
National Intelligence Service Headquarters,  
Nairobi, Kenya.  
P.O. Box 30091 – 00100,  
NAIROBI.

Telephone: (254) 344252

**1.2 Background**

The Intelligence Service 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.

**1.3 Key Objective**

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.

The general purposes of the fund include support of research and training in intelligence matters.

**1.4 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,
- Directors.

**1.5 Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Maj. Gen. (Rtd) Philip Kameru, MGH, CBS

**INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)**

**Reports and Financial Statements**

**For the period ended 30<sup>th</sup> June, 2017 (Kshs)**

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**1.6 Fiduciary Oversight Arrangements**

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

**1.7 Bankers**

The bankers for the current year are:-

Standard Chartered Bank,  
Kenyatta Avenue, Nairobi  
P.O. Box  
Nairobi, Kenya

**1.8 Independent Auditors**

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

**1.9 Principal Legal Advisor,**

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

**INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)**  
**Reports and Financial Statements**  
**For the period ended 30<sup>th</sup> June, 2017 (Kshs)**

**II. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES**

Section 83 (1) of the Public Finance Management Act, 2012 requires that, at the end of each quarter, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 83 (2(b)) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

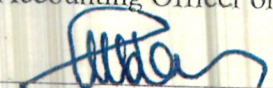
The Accounting Officer in charge of the **Intelligence Service Development Fund** is responsible for the preparation and presentation of the **Fund** financial statements, which give a true and fair view of the state of affairs of the **Intelligence Service Development Fund** for and as at the end of the financial period ended on June 30, 2017. 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 entity; (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 Service; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

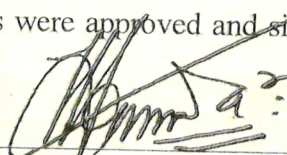
The Accounting Officer in charge of the **Intelligence Service Development Fund** accepts responsibility for the **Fund** financial statements, which have been prepared on Cash basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the **Intelligence Service Development Fund** financial statements give a true and fair view of the state of **Service** transactions during the financial period ended on June 30, 2017, and of the **Fund** financial position as at that date. The Accounting Officer charge of the **Intelligence Service Development Fund** further confirms the completeness of the accounting records maintained for the **Fund**, which have been relied upon in the preparation of the **Fund** financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the **Intelligence Service Development Fund** confirms that the Service has complied fully with applicable Government Regulations, and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. 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.

**Approval of the financial statements**

The **Intelligence Service Development Fund** financial statements were approved and signed by the Accounting Officer on 28/9 2017.

  
Maj. Gen. (Rtd) Philip Kameru, MGH, CBS  
Director General.

  
Nyamasyo Ndola,  
Head of Accounting Unit.

# REPUBLIC OF KENYA

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Website: [www.oagkenya.go.ke](http://www.oagkenya.go.ke)



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON INTELLIGENCE SERVICE DEVELOPMENT FUND DURING THE YEAR ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

#### **Unqualified Opinion**

I have audited the accompanying financial statements of Intelligence Service Development Fund set out on pages 4 to 8, which comprise the statement of financial position as at 30 June 2017, and the statement of profit and loss, statement of cash flows 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, the financial statements present fairly, in all material respects, the financial position of Intelligence Service Development Fund as at 30 June, 2017 and (of) its financial performance and its cash flows for the year then ended, in accordance with International Public-Sector Accounting Standards (Cash Basis)] and comply with the Public Finance Management Act, 2012.

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

#### **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.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public-Sector Accounting Standard (Cash Basis) and for such 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.

In preparing the financial statements, management is responsible for assessing the Intelligence Service Development Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Intelligence

Service Development Fund or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Intelligence Service Development Fund financial reporting process.

### **Auditor-General's Responsibilities for the Audit of the Financial Statements**

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.

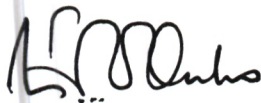
As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Intelligence Service Development Fund 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 going concern 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 Intelligence Service Development Fund 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 Intelligence Service Development 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 Intelligence Service Development 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.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

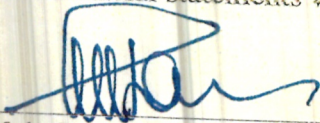
**16 May 2018**

INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)  
 Reports and Financial Statements  
 For the period ended 30<sup>th</sup> June, 2017 (Kshs)

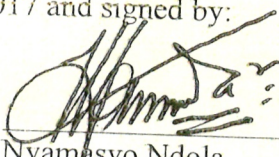
III. STATEMENT OF PROFIT AND LOSS

	Note	June 30 <sup>th</sup> 2017 KShs	June 30 <sup>th</sup> 2016 KShs
<b>REVENUES</b>			
Sales	1	247,270	1,213,185
Other Income	2	8,755,400	12,955
<b>TOTAL REVENUES</b>		<b>9,002,670</b>	<b>1,226,140</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	3	11,220	7,205
<b>TOTAL OPERATING EXPENSES</b>		<b>11,220</b>	<b>7,205</b>
<b>OPERATING PROFIT/(LOSS)</b>		<b>8,991,450</b>	<b>1,218,935</b>
PROFIT/(LOSS) BEFORE TAXATION		8,991,450	1,218,935
INCOME TAX EXPENSE/(CREDIT)		-	-
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>8,991,450</b>	<b>1,218,935</b>

The financial statements were approved on 28/9 2017 and signed by:

  
 Maj. Gen. (Rtd) Philip Kameru, MGH, CBS  
 Director General.

28/9  
 Date

  
 Nyamasyo Ndola,  
 Head of Accounting Unit.

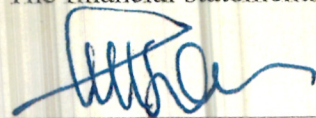
28/9  
 Date

INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)  
 Reports and Financial Statements  
 For the period ended 30<sup>th</sup> June, 2017 (Kshs)

IV. STATEMENT OF FINANCIAL POSITION

	Note	June 30th 2017 KShs	June 30th 2016 KShs
<b>ASSETS</b>			
<b>Current Assets</b>			
Bank and cash balances	4	14,395,625	5,404,175
<b>Total Current Assets</b>		<b>14,395,625</b>	<b>5,404,175</b>
<b>TOTAL ASSETS</b>		<b>14,395,625</b>	<b>5,404,175</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	5	10,000,000	10,000,000
Retained earnings		- 4,595,825	- 5,814,760
Other reserves		8,991,450	1,218,935
<b>Capital and Reserves</b>		<b>14,395,625</b>	<b>5,404,175</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>14,395,625</b>	<b>5,404,175</b>

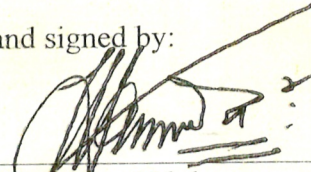
The financial statements were approved on 28/9 2017 and signed by:



Maj. Gen. (Rtd) Philip Kameru, MGH, CBS  
 Director General.

28/9

Date



Nyamasyo Ndola,  
 Head of Accounting Unit.

28/9

Date

INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)  
 Reports and Financial Statements  
 For the period ended 30<sup>th</sup> June, 2017 (Kshs)

V. STATEMENT OF CASHFLOW

	Note	June 30th 2017 KShs	June 30th 2016 KShs
<b>OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	1&2	8,991,450	1,218,935
<b>Net cash generated from/(used in) operating activities</b>		<b>8,991,450</b>	<b>1,218,935</b>
<b>INVESTING ACTIVITIES</b>			
<b>FINANCING ACTIVITIES</b>			
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>8,991,450</b>	<b>1,218,935</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE QUARTER	4	5,404,175	4,185,240
<b>CASH AND CASH EQUIVALENTS AT END OF THE QUARTER</b>	4	<b>14,395,625</b>	<b>5,404,175</b>

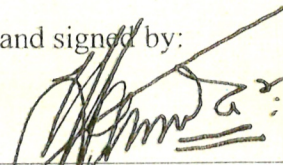
The financial statements were approved on \_\_\_\_\_

28/9

2017 and signed by:



Maj. Gen. (Rtd) Philip Kameru, MGH, CBS  
 Director General.



Nyamaayo Ndola,  
 Head of Accounting Unit.

28/9

Date

28/9

Date

## VI. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:-

### 1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and applicable government legislations and regulations. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the **Intelligence Service Development Fund**. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts.

### 2. Recognition of revenue and expenses

The **Intelligence Service Development Fund** recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the **Service**. In addition, the **Intelligence Service Development Fund** recognises all expenses when the event occurs and the related cash has actually been paid out by the **Fund**.

### 3. 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 Standard Chartered Bank of Kenya at the end of the financial year.

### 4. Comparative figures

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

### 5. Subsequent events

There have been no events subsequent to submission of the third quarter financial statements to the National Treasury and other stakeholders with a significant impact on the financial statements for the period ended June 30, 2017.

INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)  
 Reports and Financial Statements  
 For the period ended 30<sup>th</sup> June, 2017 (Kshs)

VII. NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS		
	June 30th 2017	June 30th 2016
<b>1. SALES</b>	<b>KShs</b>	<b>KShs</b>
Gross sales - from Lunches	247,270	1,213,185
<b>TOTAL</b>	<b>247,270</b>	<b>1,213,185</b>
	June 30th	June 30th
<b>2. OTHER INCOME</b>	<b>2017</b>	<b>2016</b>
	<b>KShs</b>	<b>KShs</b>
Fines and penalties - from Library charges	125,000	12,955
Other receipts - from Training Charges	8,630,400	-
<b>TOTAL</b>	<b>8,755,400</b>	<b>12,955</b>
	June 30th	June 30th
<b>3. ADMINISTRATION COSTS</b>	<b>2017</b>	<b>2016</b>
	<b>KShs</b>	<b>KShs</b>
Bank charges and commissions	11,220	7,205
<b>TOTAL</b>	<b>11,220</b>	<b>7,205</b>
	June 30th	June 30th
<b>4. BANK AND CASH BALANCES</b>	<b>2017</b>	<b>2016</b>
	<b>KShs</b>	<b>KShs</b>
Cash at bank - Standard Chartered Bank - A/C 0102096149200	14,395,625	5,404,175
<b>TOTAL</b>	<b>14,395,625</b>	<b>5,404,175</b>
	June 30th	June 30th
<b>5. ORDINARY SHARE CAPITAL</b>	<b>2017</b>	<b>2016</b>
	<b>KShs</b>	<b>KShs</b>
<b>Authorized:</b>		
Initial Capital	10,000,000	10,000,000
<b>Issued and fully paid:</b>		
Fully paid	10,000,000	10,000,000