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OFFICE OF THE AUDITOR-GENERAL

14.3.2017

REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
INTELLIGENCE SERVICE DEVELOPMENT
FUND

FOR THE YEAR ENDED
30 JUNE 2016



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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INTELLIGENCE SERVICE DEVELOPMENT FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2016

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

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1. FUND INFORMATION AND MANAGEMENT

1.1 Name and registered office

Intelligence Service Development Fund,
Nairobi, Kenya.
P.O. Box 30091 – 00100, Nairobi.
Telephone: (254) 344252

1.2 Background

The Intelligence Service Fund (ISDF) was established in 2002 vide Legal Notice No.110 of 2002. The Fund is governed by the Exchequer and Audit (Intelligence Service Development Fund) Regulations of 2002. It was established with a funding of Kshs.10,000,000.00 from the Exchequer.

1.3 Key Management

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

- Director General,
- Directors.

1.4 Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

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

1.5 Fiduciary Oversight Arrangements

- ❖ **Kenya National Audit Office (KENAO)** - *Audit activities,*
- ❖ **Parliamentary Committee on Defence and Foreign Relations** - *Legislative and oversight functions.*

1.6 Bankers

The bankers for the current year are:-

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

1.7 Independent Auditors

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

1.8 Principal Legal Advisor,

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

STATEMENT OF ENTITY 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 to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

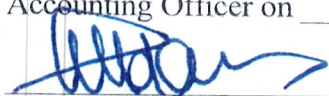
The Accounting Officer in charge of the **Intelligence Service Development Fund** is responsible for the preparation and presentation of the **Fund** financial statements, which give a true and fair view of the state of affairs of the **Intelligence Service Development Fund** for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Service; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the **Intelligence Service Development Fund** accepts responsibility for the **Fund** financial statements, which have been prepared on Cash basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the **Intelligence Service Development Fund** financial statements give a true and fair view of the state of **Service** transactions during the financial year ended June 30, 2016, and of the **Fund** financial position as at that date. The Accounting Officer charge of the **Intelligence Service Development Fund** further confirms the completeness of the accounting records maintained for the **Fund**, which have been relied upon in the preparation of the **Fund** financial statements as well as the adequacy of the systems of internal financial control.

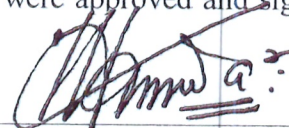
The Accounting Officer in charge of the **Intelligence Service Development Fund** confirms that the Service has complied fully with applicable Government Regulations, and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the **Intelligence Service Development Fund** financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The **Intelligence Service Development Fund** financial statements were approved and signed by the Accounting Officer on _____ 2016.



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



Nyamasyo Ndola,
Head of Accounting Unit.

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON INTELLIGENCE SERVICE DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Intelligence Service Development Fund set out on pages 3 to 7 which comprise the statement of financial position as at 30 June 2016, and the statement of receipts and payments and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya, and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal

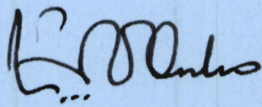
Report of the Auditor-General on the Financial Statements of Intelligence Service Development Fund for the year ended 30 June 2016

control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects the financial position of Intelligence Service Development Fund as at 30 June 2016 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting (Cash Basis) and comply with the Public Finance Management Act, 2012.



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

Nairobi

15 February 2017

INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)
 Reports and Financial Statements
 For the year ended June 30, 2016

2. STATEMENT OF RECEIPTS AND PAYMENTS

RECEIPTS	2015 - 2016	2014 - 2015
	Kshs	Kshs
Sale of lunches	1,213,185	603,480
Library Fees	12,955	62,740
Fines and Fees		-
Total receipts	1,226,140	666,220
PAYMENTS		
Bank charges and Excise duty	7,205	7,920
TOTAL PAYMENTS	7,205	7,920
Surplus/(Deficit) for the year	1,218,935	658,300

The financial statements were approved on _____ 2016 and signed by:



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

28/9/2016
 Date



Nyamasyo Ndola,
 Head of Accounting Unit.

 Date

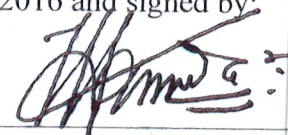
INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)
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 For the year ended June 30, 2016

3. STATEMENT OF FINANCIAL POSITION

FINANCIAL ASSETS		2015 - 2016	2014 - 2015
		Kshs	Kshs
Cash and Cash Equivalents			
Bank Balances		5,404,175.20	4,185,240.20
TOTAL FINANCIAL ASSETS		5,404,175.20	4,185,240.20
REPRESENTED BY:			
Fund balance b/fwd		4,185,240.20	3,526,940.20
Surplus/(Deficit) for the year		1,218,935.00	658,300.00
NET FINANCIAL POSITION		5,404,175.20	4,185,240.20

The financial statements were approved on _____ 2016 and signed by:

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



 Nyamasyo Ndola,
 Head of Accounting Unit.

Date 28/9/2016

 Date

INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)
 Reports and Financial Statements
 For the year ended June 30, 2016

4. STATEMENT OF CASHFLOW

Receipts for operating income	2015 - 2016	2014 - 2015
	Kshs.	Kshs.
Cash received from Sale of Lunches	1,213,185.00	603,480.00
Cash received from Library Fees	12,955.00	62,740.00
Payments for operating expenses		
Bank charges	-7,205.00	-7,920.00
Net cash flow from operating activities	1,218,935.00	658,300.00
CASHFLOW FROM INVESTING ACTIVITIES		-
CASHFLOW FROM BORROWING ACTIVITIES		-
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,218,935.00	658,300.00
Cash and cash equivalent at BEGINNING of the year	4,185,240.20	3,526,940.20
Cash and cash equivalent at END of the year	5,404,175.20	4,185,240.20

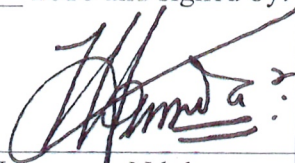
The financial statements were approved on _____ 2016 and signed by:



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

28/9/2016

Date



Nyamasyo Ndola,
 Head of Accounting Unit.

Date

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

2. **Recognition of revenue and expenses**

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

3. **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Standard Chartered Bank of Kenya at the end of the financial year.

4. **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 is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as expenditure 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.

5. **Accounts Payable**

or the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized 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 National Government Ministries and agencies. Other liabilities including pending bills are disclosed in the financial statements.

INTELLIGENCE SERVICE DEVELOPMENT FUND (ISDF)

Reports and Financial Statements

For the year ended June 30, 2016

6. Non-current assets

Non-current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the entity fixed asset register a summary of which is provided as a memorandum to these financial statements.

7. Comparative figures

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

8. Subsequent events

There have been no events subsequent to submission of the financial year end financial statements to the National Treasury and other stakeholders with a significant impact on the financial statements for the year ended June 30, 2016.