

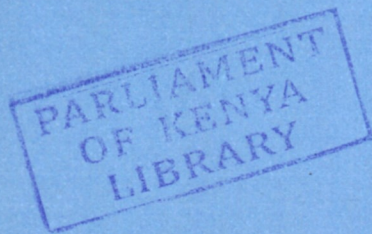
REPUBLIC OF KENYA



*Enhancing Accountability*



# REPORT



OF

# THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY PAPERS LAID	
ON DATE: 28 FEB 2024	DAY: WED
TABLED BY:	Hon Naomi Wago MP Deputy majority whip
CLERK AT THE TABLE:	Mudo

# NATIONAL INTELLIGENCE SERVICE

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





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**NATIONAL INTELLIGENCE SERVICE**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

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

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

**NATIONAL INTELLIGENCE SERVICE**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

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**1. ACRONYMS AND GLOSSARY OF TERMS**

NIS	National Intelligence Service
NISC	National Intelligence Service Council
OAG	Office of the Auditor General
CBS	Chief of the Order of the Burning Spear
OGW	Order of the Grand Warrior
'nsc' (AU)	National Security Committee (Australia)
IPSAS	International Public Sector Accounting Standards
PBB	Programme Based Budget
AIA	Appropriations-In-Aid
AIE	Authority to Incur Expenditure
PFM	Public Finance Management
FY	Financial Year
R&D	Research and Development
MDA	Ministries, Departments and Agencies
MTEF	Medium Term Expenditure Framework

## **2. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(b) 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 premier Security Intelligence Service dedicated to a secure and prosperous Kenya.

#### **Mission**

To safeguard the Republic of Kenya from internal and external threats, through the provision of security intelligence and counter intelligence, to enhance national security in accordance with the Constitution.

#### **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**  
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**For the year ended June 30, 2023**

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**(c) Key Management**

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

- Director General,
- Directors.

**(d) Fiduciary Management**

The key management personnel who held office during the period ended 30<sup>th</sup> June, 2022 and who had direct fiduciary responsibility was: -

No.	Designation	Name
1.	Accounting Officer	- Noordin M. Haji CBS, OGW, 'nsc' (AU)

**(e) Fiduciary Oversight Arrangements**

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

**(f) NIS Headquarters**

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

**(g) NIS Contacts**

Telephone: (254) 020-2930000  
Email: [finance@kensi.org](mailto:finance@kensi.org)  
Website: [nis.go.ke](http://nis.go.ke)

**(h) Bankers**

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

**NATIONAL INTELLIGENCE SERVICE**

**Annual Report and Financial Statements**

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**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

# NATIONAL INTELLIGENCE SERVICE

## Annual Report and Financial Statements

For the year ended June 30, 2023

### 3. STATEMENT BY THE DIRECTOR GENERAL

I take this opportunity to present to you the National Intelligence Service (NIS) Annual Report and Financial Statements for the financial year 2022-2023. This report is in compliance with Public Finance Management Act, 2012, the International Public Sector Accounting Standards (IPSAS), other relevant Government financial regulations and procedures.

During the year, the Service endeavored to ensure that Kenyans live in a secure and stable environment by continuously neutralizing threats to National Security as provided for by the Constitution, 2010. To be able to achieve this, the Service supported initiatives and collaborations with other Stakeholders to achieve the wider goal of a secure nation.

In the period under review, the Service enhanced on its efficiency and effectiveness through optimal utilization of allocated budgetary resources, capacity building, application of appropriate technologies in its operations.

#### Budget Performance

Printed Estimates	Approved budget	Exchequer Receipts	Expenditure	Budget Utilization
Kshs	Kshs	Kshs	Kshs	%
46,127,700,000	37,627,700,000	35,984,539,502	35,954,968,880	96%

The total approved budget for the FY 2022-23 was **Kshs. 37,627,700,000**. During the year, the Service received exchequer releases from the National Treasury amounting to **Kshs. 35,984,539,502**, leaving an exchequer under-issue of **Kshs. 1,643,160,498**.

The National Intelligence Service (NIS) optimized and prioritized the resources allocated during the financial year and implemented the National Security Intelligence programme, as envisaged in the Programme Based Budget (PBB) framework. The total Service expenditure for the period amounted to **Kshs. 35,954,968,880**. In addition, a total of **Kshs. 21,466,556** was raised as A-I-A and transferred to the Exchequer account.

#### Key achievements

To deliver on its mandate, the Service acted in accordance with the legal framework as guided by the Constitution and other enabling legislations. Specifically, the Service provided timely and actionable intelligence to the various stakeholders on national security threats, undertook counter intelligence operations, conducted vetting and undertook a wide range of research on security intelligence matters. These initiatives are targeted at value addition in decision making and guiding the national security policy formulation by the Government.

#### Emerging issues

In the regional and global arena, the Service monitored and advised on political, security and economic developments that had a bearing on Kenya's strategic interests. The Service was instrumental in supporting bilateral and multilateral engagements that helped to advance Kenya's economic interests, diplomatic relations and combat transnational security threats.

# NATIONAL INTELLIGENCE SERVICE

## Annual Report and Financial Statements

For the year ended June 30, 2023

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There was also an upsurge of environmental threats such as pollution of air, water and soil, which increased the burden facing the Government of Kenya to ensure access to water, food, health and security.

### **Key Risk Management Strategies**

The Service endeavors to identify the potential risks and the evaluation of the potential impact of these risks. The risks may arise from; technical or operational risks, financial risk, political risk, environment risk, people risk, schedule risk, client risk, contractual risk, weather risk and so many other emerging risks. After the risks have been identified and evaluated, management team develops a risk mitigation plan guided by the existing legal framework. The plan reduces the impact of an unexpected event through risk avoidance, risk sharing, risk reduction and risk transfer.

### **Implementation Challenges and Way Forward.**

To deliver on its mandate, the Service acted in accordance with the legal framework as guided by the Constitution and other enabling legislations. Specifically, the Service provided timely and actionable intelligence to the various stakeholders on national security threats, undertook counter intelligence operations, conducted vetting and undertook a wide range of research on security intelligence matters. These initiatives are targeted at value addition in decision making and guiding the national security policy formulation by the Government.

To respond to the ever evolving and dynamic threat environment, the Service enhanced human resource capacity, requisite technology, infrastructure, research and development. These initiatives enhanced the effectiveness and efficiency in the achievement of our performance targets.

During the period under review the Service continued to face and tackle various challenges, which hampered the delivery of its mandate in an effective and efficient manner. The Service recognizes the constrained fiscal environment as a result of under performance of the key Sectors of the economy. The aftershocks of the 2022 elections, climate change, weakening local currency against world currencies, continued Russia-Ukraine war are among notable factors that slowed down the economic recovery efforts.

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 has been sustained in dealing with threats to national security.

# NATIONAL INTELLIGENCE SERVICE

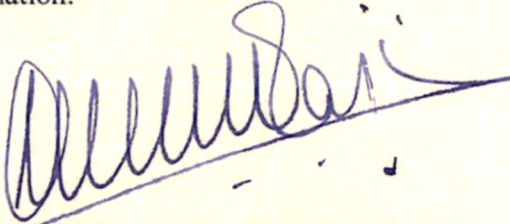
## Annual Report and Financial Statements

For the year ended June 30, 2023

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Finally, 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.

The Service has also made significant investment in Research and Development (R&D) in order to develop more efficient solutions in tackling various security challenges that we continue to face as a nation.

A handwritten signature in blue ink, appearing to read 'Noordin M. Haji', written over a horizontal line.

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

Director General.

# NATIONAL INTELLIGENCE SERVICE

## Annual Report and Financial Statements

For the year ended June 30, 2023

### 4. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FY 2022/23

#### Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of **National Intelligence Service** in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of **National Intelligence Service's** performance against predetermined objectives.

The key strategic objectives as per the MDA's **2022-2025 MTEF** plan are to:

- a) Acquisition of modern security equipment, up-to-date technology, and ICT-based facilities necessary for effective intelligence operations to boost the Service technological capability.
- b) Investment in Research and Development (R&D) initiatives to provide innovative and cost-effective solutions to challenges faced by security/intelligence operations.
- c) Enhancement of operational capabilities of Specialized Service Units through equipping, developing, retention and sustenance of local capacity and expertise.
- d) Acquisition and development of Service infrastructural facilities and assets, including medical facility, residential houses for field and foreign offices/residences, considering the cost-benefit-analysis.
- e) Maintenance of the existing Service facilities, systems, machinery and equipment in order to sustain Service operations and technical capabilities.
- f) Application of best practices in human resource management to ensure optimal staffing levels and sustainable wage bill, through targeted recruitment, retention and deployment, all focused on creating the necessary capacity for intelligence operations.

#### Progress on attainment of Strategic Objectives

The National Intelligence Service (NIS) ensured that the Strategic Objectives set were achieved as follows:

NIS Program	Strategic Objective	Outcome	Indicator	Performance
National Security Intelligence	To provide Timely and actionable Intelligence	Secured and protected Nation	The actionable intelligence reports disseminated	Actionable Intelligence disseminated on time
(Security Intelligence and Counter intelligence)	To provide Timely and effective Counter Intelligence	Secured and protected Nation	The Counter intelligence Operations undertaken	Effective Counter Intelligence Operations undertaken

## **5. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The National Intelligence Service (NIS) has the Constitutional mandate to safeguard the Nation against internal and external threats. The overall objective of the Service is to achieve a secure and protected Nation where the citizens can live, work and prosper. Our core values are Confidentiality, Integrity, Professionalism, Discipline, Meritocracy and Respect for national diversity.

### **I. Sustainability strategy and profile**

The Service has endeavored to safeguard the national interest and ensure that Kenyans live in a safe environment. The Service provides timely and actionable intelligence to the various agencies for ensuring that the sovereignty and national interests are protected. The Service together with other national security organs has continued to ensure existence of a secure and conducive environment for socio-economic development. The Service is also undertaking Research and Development (R&D) on tools and systems to ensure that its operations are carried out in a sustainable manner.

### **II. Environmental performance/climate change/mitigation of natural disasters**

The Service has endeavored to maintain a friendly ecosystem by protecting indigenous forest at its headquarter and camps where the natural environment has been sustained through tree planting. The entity has continued to put in place measures to ensure proper waste management and disposal, ensuring that its operations don't adversely affect the environment. With regards to safety, the Service has installed fire suppression systems, fire assembly points, fire exits and fire extinguishers. Additionally, the Service has adopted clean energy and installed solar systems in offices and operation units.

### **III. Employee welfare**

The Service is an equal opportunity employer. Any employment opportunity is advertised through a portal or a medium that has a nationwide circulation. The Service recruitment is guided by the Public Service Commission guidelines and ensures that any recruitment is geared towards attaining the constitutional gender threshold.

To improve employee skills, the Service conducts training need assessment to identify skills gap. To improve skills, the Service undertakes training and capacity building designed to address employee skills gap. The Service has a clear career and promotion guidelines which has institutionalized succession management in the organization.

The appraisal and reward systems are transparent and evidence based with clear performance management system in place. An appeal mechanism has been provided for employees who feel unfairly rated.

# **NATIONAL INTELLIGENCE SERVICE**

## **Annual Report and Financial Statements**

**For the year ended June 30, 2023**

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The Service also provides a group and personal accident cover to employees who are injured in the course of their duty. To mitigate accidents, the service has maintained a clean and conducive environment and also ensures employees are trained on safety protocols and procedures. The Service has medical facilities that cater for employees' health needs including medical emergencies with a provision of ambulance services.

### **IV. Operational practices**

As an entity, the National Intelligence Service ensured responsible supply chain and maintains a good rapport with suppliers through, competitive bidding in the tendering processes where the most competitive bidders are awarded the contracts with focus on value for money. The entity does not enter into contractual obligations without a budget provision. This has enabled the Service to honor and settle payments timely. The Service ensures that there are no pending bills at closure of every financial year.

The National Intelligence Service is non-political entity and remains rooted in professionalism when executing its mandate. The Service has continued to operate in a multi-agency framework where different government agencies operate jointly to create synergies and avoid duplication of efforts and funding for the benefit of socio-economic development.

### **V. Community Engagements**

The Service is covertly involved in various initiatives that support neighboring communities in its area of operations through provision of health and water services.

# NATIONAL INTELLIGENCE SERVICE

## Annual Report and Financial Statements

For the year ended June 30, 2023

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### 6. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 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 be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

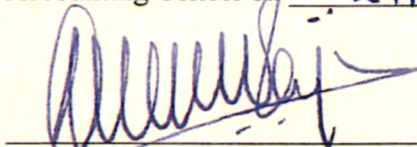
The Accounting Officer in charge of the **National Intelligence Service** is responsible for the preparation and presentation of the **Service** financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the period ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 period ended June 30, 2023, 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.

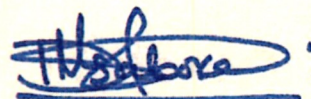
The Accounting Officer in charge of the **National Intelligence Service** confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for 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 27/09/2023.



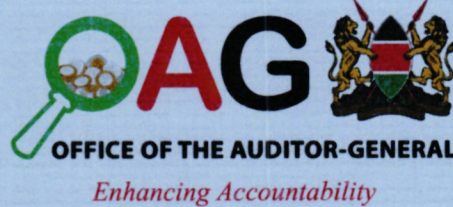
Noordin M. Haji, CBS, OGW, 'nsc' (AU)  
Director General.



Duke Isaboke Matoke  
Head of Accounting Unit.

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

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

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

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

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

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

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

#### **Opinion**

I have audited the accompanying financial statements of National Intelligence Service set out on pages 1 to 22, which comprise of the statement of assets and liabilities as at 30 June, 2023 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts 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, 2023 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 Service and the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the National Intelligence Service Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audit 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 report in the year under review.

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

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

# REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

## **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

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

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

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

In preparing the financial statements, Management is responsible for assessing the Service's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Service or cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015. In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Service's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Service to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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 controls that are identified during the audit.

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

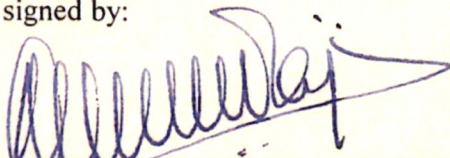
08 December, 2023

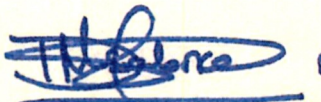
**NATIONAL INTELLIGENCE SERVICE**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

**8. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2023**

	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>RECEIPTS</b>			
Exchequer Releases	1	35,984,539,502	47,201,000,000
Transfers from Other Government Entities	2	1,159,359,086	4,278,662,150
Proceeds from Sale of Assets	3	13,691,908	-
Miscellaneous Receipts	4	7,774,648	5,969,657
<b>TOTAL RECEIPTS</b>		<b>37,165,365,144</b>	<b>51,485,631,807</b>
<b>PAYMENTS</b>			
Grants and Transfers to Other Government Entities	5	21,466,556	5,969,657
Other Grants and Transfers (Expenditure)	6	35,954,968,880	47,175,394,492
Other Payments	7	1,159,359,086	4,278,662,150
<b>TOTAL PAYMENTS</b>		<b>37,135,794,522</b>	<b>51,460,026,300</b>
<b>SURPLUS/DEFICIT</b>		<b>29,570,622</b>	<b>25,605,508</b>

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 27/09/2023 and signed by:

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

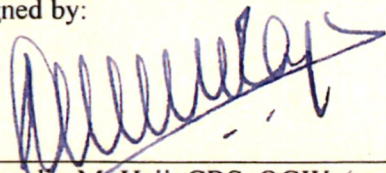
  
 Duke Isaboke Matoke  
 Head of Accounting Unit.

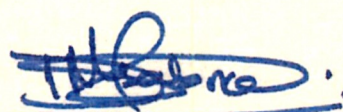
**NATIONAL INTELLIGENCE SERVICE**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2023**

**9. STATEMENT OF ASSETS AND LIABILITIES AS AT 30TH JUNE 2023**

	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	8A	137,857,014	112,091,060
Cash Balances	8B	5,106	33,947
<b>Total Cash and cash equivalent</b>		<b>137,862,120</b>	<b>112,125,007</b>
Imprests and Advances	9	24,148,189	25,549,132
<b>TOTAL FINANCIAL ASSETS</b>		<b>162,010,309</b>	<b>137,674,139</b>
<b>FINANCIAL LIABILITIES</b>			
Third party deposits and retention	10	132,439,688	112,068,631
<b>NET FINANCIAL ASSETS</b>		<b>29,570,622</b>	<b>25,605,508</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd.	11	25,605,508	21,600,087
Prior year adjustment	12	(25,605,508)	(21,600,087)
<b>Surplus/Deficit for the year</b>		<b>29,570,622</b>	<b>25,605,508</b>
<b>NET FINANCIAL POSITION</b>		<b><u>29,570,622</u></b>	<b><u>25,605,508</u></b>

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 27/09/ 2023 and signed by:

  
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 Director General.

  
 Duke Isaboke Matoke  
 Head of Accounting Unit.

**NATIONAL INTELLIGENCE SERVICE**

**Annual Report and Financial Statements**

**For the year ended June 30, 2023**

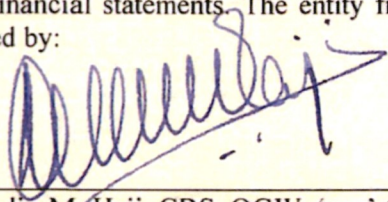
**10. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2023**

	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Exchequer Releases	1	35,984,539,502	47,201,000,000
Transfers from Other Government Entities	2	1,159,359,086	4,278,662,150
Miscellaneous Receipts	4	7,774,648	5,969,657
<b>Total Receipts</b>		<b>37,151,673,237</b>	<b>51,485,631,807</b>
<b>Payments</b>			
Grants and Transfers to Other Government Entities	5	21,466,556	5,969,657
Other grants and transfers (Expenditure)	6	35,954,968,880	47,175,394,492
Other Payments	7	1,159,359,086	4,278,662,150
<b>Total Payments</b>		<b>37,135,794,523</b>	<b>51,460,026,300</b>
<b>Adjusted for:</b>			
Adjustments during the year			
Prior year adjustments	12	(25,605,507)	(21,600,087)
Decrease/(Increase) in imprests and advances	13	1,400,942	(4,385,150)
Increase/(Decrease) in third party deposits and retention	14	20,371,056	(67,617,860)
<b>Net cash flow from operating activities</b>		<b>12,045,205</b>	<b>(67,997,590)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	3	13,691,908	-
<b>Net cash flows from Investing Activities</b>		<b>13,691,908</b>	<b>-</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>25,737,113</b>	<b>(67,997,589)</b>
Cash & Cash Equivalent at Start of The Year	8	112,125,007	180,122,597
Cash & Cash Equivalent at End of The Year	8	137,862,120	112,125,007

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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 27/09/2023 and signed by:



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



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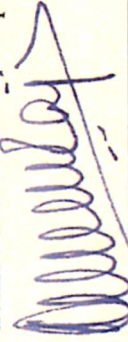
Duke Isaboke Matoke  
Head of Accounting Unit.

**NATIONAL INTELLIGENCE SERVICE**  
Annual Report and Financial Statements  
For the year ended June 30, 2023

**11. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR FY 2022/23**

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 %
<b>RECEIPTS</b>						
Exchequer releases	46,127,700,000	(8,500,000,000)	37,627,700,000	35,984,539,502	1,643,160,498	96%
Transfers from other Government entities	-	-	-	1,159,359,086	(1,159,359,086)	-
Proceeds from sale of assets	-	-	-	13,691,908	(13,691,908)	-
Miscellaneous receipts	-	-	-	7,774,648	(7,774,648)	-
<b>Total receipts</b>	<b>46,127,700,000</b>	<b>(8,500,000,000)</b>	<b>37,627,700,000</b>	<b>37,165,365,144</b>	<b>462,334,856</b>	<b>99%</b>
<b>PAYMENTS</b>						
Grants and Transfers to other government entities	-	-	-	21,466,556	(21,466,556)	-
Other grants and transfers (Expenditure)	46,127,700,000	(8,500,000,000)	37,627,700,000	35,954,968,880	1,672,731,120	96%
Other payments	-	-	-	1,159,359,086	(1,159,359,086)	-
<b>Total Payments</b>	<b>46,127,700,000</b>	<b>(8,500,000,000)</b>	<b>37,627,700,000</b>	<b>37,135,794,522</b>	<b>491,905,478</b>	<b>99%</b>
<b>Surplus/ Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,570,622</b>	<b>(29,570,622)</b>	<b>-</b>

The adjustments in column b are as a result of budget cuts through supplementary budget. Other receipts were raised in form of AIA and were transferred to the Exchequer Account. The entity financial statements were approved on 27/09/2023 and signed by: -



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



Duke Isaboke Matoke  
Head of Accounting Unit.

**NATIONAL INTELLIGENCE SERVICE**

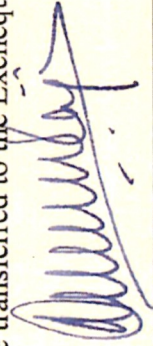
**Annual Report and Financial Statements**

**For the year ended June 30, 2023**

**11. (a) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS: RECURRENT FOR FY 2022/23**

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 %
<b>RECEIPTS</b>						
Exchequer releases	46,127,700,000	-8,500,000,000	37,627,700,000	35,984,539,502	1,643,160,498	96%
Transfers from other Government entities	-	-	-	1,159,359,086	(1,159,359,086)	-
Proceeds from sale of assets	-	-	-	13,691,908	(13,691,908)	-
Miscellaneous receipts	-	-	-	7,774,648	(7,774,648)	-
<b>Total receipts</b>	<b>46,127,700,000</b>	<b>-8,500,000,000</b>	<b>37,627,700,000</b>	<b>37,165,365,144</b>	<b>462,334,856</b>	<b>99%</b>
<b>PAYMENTS</b>						
Grants and Transfers to other government entities	-	-	-	21,466,556	(21,466,556)	-
Other grants and transfers (Expenditure)	46,127,700,000	-8,500,000,000	37,627,700,000	35,954,968,880	1,672,731,120	96%
Other payments	-	-	-	1,159,359,086	(1,159,359,086)	-
<b>Total Payments</b>	<b>46,127,700,000</b>	<b>-8,500,000,000</b>	<b>37,627,700,000</b>	<b>37,135,794,522</b>	<b>491,905,478</b>	<b>99%</b>
<b>Surplus/ Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,570,622</b>	<b>(29,570,622)</b>	<b>-</b>

The adjustments in column b are as a result of budget cuts through supplementary budget. Other receipts were raised in form of AIA and were transferred to the Exchequer Account. The entity financial statements were approved on 27/09/2023 and signed by: -



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



Duke Isaboke Matoke  
Head of Accounting Unit.

**NATIONAL INTELLIGENCE SERVICE**

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For the year ended June 30, 2023

**11. (b) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS: DEVELOPMENT FOR FY 2022/23**

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 %
<b>RECEIPTS</b>						
Exchequer releases	-	-	-	-	-	-
Transfers from other Government entities	-	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-	-
Miscellaneous receipts	-	-	-	-	-	-
<b>Total receipts</b>	-	-	-	-	-	-
<b>PAYMENTS</b>						
Grants and Transfers to other government entities	-	-	-	-	-	-
Other grants and transfers (Expenditure)	-	-	-	-	-	-
Other payments	-	-	-	-	-	-
<b>Total Payments</b>	-	-	-	-	-	-
<b>Surplus/ Deficit</b>	-	-	-	-	-	-

The National Intelligence Service does not have a Development Budget:

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

 :  
Duke Isaboke Matoke  
Head of Accounting Unit.

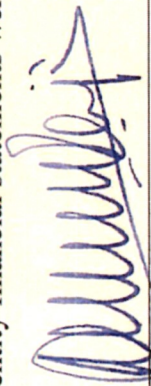
**NATIONAL INTELLIGENCE SERVICE**  
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**For the year ended June 30, 2023**

**11. (c) BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES**

Programme:	Original Budget	Adjustments	Approved A-I-A	Final Budget	Actual on comparable basis	Budget utilization difference
National Security Intelligence	2022/23	2022/23	2022/23	2022/23	30/06/2023	2022/23
Sub-Programme:	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Security Intelligence and Counter Intelligence	46,127,700,000	- 8,500,000,000	-	37,627,700,000	35,954,968,880	1,672,731,120

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

The entity financial statements were approved on 27/09/2023 and signed by:



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



Duke Isaboke Matoke  
 Head of Accounting Unit

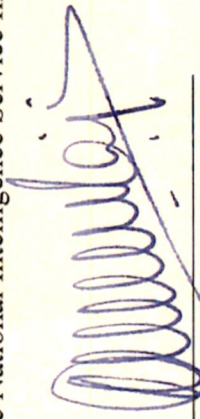
**NATIONAL INTELLIGENCE SERVICE**  
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**Reasons for material differences between Approved Estimates and Actual Expenditure: -**

The Budget utilization difference for the year ended 30<sup>th</sup> June 2023 was one billion, six hundred seventy two million, seven hundred thirty one thousand one hundred and twenty shillings only (**Kshs. 1,672,731,120.**) 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 and Diaspora Affairs, had a balance of **Kshs. 20,830,352.**
- (b) The District Advances Account, relating to funds remitted to Counties, had an outstanding balance of **Kshs. 162,793.**
- (c) The Imprest Account had an outstanding balance of **Kshs. 3,155,044.**
- (d) The total balance for Cash at Hand and Bank (Recurrent) was **Kshs. 5,422,432.**
- (e) The Exchequer-Under-Issue amounts to **Kshs. 1,643,160,498.**

The National Intelligence Service financial statements were approved on 27/09/ 2023 and signed by:



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



Duke Isaboke Matoke  
Head of Accounting Unit

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

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 International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note 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 financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

### **2. Reporting Currency**

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

### **3. Significant Accounting Policies**

The accounting policies set out in this section have been consistently applied by the **National Intelligence Service** for all the years presented.

#### **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.

#### **i) Transfers from the Exchequer**

Transfers from the exchequer are 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**.

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

**ii) Miscellaneous 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**

The **National Intelligence Service** recognizes all payments when the event occurs and the related cash has been paid out.

**i) Compensation of Employees**

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

**ii) Use of Goods and Services**

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

**iii) Acquisition of Fixed Assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by the Service and the information is limited due to the disclosure requirement threshold, in line with the nature of security operations and guidelines laid down by the National Intelligence Service Act, 2012.

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

**c) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

The opening cash and cash equivalents was **Kshs. 112,125,007** while the closing cash and cash equivalents as at 30<sup>th</sup> June 2023 was **Kshs. 137,862,120** as disclosed on note 8.

**Restriction on cash**

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30<sup>th</sup> June 2023, this amounted to **Kshs. 132,439,688** compared to **Kshs. 112,068,631** in prior period as indicated on note 10. There were no other restrictions on cash during the year.

**d) Imprests and Advances**

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 Authority to incur Expenditure (AIE) holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**e) Third party deposits and retention**

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by the Service.

# NATIONAL INTELLIGENCE SERVICE

## Annual Report and Financial Statements

For the year ended June 30, 2023

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### **f) Pending Bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Entity at the end of the year. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made.

#### **g) Budget**

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament for the period 1<sup>st</sup> July 2022 to 30<sup>th</sup> June 2023 as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

#### **h) Comparative Figures**

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

#### **i) Subsequent Events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30<sup>th</sup> June 2023.

# NATIONAL INTELLIGENCE SERVICE

## Annual Report and Financial Statements

For the year ended June 30, 2023

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

**j) Contingent Liabilities**

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
  - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, and Public Private Partnerships. The information is limited due to the disclosure requirement threshold, in line with the nature of security operations and guidelines laid down by the National Intelligence Service Act, 2012.

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

**1. EXCHEQUER RELEASES**

Description and reference of the transfer	2022-2023	2021-2022
	Kshs	Kshs
Total Exchequer Releases for quarter 1	7,459,785,600	10,901,213,340
Total Exchequer Releases for quarter 2	8,565,863,985	13,167,159,880
Total Exchequer Releases for quarter 3	8,505,414,840	9,710,974,665
Total Exchequer Releases for quarter 4	11,453,475,077	13,421,652,115
<b>Total</b>	<b>35,984,539,502</b>	<b>47,201,000,000</b>

The budgeted exchequer for the FY 2022-23 was **Kshs. 37,627,700,000** against exchequer releases of **Kshs. 35,984,539,502**.

**2. TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers from Other Government Entities	1,159,359,086	4,278,662,150
<b>TOTAL</b>	<b>1,159,359,086</b>	<b>4,278,662,150</b>

The above transfers were received from the following self-reporting entities in the year.

**2. b) TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers from Executive Office of The President	581,250,000	450,000,000
Transfers from Ministry of Interior & Coordination of National Government	106,900,000	1,863,987,300
Transfer from Ministry of Lands and Physical Planning	250,000,000	450,000,000
Transfer from Kenya Airports Authority	64,223,194	81,760,080
Transfer from Ministry of Foreign and diaspora Affairs	41,830,727	60,000,000

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Transfer from the National Treasury and Economic Planning	114,579,385	-
Transfer from Ministry of Information, Communications & the Digital Economy	575,780	-
Transfer from Ministry of Health	-	367,964,350
Transfer from Ministry of Transport, Infrastructure, Housing, Urban Development and public works	-	4,305,000
Transfer from Kenya Revenue Authority	-	1,000,000,000
Transfer from Ministry of Industrialization, Trade and Enterprise Development	-	645,420
<b>Total</b>	<b>1,159,359,086</b>	<b>4,278,662,150</b>

During the FY 2022/23, NIS received Inter-Agency transfers amounting to **Kshs. 1,159,359,086**. The breakdown listings are confidential due to the nature of operations by the Service. The schedules are available for scrutiny by relevant authorities as guided by the NIS Act, 2012.

**3. PROCEEDS FROM SALE OF ASSETS**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Receipts from the Sale of Vehicles and Transport Equipment	12,975,158	-
Receipts from sale of inventories, stocks & Commodities	716,750	-
<b>Total</b>	<b>13,691,908</b>	<b>-</b>

**4. MISCELLANEOUS RECEIPTS**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Receipts from Administrative Fees and Charges - Collected as AIA	4,807,368	3,495,530
Fines Penalties and Forfeitures	2,669,911	1,992,757
Receipts from Sale of Incidental Goods (Lunches)	297,370	481,370
<b>Total</b>	<b>7,774,648</b>	<b>5,969,657</b>

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### 5. GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers to National Treasury - The Exchequer Account No. 1000003987 (A-I-A)	21,466,556	5,969,657
<b>TOTAL</b>	<b>21,466,556</b>	<b>5,969,657</b>

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

### 6. OTHER GRANTS AND TRANSFERS (EXPENDITURE)

Explanation	2022-2023	2021-2022
	Kshs	Kshs
Other grants and transfers (expenditure)	35,954,968,880	47,175,394,492
<b>Total</b>	<b>35,954,968,880</b>	<b>47,175,394,492</b>

Other grants and transfers (Expenditure) relate to the total spending for NIS during the financial year. The breakdown listings are confidential due to the nature of operations by the Service. The schedules are available for scrutiny by relevant authorities as guided by the NIS Act, 2012.

### 7. OTHER PAYMENTS

	2022-2023	2021-2022
	Kshs	Kshs
Other Payments	1,159,359,086	4,278,662,150
<b>Total</b>	<b>1,159,359,086</b>	<b>4,278,662,150</b>

During the FY 2022/23, Inter-Agency transfers expenditure amounted to **Kshs. 1,159,359,086**

The expenditure breakdown listings are confidential due to the nature of operations by the Service.

The schedules are available for scrutiny by relevant authorities as guided by the NIS Act, 2012.

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**8. CASH AND BANK ACCOUNTS**

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank Accounts (Note 8A)	137,857,014	112,091,060
Cash on Hand (Note 8B)	5,106	33,947
<b>Total</b>	<b>137,862,120</b>	<b>112,125,007</b>

**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)	2022-2023	2021-2022
				Kshs	Kshs
<i>Central Bank of Kenya, 1000181095, Kshs - NIS</i>	Kshs	Recurrent	1	5,417,326	22,428
<i>Central Bank of Kenya, 1000181168, Kshs - NIS</i>	Kshs	Deposit	1	132,439,688	112,068,631
<b>Total</b>				<b>137,857,014</b>	<b>112,091,060</b>

**8B: Cash on Hand**

	2022-2023	2021-2022
	Kshs	Kshs
Cash on Hand – Held in domestic currency	5,106	33,947
<b>Total</b>	<b>5,106</b>	<b>33,947</b>

**Detailed Cash is as follows:**

	2022-2023	2021-2022
	Kshs	Kshs
Headquarters, Cash office - Recurrent	5,106	33,947
<b>Total</b>	<b>5,106</b>	<b>33,947</b>

Board of survey certificates for Bank and Cash are attached as annexures.

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### 9. IMPRESTS AND ADVANCES

Description	2022-2023	2021-2022
	Kshs	Kshs
Government Imprests	3,155,044	9,944,985
District suspense	162,793	298,946
Clearance accounts - Agency Account	20,830,352	15,305,201
<b>Total</b>	<b>24,148,189</b>	<b>25,549,132</b>

Listings and aging of the specific imprests and advances above are available. The Agency account relates to unspent balances arising from AIEs remitted to Foreign Stations abroad. The listings are confidential due to the nature of operations by the Service. The schedules are available for scrutiny by relevant authorities as guided by the laid down National Intelligence Service Act, 2012.

### 10. THIRD PARTY DEPOSITS AND RETENTION

Description	2022-2023	2021-2022
	Kshs	Kshs
Retention	71,632,467	44,783,490
Insurance	55,761,746	58,109,667
Other Deposit - Disposal of MV, Equip. etc	5,045,474	9,175,474
<b>Total</b>	<b>132,439,688</b>	<b>112,068,631</b>

The deposits include amounts held as insurance benefits, retention money from contractors and tender deposits. The listings and aging are confidential due to the nature of operations by the Service. The schedules are available for scrutiny by relevant authorities.

### 11. FUND BALANCE BROUGHT FORWARD

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank accounts	112,091,060	180,115,799
Cash in hand	33,947	6,797
Imprests and advances	25,549,132	21,163,982
Third party deposits and retention	(112,068,631)	(179,686,491)
<b>Total</b>	<b>25,605,508</b>	<b>21,600,087</b>

**NATIONAL INTELLIGENCE SERVICE****Annual Report and Financial Statements****For the year ended June 30, 2023****12. PRIOR YEAR ADJUSTMENTS**

Description of the Adjustment	Balance b/f FY 2021/2022 as per audited financial statements	Adjustment during the year relating to prior periods	Adjusted balances b/f FY 2021-2022
	Kshs	Kshs	Kshs
Adjustments on bank account balances	(22,428)	-	(22,428)
Adjustments on cash in hand	(33,947)	-	(33,947)
Adjustments on receivables	(25,549,132)	-	(25,549,132)
<b>Total</b>	<b>(25,605,508)</b>	<b>-</b>	<b>(25,605,508)</b>

The total of **Kshs. 25,605,508** relate to FY 2021/22 closing balances, which were recovered and remitted to the National Treasury or surrendered and accounted for during the FY 2022/23.

**13. (INCREASE)/ DECREASE IN IMPRESTS AND ADVANCES**

	2022-2023	2021-2022
	KShs	KShs
Receivables as at 1 <sup>st</sup> July (A)	25,549,132	21,163,982
Receivables as at 30 <sup>th</sup> June (B)	24,148,189	25,549,132
(Increase)/ Decrease in Receivables (C=(B-A))	<b>1,400,943</b>	<b>(4,385,150)</b>

**14. INCREASE/ (DECREASE) IN THIRD-PARTY DEPOSITS AND RETENTION**

	2022-2023	2021-2022
	Kshs	Kshs
Payables as at 1 <sup>st</sup> July	112,068,631	179,686,491
Payables as at 30 <sup>th</sup> June	132,439,688	112,068,631
Increase/ (Decrease) in payables	<b>20,371,057</b>	<b>(67,617,860)</b>

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### OTHER IMPORTANT DISCLOSURES

#### 15. PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2022-2023	2021-2022
<b>Deposits: -</b>	<b>Kshs</b>	<b>Kshs</b>
Insurance	71,632,467	58,109,667
Retention	55,761,746	44,783,490
Other Deposits – Disposal of M/vehicle, Equip, Stores etc	5,045,474	9,175,474
<b>Total</b>	<b>132,439,688</b>	<b>112,068,631</b>

NB: -The Service did not have pending bills/payables from the recurrent account as at the end of the 2022/2023 financial year.

#### 16. PENDING STAFF PAYABLES (See Annex 2)

	Balance b/f	Additions for the period	Paid during the year	Balance c/f
	FY 2021/2022			FY 2022/2023
Description	Kshs	Kshs	Kshs	Kshs
Senior management	-	-	-	-
Middle management	-	-	-	-
Unionisable employees	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 17. CONTINGENT LIABILITIES

Contingent liabilities	2022-2023	2021-2022
	Kshs	Kshs
Court case xxx against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from PPPs	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

NB: - The listings are confidential due to the nature of operations by the Service. The schedules are available for scrutiny by relevant authorities.

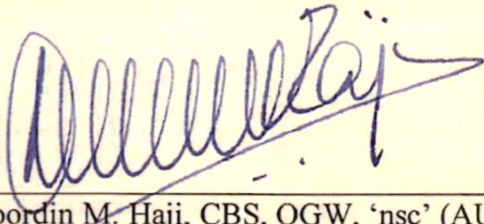
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**18. PROGRESS ON FOLLOW UP OF AUDITOR-GENERAL'S RECOMMENDATIONS**

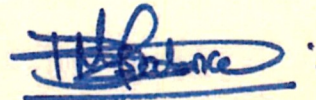
The following is the summary of issues raised by the Auditor-General during the prior year and management comments that were.

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

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



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



Duke Isaboke Matoke  
 Head of Accounting Unit

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**13. ANNEXES**

**ANNEX 1 - ANALYSIS ACCOUNTS PAYABLE**

Supplier of Goods or Services	Outstanding Balance 2023	Outstanding Balance 2022	Comments
	Kshs	Kshs	
<b>Insurance</b>	71,632,467	58,109,667	Being Life insurance compensation to nominated family members following the death of a Service officer.
<b>Sub-Total</b>	<b>71,632,467</b>	<b>58,109,667</b>	
<b>Retention</b>	55,761,746	44,783,490	Being retention money withheld from payments to various contractors pending successful completion of the projects being implemented.
<b>Sub-Total</b>	<b>55,761,746</b>	<b>44,783,490</b>	
<b>Other Deposit - Disposal of M/Vehicle, Equip., Stores etc</b>	5,045,474	9,175,474	Being general deposits paid to secure the purchase of old motor vehicles, equipment and obsolete stores, etc.
<b>Sub-Total</b>	<b>5,045,474</b>	<b>9,175,474</b>	
<b>GRAND TOTAL</b>	<b>132,439,688</b>	<b>112,068,631</b>	

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## ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2023	Outstanding Balance 2022	Comments
		a	b	c	d=a-c		
<b>Senior Management</b>	-						The Service does not have
							Pending bills from previous
							years
<b>Sub-Total</b>							
<b>Middle Management</b>	-						
<b>Sub-Total</b>							
<b>Unionisable Employees</b>	-						
<b>Sub-Total</b>							
<b>Others (specify)</b>	-						

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## ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2023	Outstanding Balance 2022	Comments
		a	b	c	d=a-c		
<b>Amounts due to National Govt Entities</b>	-						The Service does not have
							Pending bills from
							previous years
<b>Sub-Total</b>							
<b>Amounts due to County Govt Entities</b>	-						
<b>Sub-Total</b>							
<b>Amounts due to Third Parties</b>	-						
<b>Sub-Total</b>							
<b>Others (specify)</b>	-						
<b>Sub-Total</b>	-						
<b>Grand Total</b>	-						

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## ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2022/2023	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2022/2023
Land	-	-	-	-
Buildings and structures	-	-	-	-
Transport equipment	-	-	-	-
Office equipment, furniture and fittings	-	-	-	-
ICT Equipment, Software and Other ICT Assets	-	-	-	-
Other Machinery and Equipment	-	-	-	-
Heritage and cultural assets	-	-	-	-
Intangible assets	-	-	-	-
<b>Total</b>	-	-	-	-

**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	-	-	-	-

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

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

None

**ANNEX 7 – CONTINGENT LIABILITIES REGISTER**

	<b>Nature of contingent liability</b>	<b>Remarks</b>
1	-	-

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

**ANNEX 8- OTHER REPORTS**

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

- i. Board of Survey
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. Register of bank accounts
- iv. Cash book extract
- v. Confirmation of Inter-Agency transfers