

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

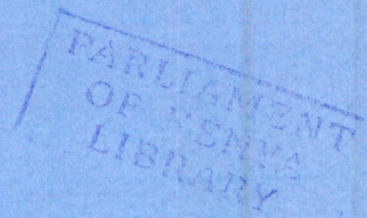
OF


THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL INTELLIGENCE SERVICE

FOR THE YEAR ENDED
30 JUNE 2018



 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 19 FEB 2019	
TUESDAY	
TABLED BY:	MAJORITY LEADER
CLERK-AT THE TABLE:	





NATIONAL INTELLIGENCE SERVICE

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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



NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2018

Table of Content	Page
I. KEY ENTITY INFORMATION AND MANAGEMENT	1
II. FORWARD BY THE CABINET SECRETARY	4
III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES	6
III. REPORT OF THE INDEPENDENT AUDITORS ON THE NATIONAL INTELLIGENCE SERVICE	7
IV. STATEMENT OF RECEIPTS AND PAYMENTS	8
VI. STATEMENT OF ASSETS AND LIABILITIES	9
IV. STATEMENT OF CASH FLOWS	10
VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED	11
VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT	12
IX. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT	13
X. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES	14
XI. SIGNIFICANT ACCOUNTING POLICIES	15
XII. NOTES TO THE FINANCIAL STATEMENTS	17

NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2018

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The National Intelligence Service (NIS) was established under Article 242, Chapter 14 of the Constitution of Kenya, 2010. At the Cabinet level, the **National Intelligence Service** is represented by the Cabinet Secretary for Interior and Coordination of National Government. The National Intelligence Service Council (NISC) is responsible for the general policy and strategic direction of the Service.

Vision

To be a professional Intelligence Service comparable to none that shall ensure a prosperous and secure Kenya.

Mission

To safeguard the security of the Republic of Kenya against any threats emanating both from within and without.

Mandate

NIS is responsible for Security intelligence and Counter intelligence to enhance national security in accordance with the Constitution; and perform any other function as prescribed by national legislation.

Core Values

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

Core Functions

According to the NIS Act 2012, the Service shall:-

- Gather, collect, analyze and transmit or share with the relevant State agencies, security intelligence and counter intelligence;
- Detect and identify threats or potential threats to national security;
- Advise the President and Government of any threat or potential threat to national security;
- Advise County governments on appropriate security and intelligence matters; and
- Obtain, in accordance with the Constitution, NIS Act or any other written law, intelligence about the activities of foreign interference and capabilities, intentions or activities of people or organizations outside Kenya;
- Support and aid law enforcement agencies in detecting and preventing serious crimes and other threats to national security;
- Carry out protective and preventive security functions and safeguard information systems and processes within state departments, agencies, facilities and diplomatic missions.

NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2018

(b) Key Management

The day-to-day management of the National Intelligence Service is undertaken by:

- Director General,
- Directors.

(c) Fiduciary Management

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

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

(d) Fiduciary Oversight Arrangements

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

(e) NIS Headquarters

NIS Headquarters, Nairobi,
P.O. Box 30091 – 00100,
Nairobi,
KENYA

(f) NIS Contacts

Telephone: (254) 020-344252

(g) Bankers

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

NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2018

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2018

II. FOREWARD BY THE DIRECTOR GENERAL

National Security is about safeguarding a state against both internal and external threats. As provided by the Constitution, the Service has positioned itself to serve the people of Kenya by continuously neutralizing the ever dynamic national security threats, in order to ensure a secure and protected nation. In an effort to meet this constitutional requirement, the Service continues to review and restructure its administrative and operational strategies in accordance with the assessed national security threats levels and the available budgetary resources.

During the 2017/2018 financial year, the Service was able to deliver on its constitutional mandate in line with its strategic plans and in the broader context of Kenya Vision 2030. Highlights of the budget implementation process during the year are summarized as follows:-

Budget Performance

The total approved budget for the FY 2017-18 was Kshs.31,957,500,000.00, which includes Kshs.3,500,000.00 as Appropriation-In-Aid (A-I-A). During the year, the Service received exchequer releases from the National Treasury amounting to Kshs.31,953,446,800.00, leaving an exchequer under-issue of Kshs.553,200.00.

The Service continues to implement the National Security Intelligence programme, under the programme Based Budgeting framework. The budgetary resources allocated to the Service during the FY 2017-18 were utilized to achieve the programme's outcome of a secure and protected nation. In this regard, the total Service expenditure for the FY 2017-18 amounted to Kshs.31,914,360,320.00 leaving a balance of Kshs.42,586,480.00. In addition, a total of Kshs.4,020,901.00 was raised as A-I-A, with the excess collection of Kshs.520,901.00 being remitted to the National Treasury.

Key achievements

As indicated above, the Service delivered its mandate in accordance with the Constitution and other auxiliary legislations during the 2017-2018 financial year. Specifically, the Service provided timely and actionable intelligence on national security threats, undertook counter intelligence, conducted vetting and undertook a wide range of research on security intelligence matters, targeted at value addition in decision making and national security policy formulation by the Government.

The Service was also able to upgrade its human and technical capacity to deal with the contemporary security threats, as per threat analysis levels, and in line with the programmes prioritized during the Medium Term Expenditure Framework (MTEF) Period.



NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

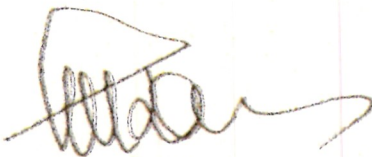
For the year ended June 30, 2018

Implementation Challenges and Way Forward.

Despite these achievements and support from various stakeholders, the Service nonetheless continued to face and tackle various challenges, which hampered the delivery of its mandate in an effective and efficient manner. The main challenges experienced in the course of budget implementation related to high maintenance cost on operational equipment and systems, currency fluctuation, inflationary pressures, constrained budgetary allocation and rapid technological changes.

To address these challenges, the Service is focused on continuing to rationalize and prioritize its budget, with the resultant savings being utilized to address some of the expenditure areas affected by inadequate funding. The Service also instituted internal strategic initiatives on performance management and improvement. These are geared towards improved intelligence gathering, analysis and dissemination in a dynamic environment. Active support and participation by all the national security stakeholders in collaborative engagements within the multi-agency framework is recommended in dealing with threats to national security.

Additionally, in order to address new trans-national threats, the Service will continue to incorporate novel ways of improving coordination and collaboration with other regional and global partners. Continued investment in research and development in order to innovate more efficient solutions to various challenges in security operations should be encouraged and supported.



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

NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2018

III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) 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.

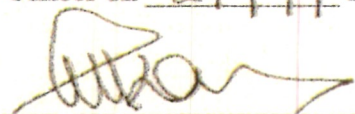
The Accounting Officer in charge of the **National Intelligence Service** is responsible for the preparation and presentation of the **Service** financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2018. 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 **National Intelligence Service** accepts responsibility for the **Service** financial statements, which have been prepared on the 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 **Service** financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2018, and of the entity's financial position as at that date. The Accounting Officer in charge of the **National Intelligence Service** further confirms the completeness of the accounting records maintained for the **Service**, which have been relied upon in the preparation of the **Service** financial statements as well as the adequacy of the systems of internal financial control.

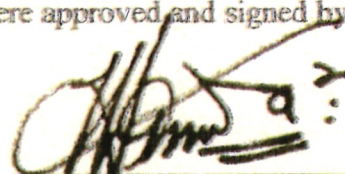
The Accounting Officer in charge of the **National Intelligence Service** confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the **Service** 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 **National Intelligence Service** financial statements were approved and signed by the Accounting Officer on 27/9/2018.



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



Nyamasyo Ndola, OGW
Assistant Director, Finance

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL INTELLIGENCE SERVICE FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Intelligence Service set out on pages 8 to 26, which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and summary statements of appropriation - recurrent, development and combined 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 National Intelligence Service as at 30 June 2018, 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 National Intelligence Service Act, 2012 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 National Intelligence Service in accordance with ISSAI 30 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 were no Key Audit Matters to communicate in my report.

Report of the Auditor-General on the Financial Statements of National Intelligence Service for the year ended 30 June 2018

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 governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 (Cash Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the Service'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 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.

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 manner.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the

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

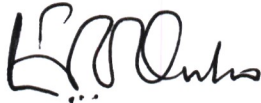
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the 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 Service's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Service 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 Service 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

03 January 2019



NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2018

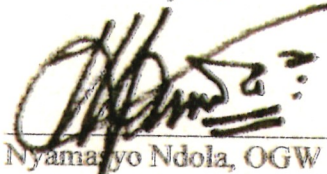
IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017-2018	2016-2017
		Kshs	Kshs
RECEIPTS			
Exchequer releases	1	31,953,446,800	29,045,930,000
Proceeds from Sale of Assets	2	-	17,252,983
Other Receipts	3	4,020,901	1,780,928
TOTAL RECEIPTS		31,957,467,701	29,064,963,911
PAYMENTS			
Transfers to Other Government Units	4	520,901	1,033,911
Other grants and transfers	5	31,914,360,320	29,049,532,604
TOTAL PAYMENTS		31,914,881,221	29,050,566,515
SURPLUS/DEFICIT		42,586,480	14,397,396

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 27/9/2018 and signed by:



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



Nyamaayo Ndola, OGW
Assistant Director, Finance



NATIONAL INTELLIGENCE SERVICE

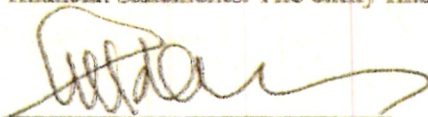
Reports and Financial Statements

For the year ended June 30, 2018

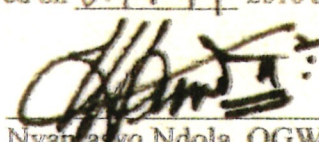
V. STATEMENT OF ASSETS AND LIABILITIES

	Note	2017-2018	2016-2017
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	6	143,489,173	257,535,812
Cash Balances	7	278,103	75,643
Total Cash and cash equivalent		143,767,276	257,611,455
Accounts receivables – Outstanding Imprests	8	42,084,380	12,614,946
TOTAL FINANCIAL ASSETS		185,851,656	270,226,401
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	9	143,265,176	255,829,005
NET FINANCIAL ASSETS		<u>42,586,480</u>	<u>14,397,396</u>
REPRESENTED BY			
Fund balance b/fwd	10	14,397,396	38,429,313
Prior year adjustment	11	-14,397,396	-38,429,313
Surplus/Deficit for the year		42,586,480	14,397,396
NET FINANCIAL POSITION		<u>42,586,480</u>	<u>14,397,396</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 27/9/2018 and signed by:



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



Nyantasyo Ndola, OGW
Assistant Director, Finance

NATIONAL INTELLIGENCE SERVICE

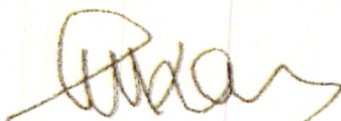
Reports and Financial Statements

For the year ended June 30, 2018

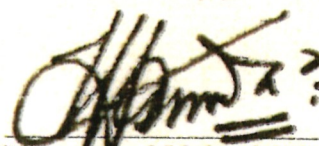
IV. STATEMENT OF CASH FLOWS

	Note	2017-2018	2016-2017
		Kshs	Kshs
Receipts for operating income			
Exchequer Releases	1	31,953,446,800	29,045,930,000
Other Revenues	3	4,020,901	1,780,928
		31,957,467,701	29,047,710,928
Payments for operating expenses			
Transfers to Other Government Units	4	(520,901)	(1,033,911)
Other grants and transfers	5	(31,914,360,320)	(29,049,532,604)
		(31,914,881,221)	(29,050,566,515)
Adjusted for:			
Changes in receivables	8	(29,469,434)	9,492,658
Changes in payables	9	(112,563,829)	72,766,619
Adjustments during the year	11	(14,397,396)	(38,429,313)
Net cashflow from operating activities		(113,844,179)	40,974,377
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	17,252,983
Net cash flows from Investing Activities		-	17,252,983
CASHFLOW FROM BORROWING ACTIVITIES			
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		(113,844,179)	58,227,360
Cash and cash equivalent at BEGINNING of the year	6 & 7	257,611,455	199,384,095
Cash and cash equivalent at END of the year	6 & 7	143,767,276	257,611,455

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 27/1/18 2018 and signed by:



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



Nyamasayo Ndola, OGW
Assistant Director, Finance

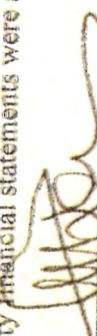
NATIONAL INTELLIGENCE SERVICE
Reports and Financial Statements
For the year ended June 30, 2018


VI. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Exchequer releases	26,604,000,000	5,350,000,000	31,954,000,000	31,953,446,800	553,200	100%
Other Receipts - AIA	-	3,500,000	3,500,000	4,020,901	(520,901)	115%
Total receipts	26,604,000,000	5,353,500,000	31,957,500,000	31,957,467,701	32,299	100%
PAYMENTS						
Transfers to Other Government Units	-	-	-	520,901	(520,901)	-
Other grants and transfers	26,604,000,000	5,353,500,000	31,957,500,000	31,914,360,320	43,139,680	100%
Total Payments	26,604,000,000	5,353,500,000	31,957,500,000	31,914,881,221	42,618,779	100%
Surplus/ Deficit	-	-	-	42,586,480	42,586,480	

The adjustments in column **b** are as a result of additional funding through supplementary budget and revenue received as AIA

The entity financial statements were approved on 27/9/2018 and signed by:-


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


 Nyamasyo Ndola, OGW
 Assistant Director, Finance

Reports and Financial Statements
For the year ended June 30, 2018

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Exchequer releases	26,604,000,000	5,350,000,000	31,954,000,000	31,953,446,800	553,200	100%
Other Receipts - AIA	-	3,500,000	3,500,000	4,020,901	(520,901)	115%
Total receipts	26,604,000,000	5,353,500,000	31,957,500,000	31,957,467,701	32,299	100%
PAYMENTS						
Transfers to Other Government Units	-	-	-	520,901	(520,901)	-
Other grants and transfers	26,604,000,000	5,353,500,000	31,957,500,000	31,914,360,320	43,139,680	100%
Total Payments	26,604,000,000	5,353,500,000	31,957,500,000	31,914,881,221	42,618,779	100%
Surplus/ Deficit				42,586,480	42,586,480	

The adjustments in column b are as a result of additional funding through supplementary budget and revenue received as AIA

The entity financial statements were approved on 27/9/2018 and signed by:



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



Nyamasyo Ndola, OGW
Assistant Director, Finance

NATIONAL INTELLIGENCE SERVICE
Reports and Financial Statements
For the year ended June 30, 2018

Reasons for material differences between Approved Estimates and Actual Expenditure:-

The balance on **Current Grants to Government Agencies and other Levels of Government** for the year ended 30th June 2018 was forty three million, one hundred and thirty nine thousand, six hundred and eighty shillings (**Kshs.43,139,680.00**). This arose as a result of various accounts having outstanding balances as shown below:-

- (a) The Agency Account, relating to funds remitted to foreign stations through the Ministry of Foreign Affairs and International Trade, had a balance of **Kshs.19,115,744.75**
- (b) The District Advances Account, relating to funds remitted to Counties, had an outstanding balance of **Kshs.1,013,838.45**
- (c) The Imprest Account had an outstanding balance of **Kshs.21,954,796.00**
- (d) The total balance for Cash at Hand and Bank was **Kshs.502,100.00**
- (e) The Exchequer-Under-Issue amounts to **Kshs.553,200.00**.

The National Intelligence Service financial statements were approved on 27/9/2018 and signed by:



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



Nyamiso Ndola, OGW
Assistant Director, Finance

VIII. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

The National Intelligence Service does not have a Development Budget.

IX. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme:	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
National Security Intelligence	2017/18		2017/18	30/06/2018	
Sub-Programme:	Kshs	Kshs	Kshs	Kshs	Kshs
Security Intelligence and Counter Intelligence	26,604,000,000	5,353,500,000	31,957,500,000	31,914,881,221	42,618,779

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based.)

The entity financial statements were approved on 27/9/2018 and signed by:



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



Nyamasy Ndola, OGW
Assistant Director, Finance

NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2018

X. 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 Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below.

This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The receivables and payables are disclosed in the Statement of Assets and Liabilities. The Statement of Assets and Liabilities is not mandatory statement under the IPSAS Cash basis but is encouraged in order to disclose information on assets and liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the National Intelligence Service all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

2. Recognition of receipts and payments

a) Recognition of receipts

The National Intelligence Service recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Service.

Other receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

b) Recognition of payments

In addition, the National Intelligence Service recognizes all expenses when the event occurs and the related cash has actually been paid out by the Service.

3. Transfers from the Exchequer

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the Service.

4. 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



NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2018

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.

5. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

6. Restriction on cash

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2018, this amounted to **Kshs.143,265,175.55**, compared to **Kshs.255,829,005.20** in prior period as indicated on note 9.

There were no other restrictions on cash during the year



NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2018

XI. NOTES TO THE FINANCIAL STATEMENTS

1. EXCHEQUER RELEASES

Description	2017-2018	2016-2017
	Kshs	Kshs
Total Exchequer Releases for quarter 1	10,767,700,000	6,928,050,000
Total Exchequer Releases for quarter 2	6,716,000,000	5,053,580,000
Total Exchequer Releases for quarter 3	6,583,300,000	6,039,300,000
Total Exchequer Releases for quarter 4	7,886,446,800	11,025,000,000
Total	31,953,446,800	29,045,930,000

The budgeted exchequer for the FY 2017-18 was Kshs.31,954,000,000.00 against exchequer releases of Kshs.31,953,446,800.00, leaving an exchequer under-issue of Kshs.553,200.00.

2. PROCEEDS FROM SALE OF ASSETS

	2017-2018	2016-2017
	Kshs	Kshs
Receipts from the Sale of Vehicles and Transport Equipment	-	17,071,783
Receipts from the Sale Plant Machinery and Equipment	-	181,200
Total		17,252,983

3. OTHER REVENUES

	2017-2018	2016-2017
	Kshs	Kshs
Receipts from Administrative Fees and Charges - Collected as AIA	1,737,535	908,890
Fines Penalties and Forfeitures	2,283,366	872,038
Total	4,020,901	1,780,928



NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2018

4. GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2017-2018	2016-2017
	Kshs	Kshs
Transfers to National Treasury - The Exchequer Account No. 1000003987	520,901	1,033,911
TOTAL	520,901	1,033,911

The above transfers relate to excess AIA realized during the financial year, which was surrendered to the National Treasury.

5. OTHER GRANTS AND TRANSFERS

Explanation	2017-2018	2016-2017
	Kshs	Kshs
Other current transfers, grants	31,914,360,320	29,049,532,604
Total	31,914,360,320	29,049,532,604

Other current transfers and grants relate to the total expenditure for NIS during the financial year.

6. BANK ACCOUNTS

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	Exc rate (if in foreign currency)	2017-2018	2016-2017
				Kshs	Kshs
Central Bank of Kenya, 1000181095, Kshs - NIS	Kshs	Recurrent	1	223,997	1,706,807
Central Bank of Kenya, 1000181168, Kshs - NIS	Kshs	Deposit	1	143,265,176	255,829,005
Total				143,489,173	257,535,812

NATIONAL INTELLIGENCE SERVICE**Reports and Financial Statements****For the year ended June 30, 2018****7. CASH IN HAND**

	2017-2018	2016-2017
	Kshs	Kshs
Cash in Hand – Held in domestic currency	278,103	75,643
Total	278,103	75,643

Cash in hand above is analysed as follows:

	2017-2018	2016-2017
	Kshs	Kshs
Headquarters, Cash office - Recurrent	278,103	75,643
Total	278,103	75,643

8. ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS , DISTRICT SUSPENSE & CLEARANCE

<i>Description</i>	2017-2018	2016-2017
	Kshs	Kshs
Government Imprests	21,954,796	1,792,098
District suspense	1,013,838	115,210
Clearance accounts - Agency Account	19,115,745	10,707,638
Total	42,084,380	12,614,946

Listings of the specific Accounts Receivables above are available. The Agency account relates to unspent balances arising from AIEs remitted to Foreign stations.

9. ACCOUNTS PAYABLE

Description	2017-2018	2016-2017
	Kshs	Kshs
Deposits	143,265,176	255,829,005
Total	143,265,176	255,829,005

The deposits include amounts held as insurance benefits, retention money from contractors and tender deposits and a list of the same is available.



NATIONAL INTELLIGENCE SERVICE**Reports and Financial Statements****For the year ended June 30, 2018****10. FUND BALANCE BROUGHT FORWARD**

Description	2017-2018	2016-2017
	Kshs	Kshs
Bank accounts	257,535,812	184,473,334
Cash in hand	75,643	14,910,761
Accounts Receivables	12,614,946	22,107,604
Accounts Payables	(255,829,005)	(183,062,386)
Total	14,397,396	38,429,313

11. PRIOR YEAR ADJUSTMENTS

Description of the Adjustment	2017 – 2018	2016-2017
	Kshs	Kshs
Adjustments on bank account balances	(1,706,807)	(1,410,948)
Adjustments on cash in hand	(75,643)	(14,910,761)
Adjustments on receivables	(12,614,946)	(22,107,604)
Total	(14,397,396)	(38,429,313)

The total of **Kshs.14,397,396.00** relate to FY 2016/17 closing balances, which were recovered and remitted to the National Treasury or surrendered and accounted for during the FY 2017/18.

12. RELATED PARTY TRANSACTIONS

Description	2017-2018	2016-2017
	Kshs	Kshs
Transfers from Central government entities		
Transfers from Ministry of Interior	5,544,701,148	4,034,358,000
Transfers from Presidency	600,000,000	858,000,000
Transfers from Ministry of sports, Culture & Arts	-	351,000
Transfers from Transport & Infrastructure	-	2,000,000
Transfers to other government entities -National Treasury (Excess A-I-A)	520,901	1,033,911
TOTAL	6,145,222,049	4,895,742,911

During the FY 2017/18, NIS received transfers amounting to **Kshs.6,144,701,148.00** from government entities as shown above, to fund specific security operations, which were carried out by the Service.



NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2018

OTHER IMPORTANT DISCLOSURES

13. 1: PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2017 – 2018	2016-2017
Deposits:-	Kshs	Kshs
Insurance	74,488,750.25	109,141,761.50
Retention	64,498,211.15	142,394,029.55
Other Deposits – Disposal of M/vehicle, Equip, Stores etc	4,278,214.15	4,293,214.15
Total	143,265,175.55	255,829,005.20

NB:-

The Service did not have pending bills/payables from the recurrent account as at the end of the 2017/2018 financial year.

14. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

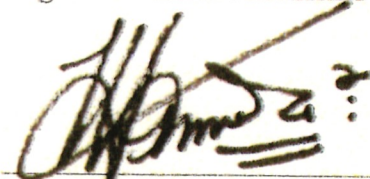
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

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 Service received an Unqualified Audit Opinion regarding the financial statements for the year ended 30th June, 2017.



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



Nyamasyo Ndola, OGW
Assistant Director, Finance



Reports and Financial Statements
For the year ended June 30, 2018

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Outstanding Balance 2018	Outstanding Balance 2017	Comments
	Kshs	Kshs	
Insurance			
			Being Life insurance compensation to nominated family members following the death of a Service officer.
Retention			
Sub-Total	74,488,750.25	109,141,761.50	Being retention money withheld from payments to various contractors pending successful completion of the projects being implemented.
Other Deposit - Disposal of MV, Equip. etc			
Sub-Total	64,498,211.15	142,394,029.55	Being general deposits paid to secure the purchase of old motor vehicles, equipment and obsolete stores, etc.
GRAND TOTAL	143,265,175.55	255,829,005.20	



ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2018	Outstanding Balance 2017	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities	N/A						The Service does not have
							Pending bills from
							previous years
Sub-Total							
Amounts due to County Govt Entities	N/A						
Sub-Total							
Amounts due to Third Parties	N/A						
Sub-Total							
Others (specify)	N/A						
Sub-Total							
Grand Total							



ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2016/2017	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2017/2018
Land	N/A			
Buildings and structures	N/A			
Transport equipment	N/A			
Office equipment, furniture and fittings	N/A			
ICT Equipment, Software and Other ICT Assets	N/A			
Other Machinery and Equipment	N/A			
Heritage and cultural assets	N/A			
Intangible assets	N/A			
Total				

NB: The information required in this section is limited due to the disclosure requirement thresholds, in line with the nature of security operations.

11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

ANNEX 5 – LIST OF PROJECTS IMPLEMENTED BY NATIONAL INTELLIGENCE SERVICE

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
I	N/A	N/A	N/A	N/A

ANNEX 6 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE ENTITY

None

ANNEX 7- OTHER REPORTS

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

- i. FO30 (Bank reconciliations) for all bank accounts
- ii. Board of Survey



RECURRENT CASH BOOK
F. O. 51
REPUBLIC OF KENYA

Date 2ND JULY, 2018

Report of the Board of Survey on the Cash and Bank Balances of NATIONAL INTELLIGENCE SERVICE (NIS) as at the close of business on 30TH JUNE, 2018.

The Board, consisting of – (*Names and official titles*)

BONIFACE N. MWILU, MBS, 'ndc' (K) - ASSISTANT DIRECTOR (NIS)

ABEL K. NJERU, 'ndc' (K) - ASSISTANT DIRECTOR (NIS)

assembled at the office of CASHIER NIS at 0800 HOURS (*time*) on 2nd JULY, 20 18 and the following cash was produced:-

Notes ...	...	...	...	...	Sh. 278,100.00
Silver ...	...	...	...	...	Sh. 2.50
Copper ...	...	...	...	...	Sh. .30
Cheques (as per details on reverse)	...	...	...	...	Sh. <u>NIL</u>
					<u>Sh. <u>278,100.00</u></u>

It was observed that cheques amounting to Sh. N/A has been on hand for more than 14 days prior to the date of the survey.

The cash consists of East African currency and does not contain any demonetized coin or notes.

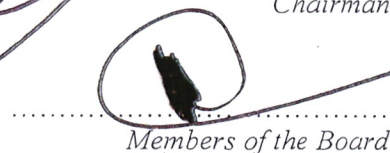
The Cash Book reflected the following balances as at the close of business on the 30TH JUNE, 20 18.

Cash on hand ...	...	...	...	Sh. 278,102.80
Bank Balance ...	...	...	...	Sh. 223,997.25

The Bank Certificate of Balance showed a sum of Kshs. 87,427,168.25 standing to the credit of the account on 30th June, 2018.

The difference between this figure and the Bank Balance as shown by the Cash Book is accounted for in the Bank Reconciliation Statement (F.O. 30) attached.


.....
Chairman


.....
Members of the Board

Date 02/07/2018

11
12
13
14



DEPOSIT CASH BOOK
REPUBLIC OF KENYA

F. O. 51

Date: 2nd July, 2018

Report of the Board of Survey on the Cash and Bank Balances of NIS as at the close of business on 30th June, 2018.

The Board, consisting of – (*Names and official titles*)

BONIFACE N. MWILU, MBS, 'ndc' (K) – ASSISTANT DIRECTOR (NIS)

ABEL K. NJERU, 'NDC' (K) – ASSISTANT DIRECTOR (NIS)

assembled at the office of CASHIER NIS at 0800 hrs (*time*) on 2nd July, 2018 and the following cash was produced:-

Notes ...	...	...	...	...	Sh.	NIL
Silver ...	...	...	...	...	Sh.	NIL
Copper ...	...	...	...	...	Sh.	NIL
Cheques (as per details on reverse)	...	...	...	...	Sh.	<u>NIL</u>
					Sh.	<u>NIL</u>

It was observed that cheques amounting to Sh. NILCts. has been on hand for more than 14 days prior to the date of the survey.

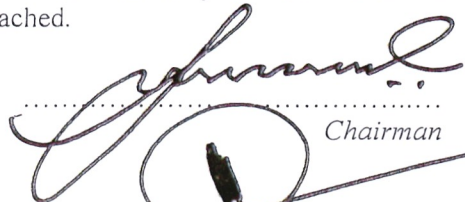
The cash consists of East African currency and does not contain any demonetized coin or notes.

The Cash Book reflected the following balances as at the close of business on the 30th June, 2018.

Cash on hand ...	...	...	...	Sh.	.....NIL.....
Bank Balance ...	...	...	...	Sh.	<u>143,265,175.55</u>

The Bank Certificate of Balance showed a sum of Kshs. 181,202,615.40 standing to the credit of the account on 30th June, 2018

The difference between this figure and the Bank Balance as shown by the Cash Book is accounted for in the Bank Reconciliation Statement (F.O. 30) attached.


.....
Chairman
.....
Members of the Board

Date 02/07/2018

4



BANKI
KUU YA
KENYA



CENTRAL
BANK OF
KENYA

4th July, 2018

Haile Selassie Avenue
P.O. Box 60000 - 00200 Nairobi, Kenya
Telephone: 2860000, Fax: 340192

CERTIFICATE OF BALANCES

Customer :

120352

NATIONAL
INTELLIGENCE
SERVICE

Balance Date:

30-Jun-18

Account No	Account Name	Currency	Balance
1000181095	REC-NATIONAL INTELLIGENCE SERVICE	KES	87,427,168.25
1000181168	DEP-NATIONAL INTELLIGENCE SERVICE	KES	181,202,615.40
1000181238	CBK165-NATIONAL INTELLIGENCE SERVIC	KES	0

L. K. RWERIA
AUTHORISED SIGNATORY
BANKING DIVISION

P. S. LENKUME
AUTHORISED SIGNATORY
BANKING DIVISION



DEPOSIT ACCOUNT

BANK RECONCILIATION STATEMENT AS AT 30TH JUNE 2018		
Jun-18		
Jun-18		Ksh
BALANCE AS PER BANK CERTIFICATE		
<i>less</i>	CASH PYTS	26,178,558.45
	BANK RCTS	13,575,080.00
		39,753,638.45
<i>add</i>	BANK PYTS	130,000.00
	CASH RCTS	1,686,198.60
		1,816,198.60
BANK BALANCE AS PER CASH BOOK		141,448,976.95
		143,265,175.55

ACTUAL CASH BOOK BALANCE 143,265,175.55

VARIANCE _____

