

REPUBLIC OF KENYA



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

OFFICE OF THE AUDITOR-GENERAL

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REPORT

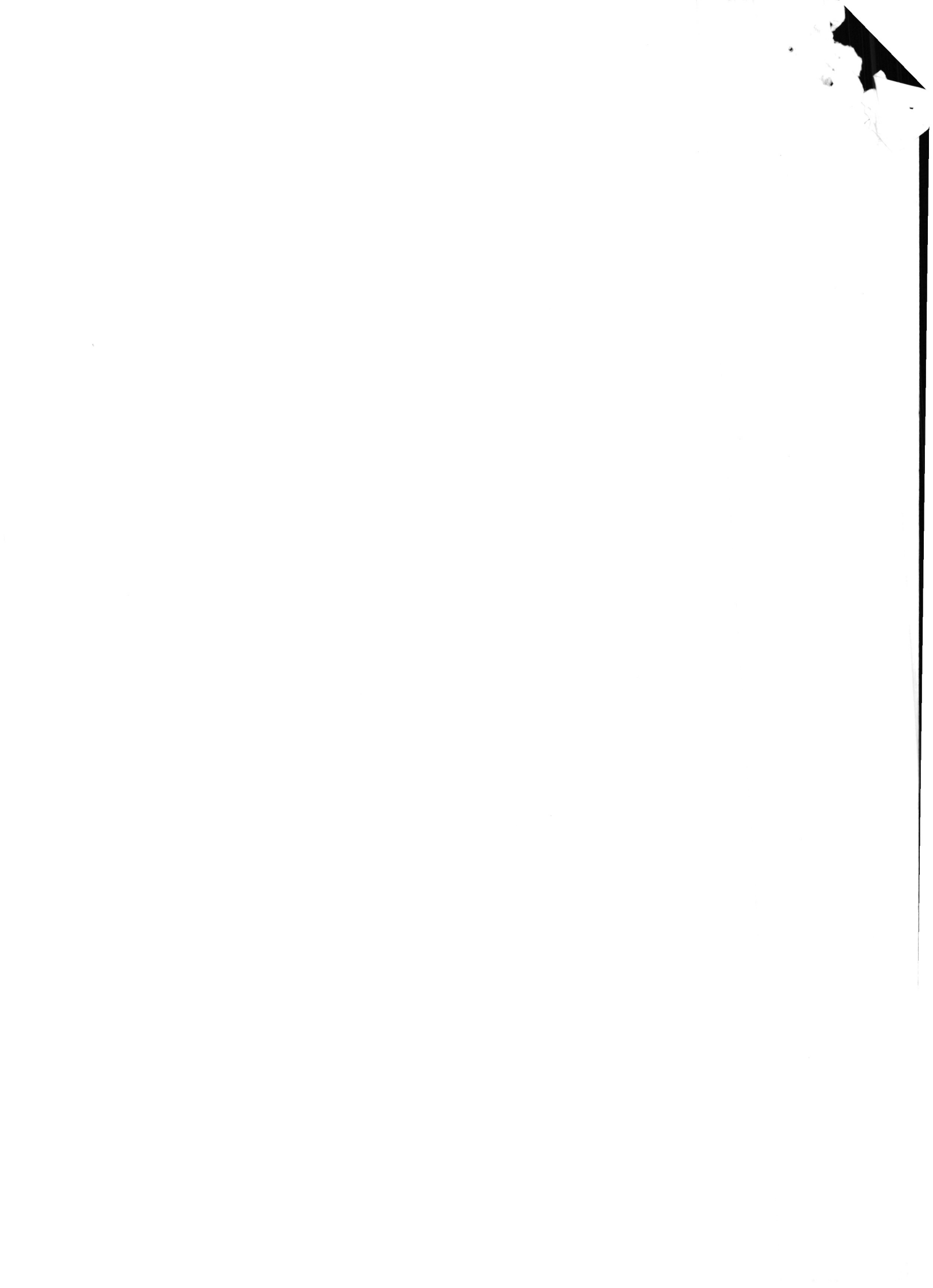
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
CONFIDENTIAL EXPENDITURE AT
NATIONAL INTELLIGENCE SERVICE**

**FOR THE YEAR ENDED
30 JUNE 2017**



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

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**THE FINANCIAL STATEMENTS OF
CONFIDENTIAL EXPENDITURE AT
NATIONAL INTELLIGENCE SERVICE**

**FOR THE YEAR ENDED
30 JUNE 2017**



NATIONAL INTELLIGENCE SERVICE

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

**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, 2017

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NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2017

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

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(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, 2017 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, 2017

(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, 2017

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 2016/2017 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 2016-17 was **Kshs.29,064,000,000.00**, which includes **Kshs.18,000,000.00** as Appropriation-In-Aid (A-I-A). During the year, the Service received exchequer releases from the National Treasury amounting to **Kshs.29,045,930,000.00**, leaving an exchequer under-issue of **Kshs.70,000.00**.

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 2016-17 were utilized to achieve the programme's outcome of a secure and protected nation. In this regard, the total Service expenditure for the FY 2016-17 amounted to **Kshs.29,049,532,604** leaving a balance of **Kshs.14,397,396**. In addition, a total of **Kshs.19,033,911.00** was raised as A-I-A, with the excess collection of **Kshs.1,033,911.00** 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 2016-2017 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

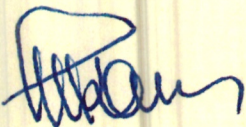
For the year ended June 30, 2017

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, 2017

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, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the **Service**; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the **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, 2017, 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.

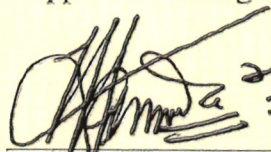
The Accounting Officer in charge of the **National Intelligence Service** confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for 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 28/9 2017.



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



Head of Accounting Unit
Nyamasyo Ndola, OGW

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON CONFIDENTIAL EXPENDITURE AT NATIONAL INTELLIGENCE SERVICE DURING THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Unqualified Opinion

I have audited the accompanying financial statements of National Intelligence Service set out on pages 8 to 22, which comprise the statement of assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and summary statements of appropriation – recurrent 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 National Intelligence Service as at 30 June, 2017 and (of) its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis)] and comply with the Public Finance Management Act, 2012.

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

Key Audit Matters

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

Other Matter

Audit Findings on internal control effectiveness

Examination of financial records show that National Intelligence Service (NIS) receives transfers from other Government Agencies which distorts budgetary allocations to the Service. In this regard, I recommend that funding for National Intelligence Service (NIS) should be budgeted and financed directly from National Treasury.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public-Sector Accounting Standard (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the National Intelligence 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 liquidate the National Intelligence Service's or to cease operations, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the National Intelligence Service's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the National Intelligence Service's 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 National Intelligence 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 National Intelligence Service's 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 National Intelligence Service's to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

16 May 2018

NATIONAL INTELLIGENCE SERVICE

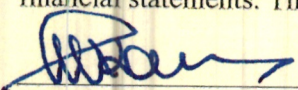
Reports and Financial Statements

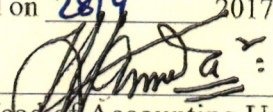
For the year ended June 30, 2017

IV. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017	2015-2016
		Kshs	Kshs
RECEIPTS			
Exchequer releases	1	29,045,930,000	21,484,100,000
Transfers from Other Government Entities	2	-	666,354,900
Proceeds from Sale of Assets	3	17,252,983	539,000
Other Receipts	4	1,780,928	1,659,850
TOTAL RECEIPTS		29,064,963,911	22,152,653,750
PAYMENTS			
Transfers to Other Government Units	5	1,033,911	-
Other grants and transfers	6	29,049,532,604	21,464,189,572
Other Payments	7	-	666,155,600
TOTAL PAYMENTS		29,050,566,515	22,130,345,172
SURPLUS/DEFICIT		14,397,396	22,308,578

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 28/9 2017 and signed by:


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


 Head of Accounting Unit
 Nyamasyo Ndola, OGW

NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2017

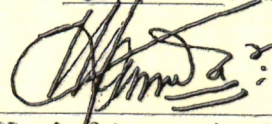
V. STATEMENT OF ASSETS AND LIABILITIES

	Note	2016-2017	2015-2016
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8A	257,535,812	184,473,334
Cash Balances	8B	75,643	14,910,761
Total Cash and cash equivalent		257,611,455	199,384,095
Accounts receivables – Outstanding Imprests	9	12,614,946	22,107,603
TOTAL FINANCIAL ASSETS		270,226,401	221,491,698
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	10	255,829,005	183,062,386
NET FINANCIAL ASSETS		<u>14,397,396</u>	<u>38,429,312</u>
REPRESENTED BY			
Fund balance b/fwd	11	38,429,313	16,120,734
Prior year adjustment	12	-38,429,313	-
Surplus/Deficit for the year		14,397,396	22,308,578
NET FINANCIAL POSITION		<u>14,397,396</u>	<u>38,429,312</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 28/9 2017 and signed by:



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Head of Accounting Unit
Nyamasyo Ndola, OGW

NATIONAL INTELLIGENCE SERVICE

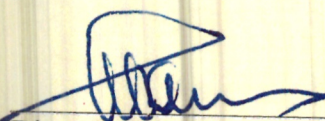
Reports and Financial Statements

For the year ended June 30, 2017

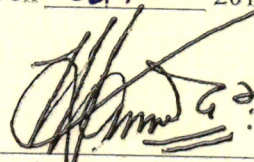
IV. STATEMENT OF CASH FLOWS

	Note	2016-2017	2015-2016
		Kshs	Kshs
Receipts for operating income			
Exchequer Releases	1	29,045,930,000	21,484,100,000
Transfers from Other Government Entities	2	-	666,354,900
Other Revenues	4	1,780,928	1,659,850
Payments for operating expenses			
Transfers to Other Government Units	5	(1,033,911)	-
Other grants and transfers	6	(29,049,532,604)	(21,464,189,572)
Other Expenses	7	-	(666,155,600)
Adjusted for:			
Changes in receivables	9	9,492,658	(22,107,605)
Changes in payables	10	72,766,619	(4,564,288)
Adjustments during the year	12	(38,429,313)	
Net cashflow from operating activities		40,974,377	(4,902,314)
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	3	17,252,983	539,000
Net cash flows from Investing Activities		17,252,983	539,000
CASHFLOW FROM BORROWING ACTIVITIES			
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT			
		58,227,360	(4,363,314)
Cash and cash equivalent at BEGINNING of the year	8A&B	199,384,095	203,747,408
Cash and cash equivalent at END of the year	8A&B	257,611,455	199,384,094

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 28/9 2017 and signed by:



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



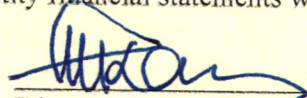
Head of Accounting Unit
Nyamasyo Ndola, OGW

VI. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

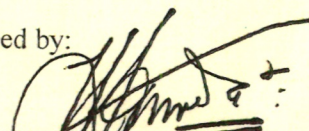
Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	25,346,000,000	3,700,000,000	29,046,000,000	29,045,930,000	70,000	100%
Proceeds from Sale of Assets -AIA	-	16,219,072	16,219,072	17,252,983	(1,033,911)	106%
Other Receipts - AIA	-	1,780,928	1,780,928	1,780,928	-	100%
Total receipts	25,346,000,000	3,718,000,000	29,064,000,000	29,064,963,911	(963,911)	100%
PAYMENTS						
Other grants and transfers	25,346,000,000	3,718,000,000	29,064,000,000	29,049,532,604	14,467,396	100%
Transfers to Other Government Units	-	-	-	1,033,911	(1,033,911)	-
Total Payments	25,346,000,000	3,718,000,000	29,064,000,000	29,050,566,515	13,433,485	100%
Surplus/ Deficit		-	-	14,397,396	14,397,396	

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 28/9 2017 and signed by:



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



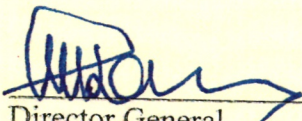
Head of Accounting Unit
Nyamasyo Ndola, OGW

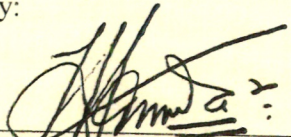
VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	25,346,000,000	3,700,000,000	29,046,000,000	29,045,930,000	70,000	100%
Proceeds from Sale of Assets -AIA	-	16,219,072	16,219,072	17,252,983	(1,033,911)	106%
Other Receipts - AIA	-	1,780,928	1,780,928	1,780,928	-	100%
Total receipts	25,346,000,000	3,718,000,000	29,064,000,000	29,064,963,911	(963,911)	100%
PAYMENTS						
Other grants and transfers	25,346,000,000	3,718,000,000	29,064,000,000	29,049,532,604	14,467,396	100%
Transfers to Other Government Units	-	-	-	1,033,911	(1,033,911)	-
Total Payments	25,346,000,000	3,718,000,000	29,064,000,000	29,050,566,515	13,433,485	100%
Surplus/ Deficit		-	-	14,397,396	14,397,396	

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 28/9 2017 and signed by:


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

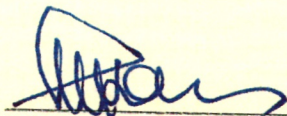

Head of Accounting Unit
Nyamasyo Ndola, OGW

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

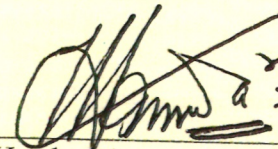
The balance on **Current Grants to Government Agencies and other Levels of Government** for the year ended 30th June 2017 was fourteen million, four hundred and sixty seven thousand, three hundred and ninety six shillings (**Kshs.14,467,396.00**). This arose as a result of various accounts having outstanding 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.10,707,637.70**
- (b) The District Advances Account, relating to funds remitted to Counties, had an outstanding balance of **Kshs.115,209.85**
- (c) The Imprest Account had an outstanding balance of **Kshs.1,792,098.00**
- (d) The total balance for Cash at Hand and Bank was **Kshs.1,782,450.00**
- (e) The Exchequer-Under-Issue amounts to **Kshs.70,000.00**.

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



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



Head of Accounting Unit
Nyamasyo Ndola, OGW

VIII. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

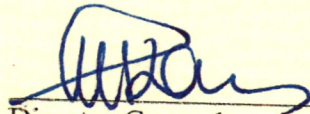
The National Intelligence Service does not have a Development Budget.

IX. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

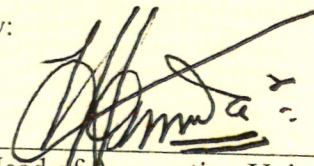
Programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	2016/17		2016/17	30/06/2017	
	Kshs	Kshs	Kshs	Kshs	Kshs
Programme: National Security Intelligence	25,346,000,000	3,718,000,000	29,064,000,000	29,063,930,000	70,000

(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 28/9 2017 and signed by:



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



Head of Accounting Unit
 Nyamasyo Ndola, OGW

NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2017

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, 2017

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 2017, this amounted to **Kshs.255,829,005.20** compared to **Kshs.183,062,385.70** in prior period as indicated on note 10.

There were no other restrictions on cash during the year

NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2017

XI. NOTES TO THE FINANCIAL STATEMENTS

1. EXCHEQUER RELEASES

Description	2016-2017	2015-2016
	Kshs	Kshs
Total Exchequer Releases for quarter 1	6,928,050,000	3,405,000,000
Total Exchequer Releases for quarter 2	5,053,580,000	6,176,000,000
Total Exchequer Releases for quarter 3	6,039,300,000	5,108,900,000
Total Exchequer Releases for quarter 4	11,025,000,000	6,794,200,000
Total	29,045,930,000	21,484,100,000

The budgeted exchequer for the FY 2016-17 was **Kshs.29,046,000,000** against exchequer releases of **Kshs.29,045,930,000** leaving an exchequer under-issue of **Kshs.70,000**

2. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2015-2016
	Kshs
Transfers from Central government entities	
Transfers from Ministry of Interior	655,000,000
Transfers from Foreign Affairs	10,256,000
Transfers from State Department of East African Affairs	1,098,900
TOTAL	666,354,900

The above transfers were received from self-reporting entities during the year

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Reports and Financial Statements
For the year ended June 30, 2017

3. PROCEEDS FROM SALE OF ASSETS

	2016-2017	2015-2016
	Kshs	Kshs
Receipts from the Sale of Vehicles and Transport Equipment	17,071,783	539,000
Receipts from the Sale Plant Machinery and Equipment	181,200	-
Total	17,252,983	539,000

4. OTHER REVENUES

	2016-2017	2015-2016
	Kshs	Kshs
Receipts from Administrative Fees and Charges - Collected as AIA	908,890	853,717
Fines Penalties and Forfeitures	872,038	806,133
Total	1,780,928	1,659,850

5. GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2016-2017	2015-2016
	Kshs	Kshs
Transfers to National Treasury - The Exchequer Account No. 1000003987	1,033,911	-
TOTAL	1,033,911	-

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

6. OTHER GRANTS AND TRANSFERS

Explanation	2016-2017	2015-2016
	Kshs	Kshs
Other current transfers, grants	29,049,532,604	21,464,189,572
Total	29,049,532,604	21,464,189,572

Other current transfers and grants relate to the total expenditure for NIS

NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2017

7. OTHER EXPENSES

	2016-2017	2015-2016
	Kshs	Kshs
Other expenses - Utilization of AIEs	-	666,155,600
Total	-	666,155,600

Other expenses relate to utilization of the total inter-ministerial AIEs received.

8A: 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)	2016-2017	2015-2016
				Kshs	Kshs
Central Bank of Kenya, 1000181095, Kshs - NIS	Kshs	Recurrent	1	1,706,807	1,410,948
Central Bank of Kenya, 1000181168, Kshs - NIS	Kshs	Deposit	1	255,829,005	183,062,386
Total				257,535,812	184,473,334

8B: CASH IN HAND

	2016-2017	2015-2016
	Kshs	Kshs
Cash in Hand – Held in domestic currency	75,643	14,910,761
Total	75,643	14,910,761

Cash in hand above is analysed as follows:

	2016-2017	2015-2016
	Kshs	Kshs
Headquarters, Cash office - Recurrent	75,643	14,910,761
Total	75,643	14,910,761

NATIONAL INTELLIGENCE SERVICE
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

<i>Description</i>	2016-2017	2015-2016
	Kshs	Kshs
Government Imprests		
District suspense	1,792,098	3,889,299
Clearance accounts - Agency Account	115,209.85	801,005
Total	10,707,637.70	17,417,299
	12,614,946	22,107,604

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

10. ACCOUNTS PAYABLE

<i>Description</i>	2016-2017	2015-2016
	Kshs	Kshs
Deposits		
Total	255,829,005	183,062,386
	255,829,005	183,062,386

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

11. FUND BALANCE BROUGHT FORWARD

<i>Description</i>	2016-2017	2015-2016
	Kshs	Kshs
Bank accounts		
Cash in hand	184,473,334	203,745,496
Accounts Receivables	14,910,761	1,912
Accounts Payables	22,107,604	53,509,566
Total	(183,062,386)	(187,626,674)
	38,429,313	69,630,300

The fund balance brought forward for FY 2015-16 was **Kshs.16,120,734.00**, arising from the balance shown above less the cleared account receivables { **Kshs.69,630,300 – Kshs.53,509,566** }.

NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2017

12. PRIOR YEAR ADJUSTMENTS

Description of the Adjustment	2016 – 2017	2015 – 2016
	Kshs	Kshs
Adjustments on bank account balances	(1,410,948)	xxx
Adjustments on cash in hand	(14,910,761)	xxx
Adjustments on receivables	(22,107,604)	xxx
	(38,429,313)	xxx

The balances were recovered and remitted to the National Treasury or surrendered and accounted for.

13. RELATED PARTY TRANSACTIONS

Description	2016-2017	2015-2016
	Kshs	Kshs
Transfers from Central government entities		
Transfers from Ministry of Interior	4,034,358,000	655,000,000
Transfers from Presidency	858,000,000	-
Transfers from Ministry of sports, Culture & Arts	351,000	-
Transfers from Foreign Affairs		10,256,000
Transfers from Transport & Infrastructure	2,000,000	-
Transfers from State Department of East African Affairs		1,098,900
Transfers to other government entities -National Treasury	1,033,911	-
TOTAL	4,895,742,911	666,354,900

During the FY 2016/17, NIS received transfers amounting to **Kshs.4,894,709,000.00** 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, 2017

OTHER IMPORTANT DISCLOSURES

14. 1: PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2016 – 2017	2015 – 2016
Deposits:-	Kshs	Kshs
Insurance	109,141,761.50	59,656,001.50
Retention	142,394,029.55	117,081,170.05
Other Deposits – Disposal of M/vehicle, Equip, Stores etc	4,293,214.15	6,325,214.15
Total	255,829,005.20	183,062,385.70

NB:-

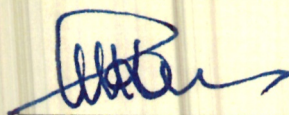
The Service did not have pending bills/payables from the recurrent account as at the end of the 2016/2017 financial year.

15. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

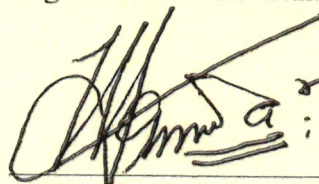
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

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, 2016.



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



Head of Accounting Unit
Nyamasyo Ndola, OGW

Reports and Financial Statements
For the year ended June 30, 2017

(insert the actual name of the entity)

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Outstanding Balance 2017	Outstanding Balance 2016	Comments
	Kshs	Kshs	
Insurance			
			Being Life insurance compensation to nominated family members following the death of a Service officer.
Sub-Total	109,141,761.50	59,656,001.50	
Retention			
			Being retention money withheld from payments to various contractors pending successful completion of the projects being implemented.
Sub-Total	142,394,029.55	117,081,170.05	
Other Deposit - Disposal of MV, Equip. etc			
			Being general deposits paid to secure the purchase of old motor vehicles, equipment and obsolete stores, etc.
Sub-Total	4,293,214.15	6,325,214.15	
GRAND TOTAL	255,829,005.20	183,062,386.70	

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
Senior Management	N/A						The Service does not have
							Pending bills from previous
							years
Sub-Total							
Middle Management	N/A						
Sub-Total							
Unionisable Employees	N/A						
Sub-Total							
Others (specify)	N/A						

ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	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) 2015/2016	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2016/2017
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.

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)
1	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

DEPOSIT CASH BOOK
REPUBLIC OF KENYA

Date 3RD JULY, 2017

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, 2017.

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

OMAR M. MARSA - ASSISTANT DIRECTOR (NIS)

MATILDA T. LIJEMBE - ASSISTANT DIRECTOR (NIS)

assembled at the office of CASHIER NIS at 0800 HOURS *(time)* on 3RD JULY, 20 17 and the following cash was produced:-

Notes ...	...	...	...	...	Sh.	
Silver ...	...	...	...	...	Sh.	N/A
Copper ...	...	...	...	...	Sh.	
Cheques (as per details on reverse)	...	...	...	...	Sh.	<u>NO CHEQUE</u>
					Sh.	<u>NIL</u>

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

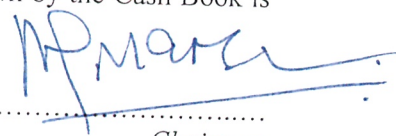
The cash consists of East African currency and does not contain any demonetized coin or notes.

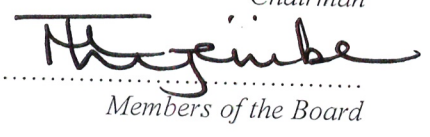
The Cash Book reflected the following balances as at the close of business on the 30TH JUNE, 20 17

Cash on hand ...	...	...	...	Sh.	NIL
Bank Balance ...	...	...	...	Sh.	<u>255,829,005.20</u>

The Bank Certificate of Balance showed a sum of Kshs. 258,953,477.20 standing to the credit of the account on 1ST JULY, 2017.

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 03/07/2017

LIST OF CHEQUES INCLUDED AS PART OF CASH ON HAND

RECURRENT CASH BOOK
REPUBLIC OF KENYA

F. O. 51

Date 3RD JULY, 2017

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, 2017.

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

OMAR M. MARSA - ASSISTANT DIRECTOR (NIS)

MATILDA T. LJEMBE - ASSISTANT DIRECTOR (NIS)

assembled at the office of CASHIER NIS at 0800 HOURS (*time*) on 3RD JULY, 20 17 and the following cash was produced:-

Notes	Sh. 75,600.00
Silver	Sh. 42.00
Copper	Sh. .85
Cheques (as per details on reverse) ...	Sh. <u>NIL</u>
	<u>Sh. <u>75,642.85</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.

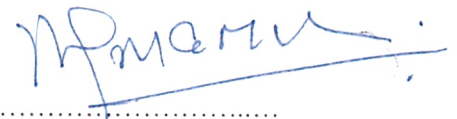
The cash consists of East African currency and does not contain any demonetized coin or notes.

The Cash Book reflected the following balances as at the close of business on the 30TH JUNE, 20 17.

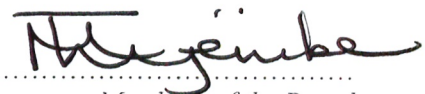
Cash on hand	Sh. 75,642.85
Bank Balance	Sh. 1,706,807.35

The Bank Certificate of Balance showed a sum of Kshs. 974,570,750.00 standing to the credit of the account on 1ST JULY, 2017.

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 3rd July, 2017

