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OFFICE OF THE AUDITOR-GENERAL

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THE AUDITOR-GENERAL

ON

**INTELLIGENCE SERVICE
DEVELOPMENT FUND**

**FOR THE YEAR ENDED
30 JUNE, 2019**



11/11/11

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

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INTELLIGENCE SERVICE DEVELOPMENT FUND

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)

 THE NATIONAL ASSEMBLY PAPERS LAID	
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INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)
Annual Reports and Financial Statements
For the year ended June 30, 2019

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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 Establishment

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.

(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.

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

Vision

To be a premier Fund in the stimulation and support of research and training in intelligence matters.

Mission

To support training in intelligence and development of information and communication technology.

Core Values

- Confidentiality
- Integrity
- Professionalism
- Discipline
- Meritocracy
- Respect for national diversity

**INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)
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(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,
- Directors.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	Maj. Gen. (Rtd) Philip Kameru, MGH, CBS

(e) Fiduciary Oversight Arrangements

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

(f) Bankers

The bankers for the current year are:-

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

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(g) Independent Auditors

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

(h) 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)
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STATEMENT 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.

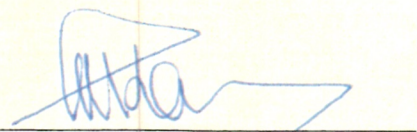
In order to finance its services, operations and development programmes, regulations provide that the Fund shall receive money from the following sources:-

- 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.

However, it should be noted that in the recent past, the main source of income has been the sale of lunches at the National Intelligence Academy (NIA) cafeteria.

During the financial year ending 30th June 2019, the Fund experienced increased operations and financial activities as compared to the previous period. These activities included the sale of goods in form of lunches, reimbursements on training services and fees from library services.

Going forward however, the management shall endeavour to optimize on the approved sources of revenue in order to enable the Fund deliver on its mandate more effectively.



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

Date:.....26/9/19.....

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) Operations representatives,
- iii. Finance representative,
- iv. Legal representative,

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.

MANAGEMENT DISCUSSION AND ANALYSIS

a) The Fund's operational and financial performance

During the financial year ending 30th June 2019, the Fund experienced reduced operations and financial activities as compared to the previous period. These activities included the sale of goods in form of lunches, rendering of training services and offering library services.

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 that the Fund's funds received during the period under review 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.

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 key risks facing the Fund are Credit and 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.

The interest rate risk exposure arises mainly from interest rate movements on the company's deposits. This exposes the Fund to cash flow interest rate risk. To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

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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.

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

The Management Committee submits its report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Fund's financial affairs.

Principal activities

The principal activities of the entity continue to be support of research and training in intelligence matters.

During the 2018/19 financial year, the Fund shall receive money from catering services, reimbursements due from training activities and library charges.

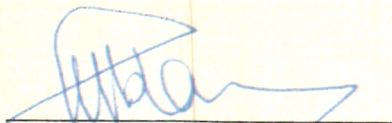
Results

The results of the entity for the year ended June 30, 2019 are set out on page 12. During the 2018/2019 financial year, the Fund recorded a surplus of **Kshs. 11,951,070.00**. This represents an increase of **Kshs. 7,082,815.00** from the surplus of **Kshs. 4,868,255.00** recorded during the 2017/2018 financial year.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015, for the year ended June 30, 2019.

The **Intelligence Service Development Fund** financial statements were approved and signed by the Accounting Officer on 26/09/ 2019.



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



Nyamasyo Ndola, OGW
Assistant Director, Finance

INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)
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STATEMENT OF DIRECTORS' 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 that 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 required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Director General is also responsible for safeguarding the assets of the Fund.

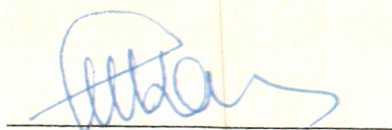
The Director General is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate 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 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 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 judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the 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, 2019, 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.

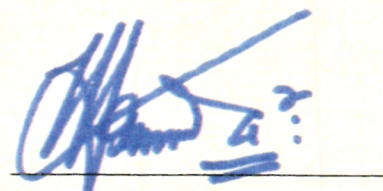
Nothing has come to the attention of the Director General to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The **Intelligence Service Development Fund** financial statements were approved and signed by the Accounting Officer on 26/09/2019 2019.



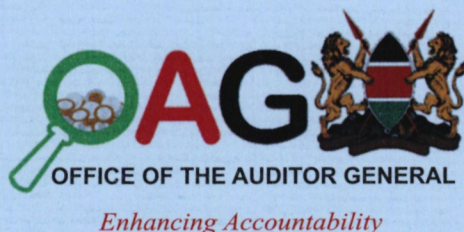
Maj. Gen. (Rtd) Philip Kameru, MGH, CBS
Director General.



Nyamasyo Ndola, OGW
Assistant Director, Finance

REPUBLIC OF KENYA

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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, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Intelligence Service Development Fund set out on pages 12 to 24, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets and 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 the Intelligence Service Development 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 Intelligence Service Development Fund Regulations, 2002 and 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.

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 are no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

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 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 effective processes and systems of internal control, risk management and governance were maintained 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 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 liquidate 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 Fund 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 control 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 control would not necessarily disclose all matters in the internal control that

might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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

16 February, 2021

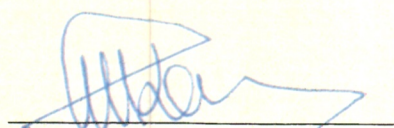
INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)
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For the year ended June 30, 2019

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019

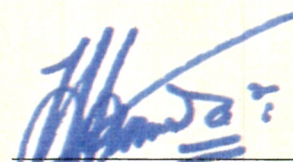
	Notes	2018-2019	2017-2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Fines	5	45,215	17,355
Revenue from exchange transactions			
Rendering of services	6	10,981,950	4,302,500
Sale of Goods-Lunches	7	935,975	559,620
Total revenue		11,963,140	4,879,475
Expenses			
General expenses	8	12,070	11,220
Total expenses		12,070	11,220
Surplus/(deficit) for the period/year		11,951,070	4,868,255
Net Surplus for the year		11,951,070	4,868,255

The notes set out on pages 16 to 25 form an integral part of these Financial Statements

The **Intelligence Service Development Fund** financial statements were approved and signed by the Accounting Officer on 26/09/19 2019.



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



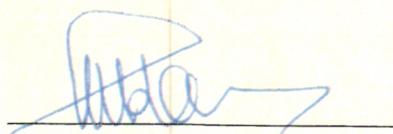
Nyamasyo Ndola, OGW
 Assistant Director, Finance

INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)
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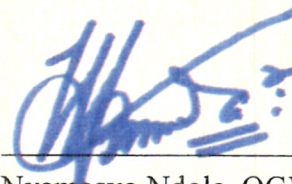
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	9	31,214,950	19,263,880
Non-current Assets		-	-
Total Assets		31,214,950	19,263,880
Liabilities			
Current Liabilities		-	-
Non-current liabilities		-	-
Net assets		31,214,950	19,263,880
Accumulated surplus		21,214,950	9,263,880
Capital Fund		10,000,000	10,000,000
Total net assets and liabilities		31,214,950	19,263,880

The **Intelligence Service Development Fund** financial statements were approved and signed by the Accounting Officer on 26/09/ 2019.



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

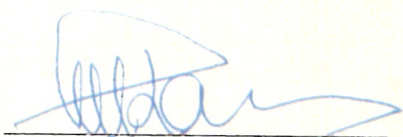


Nyamasyo Ndola, OGW
 Assistant Director, Finance

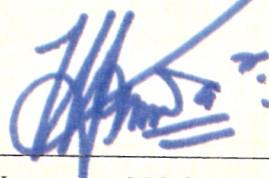
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2019

	Capital Fund	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
At July 1, 2017	10,000,000	-	-	4,395,625	-	-	14,395,625
Total comprehensive income	-	-	-	4,868,255	-	-	4,868,255
At June 30, 2018	10,000,000	-	-	9,263,880	-	-	19,263,880
At July 1, 2018	10,000,000	-	-	9,263,880	-	-	19,263,880
Total comprehensive income	-	-	-	11,951,070	-	-	11,951,070
At June 30, 2019	10,000,000	-	-	21,214,950	-	-	31,214,950

The Intelligence Service Development Fund financial statements were approved and signed by the Accounting Officer on 26/09 2019.



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



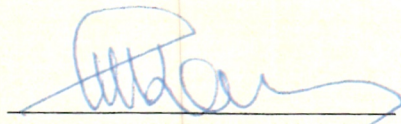
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INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)
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For the year ended June 30, 2019

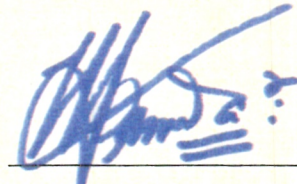
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Fines, penalties and levies	5	45,215	17,355
Rendering of services	6	10,981,950	4,302,500
Sale of goods	7	935,975	559,620
Total Receipts		11,963,140	4,879,475
Payments			
Other payments	8	12,070	11,220
Total Payments		12,070	11,220
Net cash flows from operating activities		11,951,070	4,868,255
Net increase/(decrease) in cash and cash equivalents		11,951,070	4,868,255
Cash and cash equivalents at 1JULY 2018	9	19,263,880	14,395,625
Cash and cash equivalents at 30 JUNE 2019	9	31,214,950	19,263,880

The Intelligence Service Development Fund financial statements were approved and signed by the Accounting Officer on 26/09/2019 2019.



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



Nyamasyo Ndola, OGW
 Assistant Director, Finance

INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)
Annual Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Intelligence Service Development Fund (ISDF) is established by and derives its authority and accountability from the Legal Notice No.110 of 2002. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya.

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 judgment 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.

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>(The standard did not have an impact to the entity)</i>

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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:
<p>IPSAS 41: Financial Instruments</p>	<p>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 cashflows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <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. <p><i>(The standard did not have an impact to the entity)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>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:</p> <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. <p><i>(The standard did not have an impact to the entity)</i></p>

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Library fines

The entity recognizes revenues from library fines when the event occurs and the asset recognition criteria are met.

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services (reimbursements on training 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 labor hours incurred to date as a percentage of total estimated labor 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 (lunches) 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) 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.

c) 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 and the Committee members.

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d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amount held at the Standard Chartered Bank at the end of the financial year.

e) Comparative figures

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

f) 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, 2019.

5. FINES, PENALTIES AND LEVIES

Description	2018-2019	2017-2018
	KShs	KShs
Fines	45,215	17,355
Total	45,215	17,355

This is revenue arising from penalties/fines charged on those defaulting on the proper use of library books.

6. RENDERING OF SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Reimbursements on training services	10,981,950	4,302,500
Total	10,981,950	4,302,500

This is revenue arising from reimbursements on training services offered by the University of Nairobi in collaboration with National Intelligence Academy.

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7. SALE OF GOODS

Description	2018-2019	2017-2018
	KShs	KShs
Sale of Lunches	935,975	559,620
Total	935,975	559,620

8. GENERAL EXPENSES

Description	2018-2019	2017-2018
	KShs	KShs
Bank Charges	12,070	11,220
Total	12,070	11,220

9. CASH AND CASH EQUIVALENTS

Description	2018-2019	2017-2018
	KShs	KShs
Current account	31,214,950	19,263,880
Total cash and cash equivalents	31,214,950	19,263,880

DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

		2018-2019	2017-2018
Financial institution	Account number	KShs	KShs
a) Current account			
Standard Chartered Bank	0102096149200	31,214,950	19,263,880
Total		31,214,950	19,263,880

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10. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize 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 Fund'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:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Bank balances	31,214,950	31,214,950	-	-
Total	31,214,950	31,214,950	-	-
At 30 June 2018				
Bank balances	19,263,880	19,263,880	-	-
Total	19,263,880	19,263,880	-	-

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The Fund's exposure to credit risk arises from balances held at the Standard Chartered Bank account. The management considers this exposure not material and has not made any allowance/provision for the same in the financial statements.

(ii) 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 optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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.

• **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 endeavored to bank with institutions that offer favorable 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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of **KShs.963,194.00 (2017: – KShs.719,781.25)**.

A rate increase/decrease of 2% would result in a decrease/increase in profit before tax of **KShs.624, 299 (2018: – KShs.385, 277.60)**.

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(iii) Capital Risk Management

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

	2018-2019	2017-2018
	Kshs	Kshs
Retained earnings	21,214,950	9,263,880
Capital reserve	10,000,000	10,000,000
Total funds	31,214,950	19,263,880
Total borrowings	-	-
Less: cash and bank balances	(31,214,950)	(19,263,880)
Net debt/(excess cash and cash equivalents)	(31,214,950)	(19,263,880)
Gearing	0%	0%

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

- i) The National Government;
- ii) The National Intelligence Service.

The Fund did not receive any funds from the related parties indicated.

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12. ANNEX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

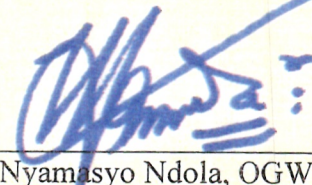
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

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)
None	None	None	None	None	None

The **ISDF** received an **Unqualified Audit Opinion** regarding the financial statements for the year ended 30th June, 2018.



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



Nyamasyo Ndola, OGW
 Assistant Director,

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13. ANNEX 1I: OTHER REPORTS

The following financial Reports are attached as annexes to these financial statements.

- o Bank reconciliation for the bank account
- o Board of Survey