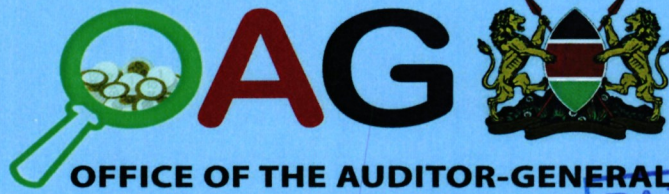


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

PARLIAMENT
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LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

ON

NATIONAL INTELLIGENCE SERVICE

FOR THE YEAR ENDED
30 JUNE, 2019

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 05 NOV 2020 DAY: Thursday

TABLED BY: Hon. Emmanuel Wanjau

CLERK-AT-THE-TABLE: Ann Mwangi

4 2





NATIONAL INTELLIGENCE SERVICE

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019

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, 2019

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NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2019

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) in accordance with NIS Act 2012, Part VII has the oversight role and advises the Agency on policy and strategy, administration and expenditure.

Vision

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

Mission

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

Mandate

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

Core Values

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

Core Functions

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

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

NATIONAL INTELLIGENCE SERVICE
Reports and Financial Statements
For the year ended June 30, 2019

(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, 2019 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, 2019

(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, 2019

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 2018/2019 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 2018-19 was **Kshs.34,521,000,000.00**, which includes **Kshs.10,000,000.00** as Appropriation-In-Aid (A-I-A). During the year, the Service received exchequer releases from the National Treasury amounting to **Kshs.33,753,327,795.00**, leaving an exchequer under-issue of **Kshs.757,672,205.00**.

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 2018-19 were utilized to achieve the programme's outcome of a secure and protected nation. In this regard, the total Service expenditure for the FY 2018-19 amounted to **Kshs. 33,729,614,719.00** leaving a balance of **Kshs. 33,713,076.00**. In addition, a total of **Kshs.10,046,032.00** was raised as A-I-A, with the excess collection of **Kshs.46,032.00** 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 2018-2019 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

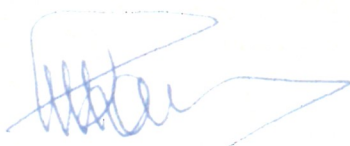
For the year ended June 30, 2019

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, 2019

III. 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 **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, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the **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, 2019, 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 26/9/ 2019.



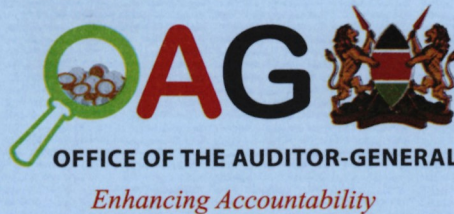
Maj. Gen. (Rtd) Philip Kameru, MGH, CBS
Director General



Nyamasyo Ndola, OGW
Assistant Director, Finance

REPUBLIC OF KENYA

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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, 2019

REPORT ON THE FINANCIAL STATEMENTS

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, 2019, and the statement of receipts and payments, statement of cash flows and summary statements of appropriation - recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Intelligence Service as at 30 June, 2019, 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.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Intelligence Service in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the ability of the National Intelligence Service 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 National Intelligence Service or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective manner.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 ability of the National Intelligence Service 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 to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Service to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

15 October, 2020

NATIONAL INTELLIGENCE SERVICE
Reports and Financial Statements
For the year ended June 30, 2019

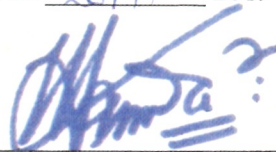
V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2018-2019	2017-2018
		Kshs	Kshs
RECEIPTS			
Exchequer releases	1	33,753,327,795	31,953,446,800
Proceeds from Sale of Assets	2	5,300	-
Other Receipts	3	10,040,732	4,020,901
TOTAL RECEIPTS		33,763,373,827	31,957,467,701
PAYMENTS			
Transfers to Other Government Units	4	46,032	520,901
Other grants and transfers	5	33,729,614,719	31,914,360,320
TOTAL PAYMENTS		33,729,660,750	31,914,881,221
SURPLUS/DEFICIT		33,713,076	42,586,480

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 26/9/ 2019 and signed by:



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



Nyamasyo Ndola, OGW
 Assistant Director, Finance

NATIONAL INTELLIGENCE SERVICE

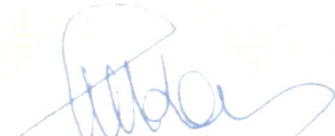
Reports and Financial Statements


For the year ended June 30, 2019

VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2018-2019	2017-2018
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	6	131,057,342	143,489,173
Cash Balances	7	3,160	278,103
Total Cash and cash equivalent		131,060,501	143,767,276
Accounts receivables – Outstanding Imprests	8	32,893,587	42,084,380
TOTAL FINANCIAL ASSETS		163,954,088	185,851,656
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	9	130,241,012	143,265,176
NET FINANCIAL ASSETS		33,713,076	42,586,480
REPRESENTED BY			
Fund balance b/fwd	10	42,586,480	14,397,396
Prior year adjustment	11	-42,586,480	-14,397,396
Surplus/Deficit for the year		33,713,076	42,586,480
NET FINANCIAL POSITION		<u>33,713,076</u>	<u>42,586,480</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 26/9/ 2019 and signed by:


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


Nyamasyo Ndola, OGW
Assistant Director, Finance

NATIONAL INTELLIGENCE SERVICE

Reports and Financial Statements

For the year ended June 30, 2019

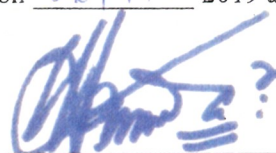
VII. STATEMENT OF CASH FLOWS

	Note	2018-2019	2017-2018
		Kshs	Kshs
Receipts for operating income			
Exchequer Releases	1	33,753,327,795	31,953,446,800
Other Revenues	3	10,040,732	4,020,901
		33,763,368,527	31,957,467,701
Payments for operating expenses			
Transfers to Other Government Units	4	-46,032	-520,901
Other grants and transfers	5	-33,729,614,719	-31,914,360,320
		-33,729,660,750	-31,914,881,221
Adjusted for:			
Changes in receivables	8	9,190,793	-29,469,434
Changes in payables	9	-13,024,164	-112,563,829
Adjustments during the year	11	-42,586,480	-14,397,396
Net cashflow from operating activities		-12,712,075	-113,844,179
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	5,300	
Net cash flows from Investing Activities		5,300	
CASHFLOW FROM BORROWING ACTIVITIES			
Net cash flow from financing activities			
NET INCREASE IN CASH AND CASH EQUIVALENT		-12,706,775	-113,844,179
Cash and cash equivalent at BEGINNING of the year	6 & 7	143,767,276	257,611,455
Cash and cash equivalent at END of the year	6 & 7	131,060,501	143,767,276

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 26/9/19 2019 and signed by:



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



Nyamasyo Ndola, OGW
Assistant Director, Finance

**Reports and Financial Statements
For the year ended June 30, 2019**

VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

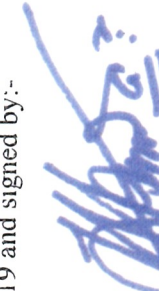
Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget e=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Exchequer releases	31,211,000,000	3,300,000,000	34,511,000,000	33,753,327,795	757,672,205	98%
Other Receipts - AIA	-	10,000,000	10,000,000	10,046,032	46,032	100%
Total receipts	31,211,000,000	3,310,000,000	34,521,000,000	33,763,373,827	757,626,174	98%
PAYMENTS						
Transfers to Other Government Units	-	-	-	46,032	46,032	-
Other grants and transfers	31,211,000,000	3,310,000,000	34,521,000,000	33,729,614,719	791,385,281	98%
Total Payments	31,211,000,000	3,310,000,000	34,521,000,000	33,729,660,750	791,339,250	98%
Surplus/ Deficit	-	-	-	33,713,076	33,713,076	

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 26/9/ 2019 and signed by:-



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



Nyamasyo Ndola, OGW
Assistant Director, Finance

Reports and Financial Statements
For the year ended June 30, 2019

IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Exchequer releases	31,211,000,000	3,300,000,000	34,511,000,000	33,753,327,795	757,672,205	98%
Other Receipts - AIA	-	10,000,000	10,000,000	10,046,032	46,032	100%
Total receipts	31,211,000,000	3,310,000,000	34,521,000,000	33,763,373,827	757,626,174	98%
PAYMENTS						
Transfers to Other Government Units	-	-	-	46,032	46,032	-
Other grants and transfers	31,211,000,000	3,310,000,000	34,521,000,000	33,729,614,719	791,385,281	98%
Total Payments	31,211,000,000	3,310,000,000	34,521,000,000	33,729,660,750	791,339,250	98%
Surplus/ Deficit				33,713,076	33,713,076	

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 26/9/19 2019 and signed by:



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



Nyamasyo Ndola, OGW
Assistant Director, Finance

Reports and Financial Statements
For the year ended June 30, 2019

X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

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	-	-	-	-	-	-
Other Receipts - AIA	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-
PAYMENTS	-	-	-	-	-	-
Transfers to Other Government Units	-	-	-	-	-	-
Other grants and transfers	-	-	-	-	-	-
Total Payments	-	-	-	-	-	-
Surplus/ Deficit	-	-	-	-	-	-

The National Intelligence Service does not have a Development Budget:



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



Nyamasyo Ndola, OGW
Assistant Director, Finance

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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 2019 was seven hundred and ninety one million, three hundred and eighty five thousand, two hundred and eighty one cents thirty shillings (**Kshs. 791,385,281.30**). 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.24,411,996.00**
- (b) The District Advances Account, relating to funds remitted to Counties, had an outstanding balance of **Kshs. 87,280.00**
- (c) The Imprest Account had an outstanding balance of **Kshs.8,394,311.00**
- (d) The total balance for Cash at Hand and Bank was **Kshs.819,489.30**
- (e) The Exchequer-Under-Issue amounts to **Kshs. 757,672,205.00**.

The National Intelligence Service financial statements were approved on _____ 26/9/19 _____ 2019 and signed by:



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



Nyamasyo Ndola, OGW
Assistant Director, Finance

XI. 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	2018/19	2018/19	2018/19	2018/19	30/06/2019	2018/19
Sub-Programme:	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Security Intelligence and Counter Intelligence	31,211,000,000	3,300,000,000	10,000,000	34,521,000,000	33,753,327,795	757,672,205

(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 26/9/ 2019 and signed by:



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



Nyamasyo Ndola, OGW
Assistant Director, Finance

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XII. 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

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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 2019, this amounted to **Kshs.130,241,012.00**, compared to **Kshs. 143,265,176.00** in prior period as indicated on note 9.

There were no other restrictions on cash during the year

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XIII. NOTES TO THE FINANCIAL STATEMENTS

1. EXCHQUER RELEASES

Description	2018-2019	2017-2018
	Kshs	Kshs
Total Exchequer Releases for quarter 1	7,144,433,895.00	10,767,700,000
Total Exchequer Releases for quarter 2	7,243,331,400.00	6,716,000,000
Total Exchequer Releases for quarter 3	8,307,448,000.00	6,583,300,000
Total Exchequer Releases for quarter 4	11,058,114,500.00	7,886,446,800
Total	33,753,327,795.00	31,953,446,800

The budgeted exchequer for the FY 2018-19 was **Kshs.34,511,000,000.00** against exchequer releases of **Kshs. 33,753,327,795.00**, leaving an exchequer under-issue of **Kshs.757,672,205.00**.

2. PROCEEDS FROM SALE OF ASSETS

	2018-2019	2017-2018
	Kshs	Kshs
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Receipts from the Sale Plant Machinery and Equipment	-	-
Receipts from sale of inventories, stocks & Commodities	5,300	
Total	5,300	

3. OTHER REVENUES

	2018-2019	2017-2018
	Kshs	Kshs
Receipts from Administrative Fees and Charges - Collected as AIA	7,801,127	1,737,535
Fines Penalties and Forfeitures	2,239,605	2,283,366
Total	10,040,732	4,020,901

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4. GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2018-2019	2017-2018
	Kshs	Kshs
Transfers to National Treasury - The Exchequer Account No. 1000003987	46,032	520,901
TOTAL	46,032	520,901

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

5. OTHER GRANTS AND TRANSFERS

Explanation	2018-2019	2017-2018
	Kshs	Kshs
Other current transfers, grants	33,729,614,719	31,914,360,320
Total	33,729,614,719	31,914,360,320

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

6. BANK ACCOUNTS

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	Exc rate (if in foreign currency)	2018-2019	2017-2018
				Kshs	Kshs
<i>Central Bank of Kenya, 1000181095, Kshs - NIS</i>	Kshs	Recurrent	1	816,330	223,997
<i>Central Bank of Kenya, 1000181168, Kshs - NIS</i>	Kshs	Deposit	1	130,241,012	143,265,176
Total				131,057,342	143,489,173

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7. CASH IN HAND

	2018-2019	2017-2018
	Kshs	Kshs
Cash in Hand – Held in domestic currency	3,160	278,103
Total	3,160	278,103

Cash in hand above is analysed as follows:

	2018-2019	2017-2018
	Kshs	Kshs
Headquarters, Cash office - Recurrent	3,160	278,103
Total	3,160	278,103

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

Description	2018-2019	2017-2018
	Kshs	Kshs
Government Imprests	8,394,311	21,954,796
District suspense	87,280	1,013,838
Clearance accounts - Agency Account	24,411,996	19,115,745
Total	32,893,587	42,084,380

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

9. ACCOUNTS PAYABLE

Description	2018-2019	2017-2018
	Kshs	Kshs
Deposits	130,241,012	143,265,176
Total	130,241,012	143,265,176

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

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10. FUND BALANCE BROUGHT FORWARD

Description	2018-2019	2017-2018
	Kshs	Kshs
Bank accounts	143,489,173	257,535,812
Cash in hand	278,103	75,643
Accounts Receivables	42,084,380	12,614,946
Accounts Payables	-143,265,176	-255,829,005
Total	42,586,480	14,397,396

11. PRIOR YEAR ADJUSTMENTS

Description of the Adjustment	2018-2019	2017-2018
	Kshs	Kshs
Adjustments on bank account balances	-223,997	-1,706,807
Adjustments on cash in hand	-278,103	-75,643
Adjustments on receivables	-42,084,380	-12,614,946
Total	-42,586,480	-14,397,396

The total of **Kshs.42,586,480.00** relate to FY 2017/18 closing balances, which were recovered and remitted to the National Treasury or surrendered and accounted for during the FY 2018/19.

12. RELATED PARTY TRANSACTIONS

Description	2018-2019	2017-2018
	Kshs	Kshs
Transfers from Central government entities		
Transfers from Ministry of Interior	3,163,168,098	5,544,701,148
Transfers from Presidency	500,000,000	600,000,000
State Department of Regional and Northern Corridor Development	248,550	-
Ministry of Energy and Petroleum	1,149,566	-
State Department for Public Services	1,422,080	
TOTAL	3,665,988,294	6,144,701,148
Transfers to other government entities -National Treasury (Excess A-I-A)		
The National Exchequer Account	46,032	520,901
TOTAL	46,032	520,901

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During the FY 2018/19, NIS received transfers amounting to **Kshs.3,665,988,294.00** from government entities as shown above, to fund specific security operations, which were carried out by the Service.

OTHER IMPORTANT DISCLOSURES

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

Description	2018-2019	2017-2018
Deposits:-	Kshs	Kshs
Insurance	46,074,144.45	74,488,750.25
Retention	77,083,653.40	64,498,211.15
Other Deposits – Disposal of M/vehicle, Equip, Stores etc	7,083,214.15	4,278,214.15
Total	130,241,012.00	143,265,175.55

NB:-

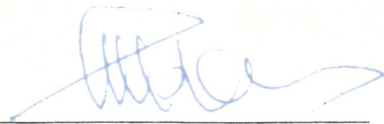
The Service did not have pending bills/payables from the recurrent account as at the end of the 2018/2019 financial year.

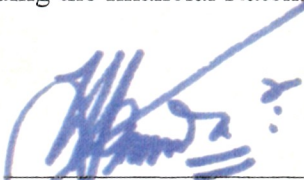
14. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

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


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


Nyamasyo Ndola, OGW
Assistant Director, Finance

NATIONAL INTELLIGENCE SERVICE
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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Outstanding Balance 2019	Outstanding Balance 2018	Comments
	Kshs	Kshs	
Insurance			Being Life insurance compensation to nominated family members following the death of a Service officer.
Sub-Total	46,074,144.45	74,488,750.25	
Retention			Being retention money withheld from payments to various contractors pending successful completion of the projects being implemented.
Sub-Total	77,083,653.40	64,498,211.15	
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	7,083,214.15	4,278,214.15	
GRAND TOTAL	130,241,012.00	143,265,175.55	

ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2019	Outstanding Balance 2018	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) 2017/2018	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2018/2019
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