

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

PARLIAMENT  
OF KENYA  
LIBRARY

REPORT

DATE: 20 MAR 2024

WEDNESDAY

OF

HON. KINANI ICHUNGWAH, MP  
Leader, Majority party  
Miriam Njoroge

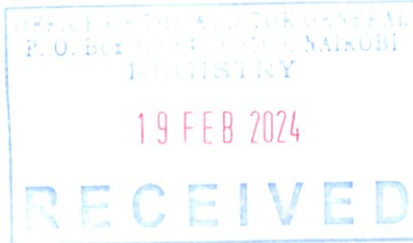
THE AUDITOR-GENERAL

ON

NATIONAL COMMUNICATION  
SECRETARIAT

FOR THE YEAR ENDED  
30 JUNE, 2023





---

## **NATIONAL COMMUNICATION SECRETARIAT**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**

**30<sup>TH</sup> JUNE 2023**

---

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

## TABLE OF CONTENT

1. Acronyms and Abbreviations .....	ii
2. Key Entity Information and Management.....	iv
3. Management Team .....	vii
4. Report of the Chief Executive Officer .....	xiii
5. Statement of NCS Performance against Predetermined Objectives for FY 2022/23 .....	xv
6. Corporate Governance Statement.....	xviii
7. Management Discussion and Analysis .....	xix
8. Environmental and Sustainability Reporting.....	xxiii
9. Statement of Accounting Officer Responsibilities.....	xxxii
10. Report of the Independent Auditor for the National Communication Secretariat .....	xxxiv
1. Statement of Financial Performance for the year ended 30 June 2023.....	1
2. Statement of Financial Position as at 30 June 2023.....	2
3. Statement of Changes in Net Assets for the year ended 30 June 2023.....	4
4. Statement of Cash Flows for the year ended 30 June 2023.....	5
5. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023 .....	6
6. Notes to the Financial Statements .....	8

## Annual Report and Financial Statements For the year ended June 30, 2023

### 1. Acronyms and Abbreviations

AGPO	Access to Government Procurement Opportunities
ATU	African Telecommunication Union
BETA	Bottom-Up Economic Transformation Agenda
CAMAT	Communications and Multimedia Appeals Tribunal
CEO	Chief Executive Officer
COMESA	Common Market for Eastern and Southern Africa
CSR	Corporate Social Responsibilities
EACO	East African Communication Organisation
ERP	Enterprise Resource Planning
FY	Financial Year
ICANN	Internet Corporation for Assigned Names and Numbers
ICPAK	Institute of Certified Public Accountants of Kenya
ICT	Information Communication Technology
ITU	International Telecommunication Union
IPSAS	International Public Sector Accounting Standards
KICA	Kenya Information and Communications Act
KRA	Key Result Area
MICDE	Ministry of Information, Communication and the Digital Economy
NASK	National Addressing System of Kenya
NCS	National Communication Secretariat
NT	National Treasury
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
POC	Postal Operators Council
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
PSC	Public Service Commission
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
UAT	User Acceptance Testing
UPU	Universal Postal Union
WIBA	Work Injury Benefits Act
WRC	World Radiocommunication Conference



## **Annual Report and Financial Statements For the year ended June 30, 2023**

### **B: Glossary of Terms**

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the organisation

**Comparative Year-** Means the prior period.

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

**2. Key Entity Information and Management**

**(a) Background Information**

The National Communication Secretariat (NCS) was established vide the Kenya Information and Communications Act, 1998, Section 84, on 1<sup>st</sup> October 1998. It was officially formed through Legal Notice 22 of February 1999. NCS is domiciled in Nairobi and has no branches.

**(b) Principal Activities**

The principal mandate of the Secretariat as defined in the Kenya Information and Communications Act, 1998, Section 84(2) is to advise the Government on the adoption of a communication policy which:

1. promotes the benefits of technological development to all users of postal and telecommunication facilities;
2. fosters national security, economic prosperity and the delivery of critical social services through posts and telecommunications;
3. facilitates and contributes to the full development of competition and efficiency in the provision of services both within and outside Kenya; and
4. fosters full and efficient use of telecommunication resources including effective use of radio spectrum by the Government in a manner which encourages the most beneficial use thereof in the public interest.

**(c) Key Management**

The Secretariat's day-to-day management is under the following key organs:

- The Communications Secretary (CEO); and
- The Management Team

No.	Designation	Name
1.	Communications Secretary (CEO), Acting	Eng. Vincent Adul, HSC
2.	Communications Technology Expert	Eng. Vincent Adul, HSC
3.	Communications Radio Technology Expert	Eng. Andrew K. Okongo
4.	Communications Legal Expert	Dr. Victor B. Nzomo, HSC
5.	Communications Economic Expert	Mr. Paul Macharia

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

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2023 and who had direct fiduciary responsibility were:

No.	DESIGNATION	NAME
1.	Communications Secretary (Retired)	Eng. Daniel O. Obam, MBS, HSC
2.	Communications Technology Expert /Ag. CS	Eng. Vincent O. Adul, HSC
3.	Communications Legal Expert	Dr. Victor B. Nzomo, HSC
4.	Communications Economic Expert	Mr. Paul Macharia
5.	Communications Radio Technology Expert	Eng. Andrew K. Okongo
6.	Accountant	CPA Nelly A. Nandwa
7.	Human Resource & Administration Officer	CHRP Sally C. Mbaya
8.	Internal Auditor	CPA Tabitha W. Mwangi
9.	Head of Supply Chain Management	Mrs. Emmah W. Gitere
10.	ICT Officer	Mr. Kevin O. Nyapere

**(e) Fiduciary Oversight Arrangements**

The Ministry of Information Communications and the Digital Economy performs the oversight mandate over the functioning of the National Communication Secretariat.

The Secretariat does not have a Board of Directors, therefore there are no committees of the board with fiduciary oversight arrangements.

**(f) NCS Headquarters**

9<sup>th</sup> Floor Transcom House  
Community –Ngong Road  
P. O. Box 10756 – 00100  
Nairobi, KENYA

**(g) NCS Contacts**

Telephone: (254) 20 2719953

Email: [info@ncs.go.ke](mailto:info@ncs.go.ke)

Website: [www.ncs.go.ke](http://www.ncs.go.ke)





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

**(h) NCS Bankers**

Kenya Commercial Bank Ltd  
Capital Hill Branch – 4025  
P.O. Box 69695 - 00400  
Nairobi, KENYA

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O. Box 40112 - 00200  
Nairobi, KENYA

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

**3. Management Team**



**Eng. Daniel Onyango Obam, HSC**  
**Retired Communications**  
**Secretary/CEO**  
**Year of Birth: 1960**

Eng. Daniel Obam is the former Communications Secretary of National Communication Secretariat. He holds an MSc in Engineering Management from the University of Southern California, USA; a BSc (Hons-Telecoms) from the University of Nairobi and various diplomas and certificates.

He has been responsible for leading NCS staff and other stakeholders in the development of various policies, strategies and other regulatory policy documents that have informed the development of the ICT sector. Among these are: the Roadmap for the Migration from Analogue to Digital TV, National ICT Policy 2006, National ICT Policy 2020, National Broadband Strategy, Kenya Digital Economy Blueprint for Africa, the National Digital Economy Strategy, the National Addressing Policy and Bill, the Film Policy and Bill, and the National Cybersecurity Strategy for Kenya.

He participated and chaired performance contracting negotiations between Ministry of Information Communication and the Digital Economy and some of its agencies.

He is an expert in ICT policy, strategy, regulatory and operations, spectrum management, as well as, mobile broadband, having gained this expertise in over 30 years of relevant training and participation in international, regional, and national fora.

He was involved in various activities at the International Telecommunication Union (ITU) including leading the African Group, the Delegation of Kenya and being part of the Steering Committee of major treaty making meetings of ITU.

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

At the national level, he was the Vice-Chairman of National Preparatory Committee for the Radiocommunication Assemblies and World Radiocommunication Conferences.

He was the Chairman of the International Telecommunication Union (ITU) Radiocommunication Advisory Group (RAG) having been elected to the position by Member States in 2015.

In 2022, he was awarded MBS by the President of the Republic of Kenya in recognition of distinguished and outstanding services rendered to the Nation in the ICT sector.



**Eng. Vincent Otieno Adul, HSC  
Communications Technology Expert  
/Ag. Communications Secretary  
Year of Birth: 1960**

Eng. Vincent Adul is the Ag. Communications Secretary at National Communication Secretariat.

He holds a BSc in Electrical Engineering, MSc (Information Systems) and MSc (Electrical Engineering) from the University of Nairobi.

He is a Registered Engineer with the Engineers Board of Kenya, (EBK), Corporate Member of the Institute of Engineers of Kenya (IEK), Member of the Institute of Engineering Technology (MIET) of the UK and a Member of IEEE(MIEEE) (USA Region 8).

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



**Dr. Victor Buziba Nzomo, HSC  
Communications Legal Expert  
Year of Birth: 1984**

Dr. Victor Nzomo is the Communications Legal Expert at National Communication Secretariat

He holds a Bachelor of Laws (LL.B) from University of South Africa and Master of Laws (LL.M) from University of Nairobi.

He is a Member of the Law Society of Kenya (LSK).



**Eng. Andrew Kemosi Okongo  
Communications Radio Technology  
Expert  
Year of Birth: 1965**

Eng. Andrew Kemosi Okongo is the Communications Radio Technology Expert at National Communication Secretariat.

He holds a BSc in Electrical Engineering from the University of Nairobi.

He is a Registered Engineer with the Engineers Board of Kenya (EBK), Corporate Member of the Institute of Engineers of Kenya (IEK).

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



**Mr. Paul Gichuki Macharia**  
**Communications Economic Expert**  
**Year of Birth:1968**

Mr. Paul Gichuki Macharia is the Communications Economic Expert at the National Communication Secretariat.

He is a holder of a Master of Arts Degree in Economics from Indira Gandhi National Open University and a Bachelor of Arts in Economics from the University of Nairobi.

Mr. Macharia is a registered member of Economists Society of Kenya (ESK)



**CPA Nelly Awinja Nandwa**  
**Accountant**  
**Year of Birth: 1982**

CPA Nelly Nandwa is the accountant heading the Finance and Accounting department at the National Communication Secretariat.

She is a certified public accountant (CPA-K). She holds a MSc. Degree in Commerce and BSc. in Commerce obtained from Kenya College of Accountancy (KCA) University.

She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

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



**CHRP Sally Chanyisa Mbaya**  
**Human Resource & Administration**  
**Officer**  
**Year of Birth: 1977**

CHRP Sally Chanyisa Mbaya (MIHRM) is the Human Resource and Administration Officer at the National Communication Secretariat.

She holds an MSc in Entrepreneurship from Jomo Kenyatta University of Agriculture and Technology; a BA in Communications from Daystar University; and is a Certified Human Resource Professional (CHRP-K).

She is a Member of the Institute of Human Resource Management (IHRM).



**CPA Tabitha Waringa Mwangi**  
**Internal Auditor**  
**Year of Birth: 1983**

CPA Mwangi, Tabitha Waringa is the Internal Auditor at National Communication Secretariat.

She has a double master's in Business Administration, Strategic Management and Finance from United States International University, Bachelor of Business Administration in Finance from the Kenya Methodist University, Certified Public Accountant (CPA-K), Certified Information Systems Auditor (CISA).

Tabitha is a member of Information Systems and Control Association (ISACA); Institute of Certified Public Accountants of Kenya (ICPAK), and Institute of Internal Auditors (IIA).

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



**Mrs. Emmah Wairimu Gitere**  
**Head of Supply Chain Management**  
**Year of Birth: 1987**

Ms. Emmah W. Gitere is the Head of Supply Chain Management at the National Communication Secretariat.

She holds an MSc in Procurement & Logistics from Jomo Kenyatta University of Agriculture and Technology; a Bachelor's degree in Procurement and Supply Chain Management from Busoga University, Uganda.

She is a Registered and Licensed member of Kenya Institute of Supplies Management (KISM).



**Mr. Kevin Owino Nyapere**  
**ICT Officer**  
**Year of Birth: 1988**

Mr. Kevin Nyapere is the ICT Officer at National Communication Secretariat.

He holds a BSc in Information Technology from KCA University.

## Annual Report and Financial Statements For the year ended June 30, 2023

### 4. Report of the Chief Executive Officer



During the year under review, National Communication Secretariat endeavoured to provide efficient, quality and timely ICT policy advisory services that seeks to promote the benefits of technological development to the people of Kenya and encourage rapid adoption of ICT in our daily activities. To benefit from new digital technologies, the Government has continued to develop and update its policy and regulatory framework for the sector. All these have been geared towards creating an enabling environment where all Kenyans can benefit from ICTs.

In view of the forgoing, the National Communication Secretariat participated in the development of various policy and regulatory frameworks *inter alia*:

1. Membership of Committee finalising the review and proposed amendments to the Kenya Information & Communications Act (KICA) and sixteen Regulations namely Compliance Monitoring Inspections and Enforcement; Numbering, Universal Access and Service; Consumer Protection; Postal and Courier Services; Importation, Type Approval & Distribution of Communications Equipment, Radiocommunication and Frequency Spectrum, Licensing and Quality of Service, Dispute Resolution, Fair Competition and Equality of Treatment, Tariffs, Electronic Certification and Domain Name Administration, Sim Card Regulations, Broadcasting Regulations, Access and Infrastructure Sharing Regulations, and Interconnection Regulations
2. Currently chairing the Committee charged with the responsibility of finalising the Draft National Addressing System of Kenya Policy & Bill.
3. Co-chairing the Committee developing the Policy on Access to Information
4. Membership of the Committee that finalised and launched the National E-Commerce Strategy

To enhance its technical expertise and to keep up with policy global best practices in ICT, the Secretariat represented Kenya's interests in the International ICT Policy meetings in the year under review. The Secretariat represented the Ministry and participated in regional and international meetings held under the auspices of the International Telecommunication Union (ITU), Universal Postal Union (UPU), the African Telecommunications Union (ATU), the United Nations Conference on Trade and Development (UNCTAD); and Common Market for Eastern and Southern Africa (COMESA); and the East African Communications Organisation (EACO); among others. The Secretariat continued to chair the Radiocommunication Advisory Group of the ITU and held the acting chairmanship of the National Preparatory Committee for the World Radio Conference-2023 (WRC-23) and continued to attend the preparatory meetings at regional and international levels. The Secretariat also chaired Sub-Committee-1 of the National Preparatory Committee that dealt with Fixed, Mobile and Broadcasting Services and is member of other sub-committees.



## Annual Report and Financial Statements For the year ended June 30, 2023

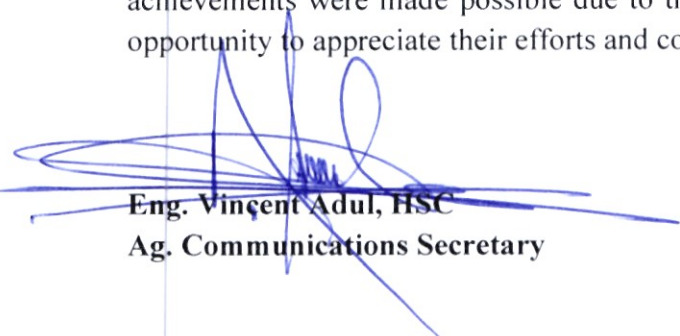
In the year under review, NCS commenced the review of its Strategic Plan for the period 2021 to 2025 to align it with the Government Planning Cycle and alignment to Bottom-Up Economic Transformation Agenda (BETA) and the Ministry of Information Communication and the Digital Economy. The Strategic plan provides a clear roadmap to guide execution of its mandate and meet the expectations of various stakeholders.

The Secretariat is committed to offering strategic advisory for the development and transformation of the ICT sector that ensures the digital transformation of the Kenyan economy takes place for social economic benefits of its citizens. The institution will need to diversify its financial sources while continuing to adhere to public finance management practices. Therefore, there is need to enhance the statutory provisions governing the NCS's institutional framework to strengthen its capacity to deliver on its core mandate. This will require the review of the KICA, 1998.

NCS has committed to deliver on the policy commitments for the Cabinet Secretary in the Ministry of Information Communication and the Digital Economy. These include the finalization of the National Addressing System, (NASK) Bill and Policy 2021, development of the Access to Information Policy and the consequential amendments to the Access to Information Act 2016, Communications Management Policy and Bill, 2021 and participation in the review of KICA and Regulations.

To strengthen internal controls and improve on administrative processes, NCS filled key vacant position in Communications Economic Expert. To further strengthen internal controls, the Secretariat finalised the development of the Internal Audit Charter, Internal Audit Policies and Procedures Manual, and the Supply Chain Management Policy and Procedures Manual. The Secretariat is at an advanced stage of the implementation and integration of its Enterprise Resources Planning (ERP) system. The ERP software will enable the organization to manage day-to-day business activities such as accounting, procurement, human resource and administration, risk management, among others. This will contribute towards automation and lead to efficient delivery of its services to both internal and external stakeholders.

Despite various challenges orchestrated by an untimely and incomplete budget remittances all these achievements were made possible due to the dedicated team of staff at the Secretariat. I take this opportunity to appreciate their efforts and commitment.



**Eng. Vincent Adul, HSC**  
**Ag. Communications Secretary**

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

**5. Statement of NCS Performance against Predetermined Objectives for FY 2022/23**

NCS achieved its performance targets set for the FY2022/23 period that were based on the predetermined objectives. NCS Strategy Model includes its Vision, Mission, Core Values and Key Result Areas (Pillars). The two pillars are Policy Advisory Services and Institutional Capacity achieved through the following strategic objectives: -

1. To foster an enabling environment for ICT development
2. To promote and institutionalize Research and Innovation in NCS
3. To attract and retain competent human capital
4. To enhance financial management
5. To promote and manage an efficient supply chain management process
6. To entrench corporate governance
7. To integrate IT in NCS operations

NCS developed Annual Work Plans based on the above pillars and strategic objectives. Assessment of the Management's performance against its Annual Work Plan was done on a quarterly basis and achievement was as indicated in the diagram below:-

The workplan formed targets for the performance contract while all the activities were cascaded to departmental and individual performance appraisal targets.

<b>Strategic Pillar / Key Result Area (KRA)</b>	<b>Objectives</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
<b>Policy Advisory Services</b>	To promote and institutionalize Research and Innovation in NCS	ICT Sector Policy Advisories	Prepare Advisories through consultative process	Various Advisory reports touching on different thematic topics.
	To facilitate the Implementation of international best practices in ICT policy development/ review	ICT Policies, and Strategies	Prepare Draft ICT Policies, Bills, Regulations and strategies	<ol style="list-style-type: none"> <li>1. National Communications Policy</li> <li>2. E-Commerce strategy</li> <li>3. Film Policy</li> <li>4. Public Relations and Communication Management Policy</li> <li>5. National Addressing System of Kenya Policy</li> </ol>

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

				6 Access to Information Policy
		Bills and Regulations	Prepare Draft Bills and Regulations	<ol style="list-style-type: none"> <li>1. Kenya Information and Communication (amendment) Bill</li> <li>2. Sixteen (16) Kenya Information and Communication Regulations</li> <li>3. National Addressing System of Kenya Bill</li> <li>4 Film Bill</li> <li>5 Public Relations and Communication Management Bill</li> <li>6. Konza Technopolis Development Authority Bill</li> <li>7 Information and Communication Technology Authority Bill</li> <li>8. Access to Information Bill</li> </ol>
		Cabinet Memorandums	Prepare draft Cabinet Memorandums	<ol style="list-style-type: none"> <li>1. Kenya Broadcasting Corporation Transformation Strategy</li> <li>2 Postal Corporation of Kenya Transformation Strategy</li> <li>3. Konza Technopolis Development Authority Cabinet Memorandum</li> </ol>
		Country Position Papers	Prepare Country Position Papers	<ol style="list-style-type: none"> <li>1 World Radio Communication Conference (WRC) 2023</li> <li>2. ITU-T study group 11</li> <li>3. ITU-T/TSAG Meeting</li> <li>4 ITU-D study Group I</li> </ol>

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

				<ul style="list-style-type: none"> <li>5. ICANN Annual General Meeting</li> <li>6. UPU Council of Administration and Postal Operators Council (POC)</li> </ul>
	To facilitate various National initiatives towards fostering an enabling environment for digitization of the Kenyan Economy	Reports	Prepare various Reports on National Initiatives	<ul style="list-style-type: none"> <li>1. Contribution to presidential speeches on National Days</li> <li>2. Brief to Cabinet Secretary on various issues</li> <li>3. Briefs on Implementation of Bottom-up Economic Transformation Agenda Plan</li> </ul>
<b>Institutional Capacity</b>	To enhance institutional capacity to plan and manage NCS resources efficiently and effectively	Human Resource Policies, Guidelines and Manuals	Review and development of HR instruments	Instruments pending approval by Public Service Commission (PSC).
		Resourcing Plan	Recruit to fill vacant positions, continually train and develop staff	Filled the position of Communications Economic Expert
		Audit Charter and Policies and Procedures Manual	Development of Audit Charter and Policy and Procedures Manual	NCS Internal Audit Charter and NCS Internal Audit Policy and Procedures Manual developed
		Risk Management Framework	Development of Risk Management Framework	Draft NCS Risk Management Framework developed

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

		Internal Audit Report	Conduct department audits.	Department audits undertaken and Reports submitted
		Procurement Policies and Procedures Manual	Development of Procurement Policies and Procedures Manual	Procurement Policy and Procedures Manual approved.
		Approved Procurement Plan	Consolidation of departmental procurement plans for approval	Approved Procurement plan in place
		Automated Management System	Installation and integration of server and ERP	Installation and integration of Server completed. Implementation of ERP in progress.
		Approved Statutory Reports	Quarterly and Annual Reporting	100% compliance to statutory requirements on financial reporting

**6. Corporate Governance Statement**

The Secretariat remains committed to good corporate governance practises and business ethics.

NCS continues to uphold the pillars of transparency and disclosure, accountability, risk management, internal controls, ethical leadership and good corporate citizenship. These practices are at the core of the values and principles of Public Service as enshrined under Article 232 of the Constitution of Kenya, 2010 and in the Secretariat's own core values of: Integrity, Professionalism, Patriotism, Inclusivity, Collaboration and Innovation.

In exercising the pillars of risk management and internal controls, the NCS Management Team supported the audit function in the development of the NCS Internal Audit Policy and Procedures Manual; the Internal Audit Charter; and the Risk Management Framework. This has greatly improved the management efficiency of the Secretariat by highlighting processes within NCS that require improvement.

## **Annual Report and Financial Statements For the year ended June 30, 2023**

Furthermore, the Secretariat adheres to the International Public Sector Accounting Standards (IPSAS) as required by the Public Sector Accounting Standards Board (PSASB) who have the legal mandate to guide financial reporting in the public sector through The National Treasury. We continue to remain compliant and always ensure the timely submission of our Annual Financial Reports to The National Treasury, in accordance with the requirements of Section 81 of the Public Finance Management Act, 2012.

In order to ensure our transparency, accountability and disclosure, the Secretariat publishes and uploads, the Audited Annual Financial Reports on the NCS website to allow all of the organisation's stakeholders to access information.

NCS also adheres to the Public Service Code of Conduct and Ethics (2016) and is passionate about ethical leadership and supporting staff to enable them to grow professionally. This is why the Secretariat will continue to support its professional staff in maintaining good standing with their respective professional bodies' codes of conduct, and why NCS encourages training and development of skills.

Further, the Secretariat reviewed its Human Resource Instruments and will continue to build the capacity of its staff in the diverse fields in order to ensure that best practice advice is provided and appropriate standards in service delivery is upheld. The Secretariat has embarked on the process of implementing an ERP in order to be more efficient in-service delivery.

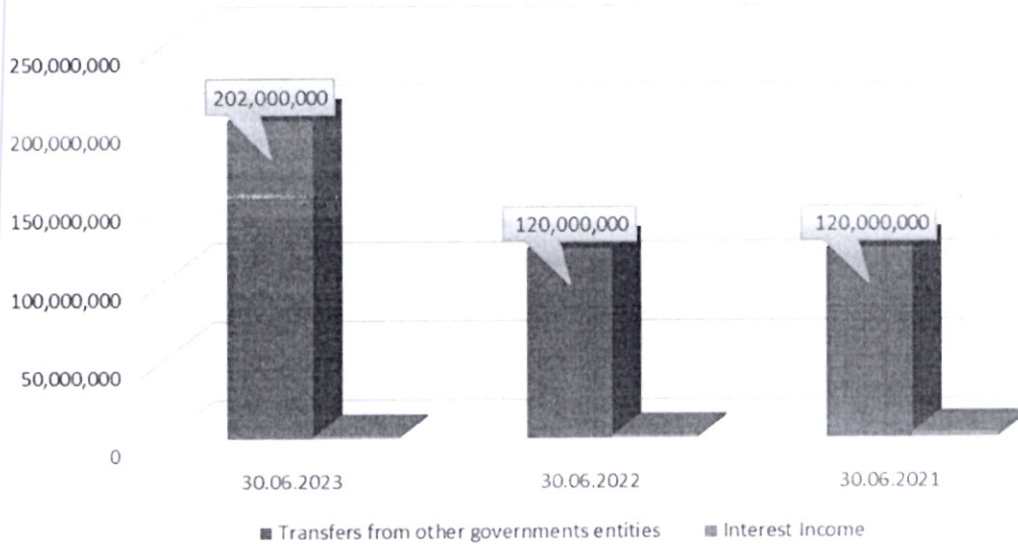
### **7. Management Discussion and Analysis**

The Approved Budget for NCS for the year under review was KShs.212 Million. However, the MICDE remitted only KShs.160 million as at 30.06.2023, KShs.10 Million being funds for utilisation by the Communications and Multimedia Appeals Tribunal (CAMAT). On 3.07.2023 the MICDE remitted to NCS KShs.52 Million as outstanding budgetary allocation for NCS for the Financial Year 2022/23. In total, the MICDE remitted KShs.212 Million to NCS, however, only KShs.202 Million of the remitted amount was towards NCS budget, causing a shortfall of KShs.10 Million from the Approved Budget amount of KShs.212M.

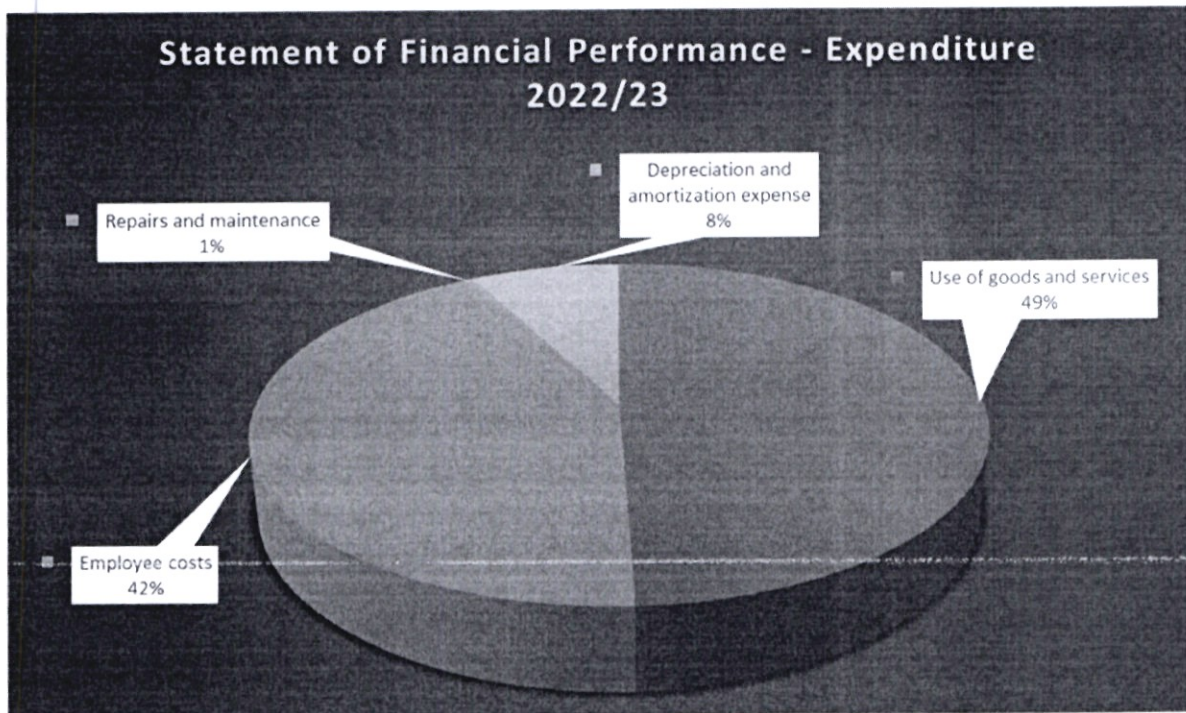
The graph below shows a three-year analysis of the Government grants received by NCS. It indicates that there has been an increase in the grants received in the Financial Year 2022/23 compared to the two previous years.

Annual Report and Financial Statements  
For the year ended June 30, 2023

Statement of Financial Performance -3-year Budget Comparison



The pie chart below shows that use of goods and services consumed the larger part of the budget followed by employee costs, depreciation and amortization expense, and repairs & maintenance being the least consumer of the budget for the financial year under review.



## Annual Report and Financial Statements For the year ended June 30, 2023

### Operational Activities

#### (i) Enterprise Resource Planning (ERP) System

The Secretariat's adoption of ICT aims to enhance service delivery and realign with the Government adoption of ICT. In the previous year, the Secretariat procured an ERP Software System for improved access to timely and accurate information. Towards this end, the Secretariat embarked on the implementation of the ERP software in the year under review.

The ERP implementation comprised six phases: Planning, Design, Development, Testing, Deployment, and Maintenance.

#### Phase 1: Planning

The organization established a Contract Implementation Committee, defined the project scope, budget, and timeline, and identified key functions, including HR, Finance, and Supply Chain Management.

#### Phase 2: Design

The organization configured Sage 300 ERP to align with its specific needs, defined the system architecture, aligned business processes with the system, and developed customizations and integrations based on departmental requirements.

#### Phase 3: Development

The organization modified the ERP software to meet its specifications and ensured its integration capability with other software systems.

#### Phase 4: Testing

Comprehensive testing, including unit testing, integration testing, and user acceptance testing (UAT), was conducted to ensure compliance with project requirements.

#### Phase 5: Deployment

During the deployment phase, the team installed the Sage 300 ERP software and migrated data as requested by the key departments to the new system. The key department were trained over a scheduled period to ensure understanding of the system. The ERP system was scheduled to go live immediately after the UAT was carried out and the license issued.

#### Phase 6: Maintenance

The organization successfully installed Sage 300 ERP, migrated data according to departmental requirements, conducted departmental training for system comprehension, and scheduled the ERP system go-live after completing UAT and obtaining the necessary licensing.



## Annual Report and Financial Statements For the year ended June 30, 2023

### (ii) NCS Strategic Plan 2021/2025

The current Strategic Plan covers the period 2020 to 2024. The Secretariat initiated the process of reviewing Strategic Plan in line with the government planning period (2022-2027) and to incorporate the BETA plan. All Heads of Departments are required to review their relevant sections in line with the State Department for Economic Planning and Development guidelines of the 5<sup>th</sup> generation Strategic Plans for Kenya Vision 2030.

This Plan serves as the roadmap for NCS activities for a five-year duration. The Plan identifies the measures of success that will support the delivery of the Secretariat's mandate. Further, the Plan identifies strategic objectives, assesses Secretariat's strengths, weaknesses, threats, and opportunities, culminating into a series of strategic objectives and detailed activities that will help in realizing the vision and achieving the strategic goals. Upon completion of the Plan, each Department developed workplans based on the KRA and Strategic Objectives of the Plan. The work plans were reviewed, and the status of deliverables were reported in order to project future budgets and work for the next Financial Year. Currently the Secretariat is finalizing the development of various policy and legal framework that include:

**The Public Relations and Communication Management Policy and Bill:** The Policy will guide development and management of Public Relations and Communication Management professionals practicing in Kenya. Currently there is no legal framework governing the profession. The Policy and the Bill proposes to establishment of the Institute of Public Relations and Communication Management establishment of the Public Relations and Communication Management Professionals Examinations Board, Establishment of a Registration Committee to deal with applications for registration as a Public Relations and Communication Management professionals and grant of practicing certificates under the Act and Establishment of a Disciplinary and Ethics Committee under the Act.

**The National Addressing Systems Policy and Bill:** The Policy aims to establish standards for naming roadways, posting street signs and assigning numbers to all land parcels, dwellings, principal buildings, businesses and industries in Kenya. The policy also proposes to develop digital maps and appropriate post-codes, provide structured information, clear and simple determination of an object and identifications and location. This will form the foundation for a thriving e-commerce ecosystem and enhances economic and social rights in Kenya as prescribed in the Constitution of Kenya 2010.

**The Access to Information Policy and Legal Frameworks:** The policy aims create an informed and empowered Kenyan society through facilitating equitable and secure access to information held by public and private entities through effective legislative and institutional frameworks. The goal of this policy is to promote the Right of Access to Information with major objectives to facilitate the promotion, protection, fulfillment and the realization of the right of access to information; provide a framework for the engagement and participation of stakeholders towards the realization of the right

## Annual Report and Financial Statements For the year ended June 30, 2023

of access to information; provide for the access, redress and oversight mechanisms and other avenues in the advancement of the right of Access to Information; and promote the protection of other fundamental human rights and address emerging issues while advancing Access to Information.



**Multisectoral Committee on Development of Access to Information Policy during a Retreat in Machakos County**

### **8. Environmental and Sustainability Reporting**

NCS provides quality policy advisory services that fosters an enabling environment for ICT development. The core values of NCS are Integrity, Professionalism, Patriotism, Inclusivity, Collaboration and Innovation. NCS therefore, endeavours to develop environmental responsible policies to shield Kenya from the negative impact of an expanding ICT ecosystem and to promote the positive benefits of ICT. Below is the outline of NCS's activities that promote sustainability.

#### **i) Sustainability Strategy and Profile**

Sustainability is entrenched in our Strategic Pillars. To ensure sustainable development and growth, NCS is committed to uphold Environmental, Social and Governance Standards, as well as, good professional practises, that exceed the applicable legal and regulatory requirements. To this end, NCS has adopted all reasonable and practical measures to establish Environmental, Social and Governance objectives and targets, measure progress and report its performance in a bid to accelerate the achievement of the Sustainable Development Goals.

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

**ii) Environmental Performance**

In executing its mandate, the Secretariat ensures that all the advisories address issues of environmental sustainability where applicable. For instance, NCS was involved in the development of the Draft Kenya Film Policy 2021 which advocates for the protection of the environment in which filming activities take place. Similarly, NCS was involved in the development of the draft NASK Policy which provides for spurring economic growth and human development through environmental accountability.

Internally, the Secretariat is enhancing its environmental performance by putting in place measures to automate lighting and processes, as well as reduce misuse of paper through unnecessary printing. In addition, the Secretariat has instituted waste management measures such as separating paper from other waste.

NCS has adopted 2.9 hectares within Kakamega Forest as part of the Government's 10 percent national tree cover on restoration and conservation of forests for environmental protection and climate mitigation. Continuous monitoring of the trees and further expansion of their coverage will be undertaken based on the current undertaking.



*Photo of the area on which NCS planted trees at Kakamega Forest*

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



*Photo of the Ag. Communications Secretary planting a tree*

**iii) Employee Welfare**

To promote safety and health for its staff and their dependents, NCS has made a budgetary provision to cover Personal Protective Equipment. The Secretariat continues to disseminate information on health and safety to its staff. NCS is compliant with the Work Injury Benefit Act (WIBA) 2007 and also provides medical insurance cover that includes basic health checks on overall wellbeing.

NCS has finalised the development of the HR Instruments that will incorporate and guide the hiring process. The manual incorporates the policy on safety and compliance with Occupational Safety and Health Act (OSHA) 2007.

**iv) Marketplace Practices**

NCS adheres to the legal requirement for the Access to Government Procurement Opportunities (AGPO) program founded on Article 227(2) of the Constitution of Kenya, 2010, Section 155 and 157 of the Public Procurement and Assets Disposal Act 2015 and Regulation 2020. The aim of the program is to facilitate youth, women and persons with disability participate in procurement opportunities. This was made possible by allocating 30% (Ksh.14.5 million) of our budget to the program.

## **Annual Report and Financial Statements For the year ended June 30, 2023**

### **a) Responsible Competition Practice**

NCS ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors by practising equality and justice for everyone.

### **b) Responsible Supply Chain and Supplier Relations**

NCS adheres to Public Procurement objective of a process that is fair, equitable, transparent, competitive, and cost-effective as outlined in Article 227 of the Constitution of Kenya, 2010 and the Public Procurement and Asset Disposal Act 2015.

### **c) Responsible Marketing and Advertisement**

Social media is quickly becoming one of the main communication tools of the digital age. It is not only a great tool for individuals but also for organizations and brands. NCS has explored and considered using social media platforms like Twitter and LinkedIn in pursuit of responsible marketing and advertisement.

### **d) Product Stewardship**

NCS works with the approved frameworks to ensure good stewardship.

### **v) Corporate Social Responsibility / Community Engagements**

NCS has institutionalized its focus on Corporate Social Responsibility (CSR) by planning and budgeting for programmes that are geared towards improving the lives of the larger society through community engagement.

### **Kakamega Forest**

His Excellency the President launched the National Tree Growing Restoration Campaign on the 21<sup>st</sup> December 2022. This campaign targets the planting of at least 15 million trees by the year 2032 with the benchmark being 30 trees per individual per year. The Secretariat has been planting trees at the Kakamega forest Iloro and Kisaina blocks since 2019, using a mix of various indigenous trees in an allocated area of 2 hectares. A report from Kakamega Forest Station on the status of the trees planted in Kisaina block indicated that the survival rate of the trees planted had reduced due to various reasons including recolonization by guavas and illegal grazing of animals among others. Consequently, it was recommended that the Secretariat adopt an additional hectare in a section of Iloro block in Kakamega forest. This time there was community involvement in securing the trees and due to proper maintenance and despite a continued drought the survival rate was 60%. The initiative had representation from NCS staff, Kenya Forest Service, County Forester, the Regional Coordinator, Kakamega County and the locals represented either individually or through the Community Based

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

Organizations. In the year under review, NCS planted various indigenous trees totaling one thousand five hundred (1,500).

NCS will ensure that the trees are well maintained through community involvement in planting short term crops while they care for the trees and keep the grounds away from grazing and vandalism. It was agreed that NCS will be conducting quarterly monitoring maintenance sending an officer to Kakamega Forest on quarterly basis to monitor the growth of the trees and update on other requirements.



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



## Annual Report and Financial Statements For the year ended June 30, 2023

### Kaptagat Forest

In partnership with other key stakeholders, the Ministry of Environment and Forestry has over the last six years undertaken annual forest conservation activities. Among the partners the Ministry has been working closely with are: NETFUND, KFS, WWF-Kenya, County Governments of Elgeyo Marakwet and Uasin Gishu, Community Forest Associations (CFAs) and private sector. Deliberate forest conservation activities have been motivated by the need to pursue sustainable development and environmental protection. The focal point of this noble undertaking has been the Kaptagat Integrated Conservation Programme.

In the year under review, NCS supported 7<sup>th</sup> Edition of the Kaptagat Integrated Conservation Programme for the purchasing, growing and maintenance of 2000 tree seedlings. This support contributes to the programme's goal to rehabilitate 400Ha within Kessup, Sabor, Kaptagat, Pennon and Kipkabus forest blocks.





## Annual Report and Financial Statements For the year ended June 30, 2023

### 1. Report of the Management Team

The Management team submits its report together with Financial Statements for the year ended June 30<sup>th</sup>, 2023 which shows the state of the National Communication Secretariat's affairs.

#### i) Principal Activities

The principal mandate of the Secretariat is defined in the KICA, 1998, Section 84(2) as to advise the Government on adoption of a Communication policy which:

1. Promotes the benefits of technological development to all users of postal and telecommunication facilities;
2. Fosters national security, economic prosperity and the delivery of critical social services through posts and telecommunications;
3. Facilitates and contributes to the full development of competition and efficiency in the provision of services both within and outside Kenya; and
4. Fosters full and efficient use of telecommunication resources including effective use of radio spectrum by the Government in a manner which encourages the most beneficial use thereof in the public interest.

#### ii) Results

The results of the Secretariat for the year ended June 30<sup>th</sup>, 2023 are as set out from page 1 to page 8.

#### iii) Management Team

The Management Team who served during the year are shown on page vii to page xii. During the year in review two managers were seconded from the Ministry of Information Communications and the Digital Economy.

#### iv) Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, Regulatory entities shall remit into the Consolidated Fund, ninety per centum (90%) of its surplus funds reported in the Audited Financial Statements after the end of each financial year.

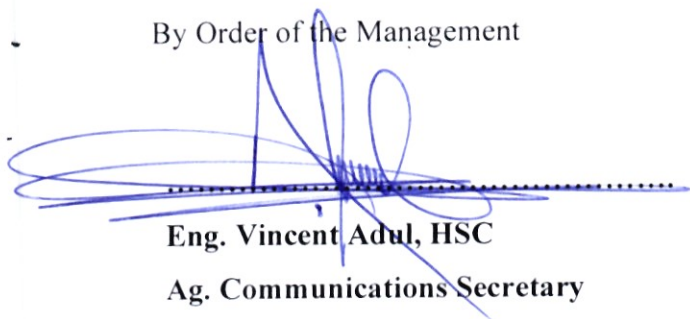
NCS is a non-commercial statutory institution which depends on government grants for all of its operations. Although a surplus was reported in the Audited Financial Statements, the Secretariat did not remit ninety per centum (90%) to the Consolidated Fund because it was committed to fund the medical insurance of staff due in August, 2023 and payment to suppliers of assets that had been procured but not yet paid by 30.06.2023.

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

**v) Auditors**

The Auditor General is responsible for the statutory audit of NCS in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Management



**Eng. Vincent Adul, HSC**  
**Ag. Communications Secretary**

## Annual Report and Financial Statements For the year ended June 30, 2023

### 9. Statement of Accounting Officer Responsibilities

Section 81 of the PFM Act, 2012 and Section 14 of the State Corporations Act, require the Accounting Officer to prepare Financial Statements in respect of NCS, which give a true and fair view of the state of affairs of NCS at the end of the Financial Year and the operating results of NCS for that year. The Accounting Officer is also required to ensure that NCS keeps proper accounting records which disclose with reasonable accuracy the financial position of NCS. The Accounting Officer is also responsible for safeguarding the assets of NCS.

The Management Team is responsible for the preparation and presentation of the Secretariat's Financial Statements, which give a true and fair view of the state of affairs of the Secretariat for and as at the end of the Financial Year ended on 30<sup>th</sup> June, 2023. This responsibility includes:

- Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of NCS;
- 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;
- Safeguarding the assets of the Secretariat;
- Selecting and applying appropriate accounting policies; and
- Making accounting estimates that are reasonable in the circumstances.

The Management Team accepts responsibility for the Secretariat's Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IPSAS, and in the manner required by the PFM Act and the State Corporations Act.

The Management team is of the opinion that the Secretariat's Financial Statements give a true and fair view of the state of NCS transactions during the Financial Year ended 30<sup>th</sup> June, 2023, and of the Secretariat's financial position as at that date. The Management Team further confirms the completeness of the accounting records maintained for the Secretariat, which have been relied upon in the preparation of the Secretariat's Financial Statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Management Team to indicate that the Secretariat will not remain a going concern for at least the next twelve months from the date of this Statement.



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

**Approval of the Financial Statements**

The Secretariat's Financial Statements were approved by the Management on 21<sup>st</sup> September 2023 and signed on its behalf by:

**Eng. Vincent Adul, HSC  
Ag. Communications Secretary/CEO  
National Communications Secretariat**

Date: ...21<sup>st</sup> September 2023.....

**Edward Waswa Kisiang'ani, Ph.D, CBS  
Principal Secretary, State Department  
for Broadcasting and Telecommunication  
Ministry of Information Communication and  
The Digital Economy**

Date: .....

21/9/2023

# 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 COMMUNICATION SECRETARIAT FOR THE YEAR ENDED 30 JUNE, 2023**

---

### **PREAMBLE**

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**

#### **Qualified Opinion**

I have audited the accompanying financial statements of National Communication Secretariat set out on pages 1 to 35, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Communication Secretariat as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Non-Disposal of Unserviceable Motor Vehicle**

The statement of financial position reflects property, plant and equipment balance of Kshs.43,625,212 as disclosed in Note 14 to the financial statements. However, the review of the balance revealed that one motor vehicle which was fully depreciated and declared for disposal was still included in the asset register at Kshs.Nil value. No explanation was given for the delay in the disposal.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.43,625,212 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the National Communication Secretariat 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 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 qualified opinion.

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final budget and actual revenues on comparable basis totalling Kshs.238,408,887 and Kshs.196,408,887, respectively, resulting to an underfunding of Kshs.42,000,000, or 18% of the final budget. Similarly, the Secretariat expended an amount of Kshs.145,022,450 against an approved budget of Kshs.223,474,073 resulting to an under-expenditure of Kshs.78,451,623 or 35% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, 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 the International Standards for Supreme Audit Institutions (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 comply, 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 THE 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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **Lack of a Constituted Board of Directors**

During the year under review, the Secretariat operated without a Board of Directors to oversee the overall strategy direction and approve significant policies. As a result, there was lack of vetting and appointment of a substantive Chief Executive Officer responsible for the day to day operations, appointment of Corporation Secretary to provide guidance on matters of governance among other roles and functions of the Board.

In the circumstances, the effectiveness of governance system of the Secretariat could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 these financial statements in accordance with International Public Sector Accounting Standards (Accruals 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 governance.

In preparing the financial statements, Management is responsible for assessing the Secretariat's ability to continue to sustain its 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 Secretariat 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 way.

Those charged with governance are responsible for overseeing the Secretariat'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 overall 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 controls 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 Secretariat'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 Secretariat 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 revenue 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 Secretariat 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

01 March, 2024

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

**1. Statement of Financial Performance for the year ended 30 June 2023**

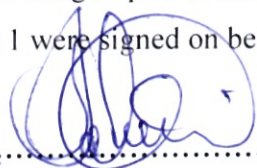
	Notes	2022-2023	2021-2022
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Transfers from other governments entities	6	202,000,000	120,000,000
		<b>202,000,000</b>	<b>120,000,000</b>
<b>Revenue from exchange transactions</b>			
Interest Income	7	1,395,771	1,596,446
<b>Total revenue</b>		<b>203,395,771</b>	<b>121,596,446</b>
<b>Expenses</b>			
Use of goods and services	8	77,349,110	96,604,024
Employee costs	9	66,947,695	64,244,868
Depreciation and amortization expense	10	12,174,584	12,624,601
Repairs and maintenance	11	725,700	1,384,012
<b>Total expenses</b>		<b>157,197,089</b>	<b>174,857,505</b>
<b>Net surplus/deficit for the year</b>		<b>46,198,682</b>	<b>(53,261,059)</b>

The notes set out on pages 9 to 32 form an integral part of these Financial Statements.


The Financial Statements set out on page I were signed on behalf of the management by:



Eng. Vincent Adul, HSC  
Ag. Communication Secretary  
National Communication  
Secretariat



CPA Nelly Nandwa  
ICPAK M. No. 13491  
Head Finance & Accounting  
National Communication  
Secretariat



Edward Waswa. Kisiang'ani,  
Ph.D, CBS  
Principal Secretary  
State Department for  
Broadcasting and  
Telecommunications  
Min. of Information  
Communications and the  
Digital Economy

Date: ...21<sup>st</sup> September 2023

Date: ...21<sup>st</sup> September 2023

Date: 21.09.2023


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

**2. Statement of Financial Position as at 30 June 2023**

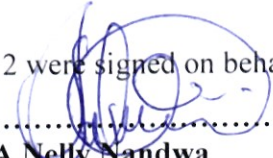
	Notes	2022-2023	2021-2022
		KShs	KShs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	12	60,310,993	52,318,105
Receivables from Non-Exchange Transactions	13	52,440,094	1,182,087
<b>Total Current Assets</b>		<b>112,751,087</b>	<b>53,500,192</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	14	43,625,212	53,106,036
Computer Software (WIP)	14(b)	6,236,160	0
<b>Total Non- Current Assets</b>		<b>49,861,372</b>	<b>53,106,036</b>
<b>Total Assets</b>		<b>162,612,459</b>	<b>106,606,228</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	15	1,291,099	1,493,850
Deferred Income	15(b)	10,023,747	10,000,000
Current Provisions	16	13,470,263	8,981,699
<b>Total Current Liabilities</b>		<b>24,785,109</b>	<b>20,475,549</b>
<b>Non-Current Liabilities</b>			
Non - Current Provisions	17	5,497,989	-
<b>Total Non - Current Liabilities</b>		<b>5,497,989</b>	<b>-</b>
<b>Total Liabilities</b>		<b>30,283,098</b>	<b>20,475,549</b>
<b>Net Assets</b>		<b>132,329,361</b>	<b>86,130,679</b>
<b>Capital and Reserves</b>			
Reserves	18	2,487,000	2,487,000
Capital Fund	18(a)	8,382,221	8,382,221
Accumulated Surplus	18(b)	121,460,140	75,261,458
<b>Total Capital and Reserves</b>		<b>132,329,361</b>	<b>86,130,679</b>

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

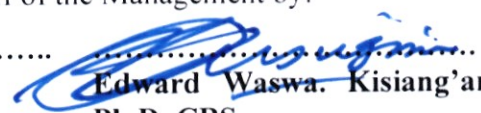
The financial statements set out on page 2 were signed on behalf of the Management by:

  
.....  
Eng. Vincent Adul, HSC  
Ag. Communications Secretary

National Communication  
Secretariat

  
.....  
CPA Nelly Nandwa  
ICPAK M. No. 13491

Head Finance & Accounting  
National Communication  
Secretariat

  
.....  
Edward Waswa. Kisiang'ani  
Ph.D, CBS

Principal Secretary  
State Department for  
Broadcasting and  
Telecommunications  
Min. of Information  
Communications and the  
Digital Economy.

Date: ...21<sup>st</sup> September 2023

Date: ...21<sup>st</sup> September 2023

Date: ..... 21.9.2023

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

**3. Statement of Changes in Net Assets for the year ended 30 June 2023**

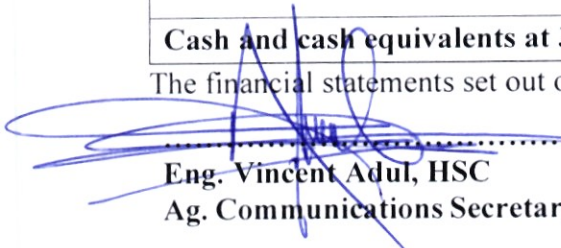
	<b>Revaluation reserve</b>	<b>Accumulated Reserves</b>	<b>Capital Replacement Reserve</b>	<b>Total</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>As at July 1, 2021</b>	<b>2,487,000</b>	<b>128,522,517</b>	<b>8,382,221</b>	<b>139,391,738</b>
Deficit for the year	-	(53,261,059)	-	53,261,059
<b>As at June 30, 2022</b>	<b>2,487,000</b>	<b>75,261,458</b>	<b>8,382,221</b>	<b>86,130,679</b>
<b>As at July 1, 2022</b>	<b>2,487,000</b>	<b>75,261,458</b>	<b>8,382,221</b>	<b>86,130,679</b>
Surplus for the year	-	46,198,682	-	46,198,682
<b>As at June 30, 2023</b>	<b>2,487,000</b>	<b>121,460,140</b>	<b>8,382,221</b>	<b>132,329,361</b>

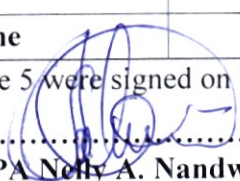
**Annual Report and Financial Statements  
For the year ended June 30, 2023**

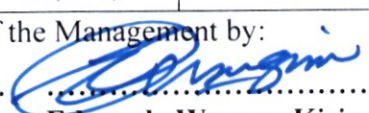
**4. Statement of Cash Flows for the year ended 30 June 2023**

		2022-23	2021-22
	Notes	KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other governments entities	6b	160,000,000	130,000,000
Interest income	7	1,395,771	1,596,446
<b>Total receipts</b>		<b>161,395,771</b>	<b>131,596,446</b>
<b>Payments</b>			
Use of goods and services	8(b)	77,034,626	103,696,660
Employee costs	9(b)	56,736,384	64,322,377
Repairs and maintenance	11	725,700	1,384,012
Other Payments	15(b)	9,976,253	0
<b>Total payments</b>		<b>144,472,963</b>	<b>169,403,049</b>
<b>Net cash flows from/(used in) operating activities</b>		<b>16,922,808</b>	<b>(37,806,603)</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE and Intangible assets	14	(4,252,800)	(16,705,444)
Intangible Assets-WIP	14(b)	(4,677,120)	0
Gratuity Paid		-	(9,209,893)
<b>Net cash flows from/(used in) investing activities</b>		<b>(8,929,920)</b>	<b>(25,915,337)</b>
<b>Net increase/(decrease) in cash &amp; Cash equivalents</b>		<b>7,992,888</b>	<b>(63,721,940)</b>
Cash and cash equivalents at 1 July		52,318,105	116,040,045
<b>Cash and cash equivalents at 30 June</b>		<b>60,310,993</b>	<b>52,318,105</b>

The financial statements set out on page 5 were signed on behalf of the Management by:

  
Eng. Vincent Adul, HSC  
Ag. Communications Secretary

  
CPA Nelly A. Nandwa  
ICPAK M. No. 13491  
Head Finance & Accounting

  
Edward Waswa Kisiang'ani,  
Ph.D, CBS Principal  
Secretary, State Department  
for Broadcasting and  
Telecommunications  
Min. of Information,  
Communications and the  
Digital Economy

Date: 21/09/2023

Date: 21/09/2023

Date: 21.09.2023

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

**5. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023**

	<b>Original budget</b>	<b>Adjustments</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>	<b>% of utilization</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
	<b>A</b>	<b>b</b>	<b>C=(a+b)</b>	<b>d</b>	<b>e=(c-d)</b>	<b>f=d/c*100</b>
<b>Revenue</b>						
GoK Grants	212,000,000	-10,000,000	202,000,000	160,000,000	42,000,000	79
Interest Income	-	1,395,771	1,395,771	1,395,771	-	100
Bal. B/F	25,013,116	10,000,000	35,013,116	35,013,116	-	100
<b>Total Income</b>	<b>237,013,116</b>		<b>238,408,887</b>	<b>196,408,887</b>	<b>42,000,000</b>	<b>82</b>
<b>Expenses</b>						
Use of Goods and Services	143,331,979	1,395,771	144,727,750	77,349,110	67,378,640	77.08
Employee costs	77,100,000	-	77,100,000	66,947,640	10,152,360	73.51
Repairs and Maintenance	1,646,323		1,646,323	725,700	920,623	44.08
<b>Total Expenditure</b>	<b>222,078,302</b>		<b>223,474,073</b>	<b>145,022,450</b>	<b>78,451,623</b>	<b>65</b>
<b>Surplus for the period</b>				<b>42,457,067</b>		
<b>Capital Expenditure</b>	<b>14,934,814</b>	-	<b>14,934,814</b>	<b>8,929,370</b>	<b>6,004,894</b>	<b>60s%</b>



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

**Comments on significant underutilization (Below 90%) of utilization and any overutilization (IPSAS 24.14)**

**\*Income -Transfers from Other Govt Entities (79%< 90%)**

- Ksh.10 million transferred to NCS was for CAMAT's utilisation
- 26% of the approved budget for 2022/23 was remitted to NCS on 3<sup>rd</sup> July 2023

**\* Use of Goods and Services (77% < 90%)**

- The financial year came to an end before the ERP final phase was complete
- 26% of the approved budget for 2022/23 was remitted to NCS on 3<sup>rd</sup> July 2023

**\* Employee Costs (73.51 < 90%)**

- 26 % of the approved budget for 2022/23 was remitted to NCS on 3<sup>rd</sup> July 2023

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

**6. Notes to the Financial Statements**

**1. General Information**

National Communication Secretariat (NCS) was established vide the Kenya Information and Communications Act, 1998, Section 84. The principal mandate of the Secretariat is to advise the Government on adoption of a communication policy.

NCS is wholly owned by the Government of Kenya and is domiciled in Kenya.

**2. Statement of Compliance and Basis of Preparation**

The Secretariat's Financial Statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The Financial Statements are presented in Kenya shillings, which is the functional and reporting currency of NCS. The accounting policies have been consistently applied to all the years presented.

The Financial Statements have been prepared on the basis of historical cost, except for the measurement at re-valued amounts of certain items of property, plant and equipment. The Cash Flow Statement is prepared using the indirect method. The Financial Statements are prepared on accrual basis. NCS also complies with PFM Act 2012, PFM Regulations 2015 and the Kenya Information and Communications Act of 1998.

**3. Adoption of New and Revised Standards**

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

IPSASB deferred the application date of standards from 1st January 2022 owing to COVID 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2023:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

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

Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>The National Communication Secretariat does not have financial instruments on record in the reporting period and has thus not applied the provision in the revised IPSAS 41.</i></p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity.</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ul> <p><i>The National Communication Secretariat does not operate an employee benefit or social security scheme as such the revision proposed in this amendment shall not impact on the position presented in the Financial Statement.</i></p>
<p>Amendments to Other IPSAS</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <ul style="list-style-type: none"> <li>(a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> </ul>

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

Standard	Effective date and impact:
<p>resulting from IPSAS 41, Financial Instruments</p>	<p>(b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>(c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>The National Communication Secretariat is fully financed by non-Exchange and own generated revenues. It does not currently have a borrowing facility and thus shall not be affected by the proposed amendments to the standard.</i></p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>
<p>IPSAS 43</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p>

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

Standard	Effective date and impact:
	<p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>The National Communication Secretariat does not have leases on record in the reporting period and thus shall not be affected by the proposed amendments to the standard.</i></p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>The National Communication Secretariat does not have assets held for sale and discontinued operations as such the revision proposed in this amendment shall not impact on the position presented in the Financial Statement.</i></p>

iii. *Early adoption of standards*

The NCS did not early – adopt any new or amended standards in year 2022/23.

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

**Notes to the Financial Statements (Continued)**

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to NCS and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

**ii) Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**b) Budget information**

The original budget for FY 2022-2023 was approved by the National Assembly on *1<sup>st</sup> July 2022*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by NCS upon receiving the respective approvals in order to conclude the final budget.

NCS's budget is prepared on a different basis to the actual income and expenditure disclosed in the Financial Statements. The Financial Statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the Financial Statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the Financial Statements are also made for differences in the formats and classification schemes adopted for the presentation of the Financial Statements and the Approved Budget.

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

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**c) Taxes**

National Communication Secretariat is a non-profit making semi-autonomous government agency and is thus not subjected to corporate tax.

There is thus no corporate taxation charge recorded in the statement of financial position for the financial year ended 30<sup>th</sup> June 2023.

***Sales tax***

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) Property, Plant and Equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, NCS recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation expense for the fixed assets is calculated on straight line basis and the applicable depreciation rates are as shown below:

- |                                    |          |
|------------------------------------|----------|
| • Motor Vehicle                    | -25%     |
| • Properties, Plant and Equipment  | - 25%    |
| • Furniture, Fixtures and fittings | - 12.5%  |
| • Computers and ICT Equipment      | - 30%    |
| • Computer Software                | - 33.33% |

## Annual Report and Financial Statements For the year ended June 30, 2023

### Notes to the Financial Statements (Continued)

#### Summary of Significant Accounting Policies (Continued)

##### e) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

##### f) Research and Development Costs

NCS expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when NCS can demonstrate:

- i. The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii. Its intention to complete and its ability to use or sell the asset
- iii. How the asset will generate future economic benefits or service potential
- iv. The availability of resources to complete the asset
- v. The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit. The Secretariat did not have any such costs nor associated development expenditure in the financial year under review.

##### g) Provisions

Provisions are recognized when NCS has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions were raised and management determined an estimate based on the information available. Provisions were made for audit fees and staff gratuity accrued for the year. The actual rates were used to calculate the actual rates for gratuity at 31% of the basic salary. Historical costs for the previous financial year was used to calculate the provision for audit fees. Provision for medical ex-gratia assistance was made based on claims received from staff and pending approval.



## Annual Report and Financial Statements For the year ended June 30, 2023

### Notes to the Financial Statements (Continued)

#### Summary of Significant Accounting Policies (Continued)

##### **h) Contingent Liabilities**

NCS does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

NCS has an outstanding contingent liability that materialised after the court ruled in favour of the staff and awarded damages in the court case, Petition No. ELRCPET/E085/2022: Nelly Awinja Nandwa Vs National Communication Secretariat.

##### **i) Contingent Assets**

NCS does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of NCS in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the Financial Statements of the period in which the change occurs.

##### **j) Nature and Purpose of Reserves**

National communication secretariat maintains reserves in terms of specific requirements.

###### **i. Revaluation Reserve**

NCS has three motor vehicles purchased in the financial year 2006/2007 that were revalued resulting in a gain on revaluation which is recognised in revaluation reserves in the books.

###### **ii. Capital Replacement Reserve**

This is the capital that was used to set up and establish NCS when it started operating independent of the parent ministry in the financial year 2005/2006, the reserve is set up to cater for the recognition of the capitalised expenses. There has been no increase in capital reserves from the initial one on establishment.

###### **iii. Accumulated Reserve**

This is the reserve that is formed up of the surpluses and deficits accumulated over the years that NCS has been in operation.

## Annual Report and Financial Statements For the year ended June 30, 2023

### Notes to the Financial Statements (Continued)

#### Summary of Significant Accounting Policies (Continued)

##### k) Changes in Accounting Policies and Estimates

National Communication Secretariat recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

##### l) Employee Benefits

###### Retirement Benefit Plans

National Communication Secretariat provides retirement benefits for its employees under defined contribution plans with the National Social Security Fund. In addition, the Secretariat operates a gratuity fund for its employees. The applicable rate is 31% of basic salary and accrued over a period of three years.

##### m) Related Parties

National Communication Secretariat regards a related party as a person or an NCS with the ability to exert control individually or jointly, or to exercise significant influence over NCS, or vice versa. Members of key management are regarded as related parties and comprise the Communications Secretary, the Experts and the Head of Departments.

##### n) 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

##### o) Comparative Figures

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

##### p) 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 June 30, 2023.

## Annual Report and Financial Statements For the year ended June 30, 2023

### Notes to the Financial Statements (Continued)

#### Summary of Significant Accounting Policies (Continued)

##### 5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of National Communication Secretariat Financial Statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. National Communication Secretariat based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the NCS. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

#### Useful Lives and Residual Value

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by NCS.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions were made for audit fees and staff gratuity accrued for the year. The actual rates were used to calculate the actual rates for gratuity at 31% of the basic salary. Historical costs for the previous financial year was used to calculate the provision for audit fees. Provision for medical ex-gratia assistance was made based on claims received from staff and pending approval.

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

**Notes to the Financial Statements (Continued)**

**6. Transfers from State Department for Broadcasting & Telecommunication**

Description	2022-2023	2021-2022
	KShs	KShs
<b>Unconditional Grants</b>		
Operational Grant	202,000,000	120,000,000
<b>Total Unconditional Grants</b>	202,000,000	<b>120,000,000</b>
<b>Total Government Grants and Subsidies</b>	<b>202,000,000</b>	<b>120,000,000</b>

Funding from Communications Authority of Kenya (CA) as per KICA Sec.19(f) to cover operational costs of NCS to enable NCS carry out its mandate in accordance with KICA Sec.84.

**b) Transfers from Ministries, Departments and Agencies (MDAs)**

Name of the Entity Sending The Grant	Amount recognized to Statement of Financial performance	Government Transfers for CAMAT	Amount recognised in capital fund.	Total transfers 2022-23	Prior year 2021-2022
	KShs	KShs	KShs	KShs	KShs
State Department for Broadcasting and Telecommunications	202,000,000	10,000,000	0.00	212,000,000	120,000,000
<b>Total</b>	<b>202,000,000</b>	<b>10,000,000</b>	<b>0.00</b>	<b>212,000,000</b>	<b>120,000,000</b>

**7. Other Income**

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Income	1,395,771	1,596,446
<b>Total other income</b>	<b>1,395,771</b>	<b>1,596,446</b>

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

**Notes to the Financial Statements (Continued)**

**8. Use of Goods and Services**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Travelling - Local	690,035	442,301
External Travel Costs and Air Tickets	35,810,428	23,122,208
Training	7,467,783	6,830,952
Stakeholder's Conference	20,634,031	47,628,116
CSR	1,311,272	1,428,935
Covid-19 Related Expenses	-	1,373,900
Hospitality	613,121	577,655
General Office Supplies	536,800	1,182,775
Computer Accessories & Others	89,300	371,136
Bank Charges	362,994	415,413
Telephone, Postage and Internet	1,327,620	1,715,014
Printing and Stationery	634,659	2,504,110
ICT Research	387,870	1,415,411
Newspapers, Books and Magazines	319,549	347,952
Audit Fees	139,200	139,200
Staff Welfare	703,450	0
Monitoring and Evaluation	293,748	835,000
ERP Software	937,870	0
Advertising	606,160	1,229,975
Cleaning	1,574,705	1,487,353
Motor Vehicle Running Expenses	1,850,195	1,078,458
Corporate Branding	1,045,320	741,160
Asset Tagging	-	1,735,000
Other General Expenses	13,000	2,000
<b>Total General Expenses</b>	<b>77,349,110</b>	<b>96,604,024</b>

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

**Notes to the Financial Statements (Continued)**

**8 (b) General Expenses Cash Flows**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
<b>General Expenses</b>	77,349,110	96,604,024
Audit Fees Provision	139,200	139,200
Adjustment for Prepaid Expenses	(656,435)	-
Adjustment for Accrued Expenses	202,751	6,953,436
<b>Cashflows</b>	<b>77,034,626</b>	<b>103,696,660</b>

**9. Employee Costs**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>KShs</b>	<b>KShs</b>
Salaries and wages	45,898,988	48,470,917
Employer contribution to health insurance schemes	12,000,000	7,354,418
Employer contribution to pension schemes	238,680	246,240
Leave Allowance	404,000	412,000
Club Membership	61,460	61,460
Gratuity	8,344,567	7,638,083
Other employee related costs	0	61,750
<b>Employee costs</b>	<b>66,947,695</b>	<b>64,244,868</b>

**9 b) Employee Costs Cash Flow**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
<b>Employee Costs</b>	66,947,695	64,244,868
<b>Less advances at start</b>	(420,232)	77,510
<b>Add advances at end</b>	334,674	0
<b>Less provision for medical</b>	(3,601,246)	0
<b>less Gratuity provision for the year</b>	(9,729,817)	0
<b>Add Gratuity paid</b>	3,205,310	0
<b>Cash flows</b>	<b>56,736,384</b>	<b>64,322,378</b>

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

**Notes to the Financial Statements (Continued)**

**10. Depreciation and Amortization Expense**

<b>Description</b>	<b>2022-23</b>	<b>2021-2022</b>
	<b>KShs</b>	<b>KShs</b>
Property, plant and equipment	12,174,584	12,624,601
<b>Total depreciation and amortization</b>	<b>12,174,584</b>	<b>12,624,601</b>

**11. Repairs and Maintenance**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>KShs</b>	<b>KShs</b>
Equipment	78,400	142,440
Computer Software	449,300	266,985
Furniture and Fittings	198,000	85,100
Others	0	889,487
<b>Total Repairs and Maintenance</b>	<b>725,700</b>	<b>1,384,012</b>

**12. Cash and Cash Equivalents**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>KShs</b>	<b>KShs</b>
Current Account	32,091,549	35,013,116
Savings Account	28,219,444	17,304,989
<b>Total Cash and Cash Equivalents</b>	<b>60,310,993</b>	<b>52,318,105</b>

**(b) Detailed Analysis of the Cash and Cash Equivalents**

<b>Financial Institution</b>	<b>Account number</b>	<b>2022-2023</b>	<b>2021-2022</b>
		<b>KShs</b>	<b>KShs</b>
<b>a) Current Account</b>			
Kenya Commercial Bank	1117340023	32,091,549	35,013,116
<b>Sub- Total</b>		<b>32,091,549</b>	<b>35,013,116</b>
<b>b) Savings Account</b>			
Kenya Commercial Bank	1136088261	28,219,444	17,304,989
<b>Sub- Total</b>		28,219,444	17,304,989
<b>Grand Total</b>		<b>60,310,993</b>	<b>52,318,105</b>

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

**Notes to the Financial Statements (Continued)**

**13. Receivables from Non-Exchange Transactions**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>KShs</b>	<b>KShs</b>
Receivables from State Dept Broadcasting and Telecommunications	52,000,000	420,232
Staff debtors	334,674	761,855
Prepayments	105,420	0
<b>Total current receivables</b>	<b>52,440,094</b>	<b>1,182,087</b>



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

**Notes to the Financial Statements (Continued)**

**14. Property, Plants and Equipment**

	<b>Motor vehicles</b>	<b>Furniture fixtures Fittings and Equipment</b>	<b>Computers</b>	<b>Total</b>
<b>Cost</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>As At 1 July 2021</b>	<b>19,965,682</b>	<b>45,709,398</b>	<b>13,499,241</b>	<b>79,174,321</b>
Additions	0	8,924,569	7,780,875	<b>16,705,444</b>
<b>As At 30<sup>th</sup> June 2022</b>	<b>19,965,682</b>	<b>54,633,967</b>	<b>21,280,116</b>	<b>95,879,765</b>
<b>Prior Year adjustment (ERP)</b>			<b>(1,559,040)</b>	<b>-1,559,040</b>
Additions	0	495,550	3,757,250	<b>4,252,800</b>
<b>As At 30<sup>th</sup> June 2023</b>	<b>19,965,682</b>	<b>55,129,517</b>	<b>23,478,326</b>	<b>98,573,525</b>
<b>Depreciation And Impairment</b>				
At 1 July 2021	11,888,014	8,137,493	10,123,622	<b>30,149,129</b>
Depreciation	1,863,556	6,658,332	4,102,712	12,624,600
<b>As At 30 June 2022</b>	<b>13,751,570</b>	<b>14,795,825</b>	<b>14,226,334</b>	<b>42,773,729</b>
Prior Year adjustment		(61,142)	(519,160)	<b>-580,302</b>
Depreciation FY2022/23	1,863,556	6,628,461	4,262,869	12,692,942
Adjusted Depreciation FY 2022/23	1,863,556	6,567,319	3,743,709	12,174,584
<b>As At 30<sup>th</sup> June 2023</b>	<b>15,615,126</b>	<b>21,363,144</b>	<b>17,970,043</b>	<b>54,948,313</b>
<b>Net Book Values</b>				
<b>As At 30<sup>th</sup> June 2022</b>	<b>6,214,112</b>	<b>39,838,142</b>	<b>7,053,782</b>	<b>53,106,036</b>
<b>As At 30<sup>th</sup> June 2023</b>	<b>4,350,556</b>	<b>33,766,373</b>	<b>5,508,283</b>	<b>43,625,212</b>

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

**Notes to the Financial Statements (Continued)**

**(b) Computer Software (W.I.P)**

Description	2022-2023
	Kshs
Computer Software (W.I.P) b/d from FY 2021/22	1,559,040
Computer Software (W.I.P)	4,677,120
<b>Total</b>	<b>6,236,160</b>

**(c) Property, Plant and Equipment at Cost**

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	KShs	KShs	KShs
Motor Vehicles, Including Motorcycles	19,965,682	15,615,126	4,350,556
Computers And Related Equipment	23,478,326	17,970,043	5,508,283
Furniture fixtures Fittings and Equipment	55,129,517	21,363,144	33,766,373
<b>Total</b>	<b>98,077,975</b>	<b>54,948,313</b>	<b>43,625,212</b>

**15. Trade and Other Payables**

Description	2022-2023	2021-2022
	KShs	KShs
Accrued Expenses	1,291,099	1,493,850
<b>Total</b>	<b>1,291,099</b>	<b>1,493,850</b>

**15(a) Deferred Income**

Description	2022-2023	2021-2022
	KShs	KShs
Government Transfers for CAMAT	10,023,747	10,000,000
<b>Total trade and other payables</b>	<b>10,023,747</b>	<b>10,000,000</b>

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

**Notes to the Financial Statements (Continued)**

**15 (b) Government Transfers for CAMAT Details**

Description	2022-2023	2021-2022
	KShs	KShs
Balance Brought Forward	10,000,000	10,000,000
Additions	10,000,000	10,000,000
Other Payments	(9,976,253)	(9,976,253)
Balance Carried Forward	10,023,747	10,023,747

**16 Current Provisions**

Description	Gratuity Provision	Ex-Gratia Provision	Audit provision (Audit fees)	Total
	Kshs		KShs	KShs
Provisions for the year	9,729,817	3,601,246	139,200	13,470,263

**17 Non – Current Provisions**

Description	Gratuity Provision	Audit provision (Audit fees)	Total
	Kshs	KShs	KShs
Balance b/d (01.07.2022)	8,703,299	278,400	8,981,699
Provision utilised	(3,205,310)	(278,400)	-3,483,710
Non-current provisions as at 30.6.2023	5,497,989	-	5,497,989

**18 Revaluation Reserves**

	2022-2023	2021-2022
	KShs	KShs
Balance b/f	2,487,000	2,487,000
<b>Total</b>	<b>2,487,000</b>	<b>2,487,000</b>

**18 Capital Reserves**

Description	2022-2023	2021-2022
	KShs	KShs
Balance b/f	8,382,221	8,382,221
<b>Total</b>	<b>8,382,221</b>	<b>8,382,221</b>

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

**18 Accumulated Surplus**

Description	2022-2023	2021-2022
	Kshs	Kshs
Balance B/F	75,261,458	128,522,517
Surplus/Deficit for the Year	46,198,682	(53,261,059)
<b>Total</b>	<b>121,460,140</b>	<b>75,261,458</b>

**Notes to the Financial Statements (Continued)**

**19. Cash Generated from Operations**

Description	2022-2023	2021-2022
	KShs	KShs
Surplus/Deficit for the Year before tax	46,198,682	-53,261,059
<b>Adjusted for:</b>		
Depreciation	12,174,584	12,624,601
Provisions	139,200	139,200
<b>Working Capital Adjustments</b>		
Account Receivable	-51,258,007	77,510
Account Payables	9,668,349	2,768,165
<b>Net Cashflows from Operating Activities</b>	<b>16,922,808</b>	<b>(37,806,603)</b>

**20. Reconciliation of surplus between Budget and Financial Performance**

<b>Surplus as per Statement of Budget</b>	<b>42,393,462</b>
Less depreciation and amortization	(12,174,584)
Adjustments for goods & services	-
Adjustments for employee costs	-
Add Capital Expenditure	8,929,920
Add receivables	52,000,000
Less CAMAT Funds	(10,000,000)
Less rollover resources	(35,013,116)
<b>Surplus as per statement of financial performance</b>	<b>46,198,682</b>

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

**21. Reconciliation on Net Operating Cashflows to Budget Surplus**

<b>Reconciliation of Surplus to operating activities cashflow</b>	
Surplus as per statement of budget	42,393,462
Other Payments	612,542
Less rolled over resources	(35,013,116)
<b>Cashflow from operating activities</b>	<b>16,922,808</b>

**Notes to the Financial Statements (Continued)**

**22 Employee Benefit Obligations**

NCS contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1080 per employee per month.

**23 Financial Risk Management**

National Communication Secretariat's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Secretariat's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The Secretariat's financial risk management objectives and policies are detailed below :-

**i) Credit risk**

The Secretariat has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks as well as trade and other receivables.

Management assesses the credit quality of each staff, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the terms and conditions of service.

The carrying amount of financial assets recorded in the financial statements representing the Secretariat's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:-

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

**Notes to the Financial Statements (Continued)**

**Financial Risk Management**

The carrying amount of financial assets recorded in the financial statements representing NCS's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	<b>Total amount</b>	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>As at 30 June 2023</b>				
Receivables from non-exchange transactions	52,440,094	52,440,094	0	0
Bank balances	60,310,993	60,310,993	0	0
<b>Total</b>	<b>112,751,087</b>	<b>112,751,087</b>	<b>0</b>	<b>0</b>
<b>As at 30 June 2022</b>				
Receivables from non-exchange transactions	1,182,087	1,182,087	0	0
Bank balances	52,318,105	52,318,105	0	0
<b>Total</b>	<b>53,500,182</b>	<b>53,500,182</b>	<b>0</b>	<b>0</b>

**Financial Risk Management**

The staff under the fully performing category are paying their debts. The credit risk associated with these receivables is minimal.

**ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with NCS Management, who have built an appropriate liquidity risk management framework for the management of NCS's short, medium and long-term funding and liquidity management requirements. NCS manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by NCS under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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

**Notes to the Financial Statements (Continued)**

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>As at 30 June 2023</b>				
Trade payables			1,291,099	1,291,099
Deferred Income		-	10,023,447	10,023,447
Provisions		-	139,200	139,200
Employee benefit obligation		-	18,829,052	18,829,052
<b>Total</b>		-	<b>30,283,098</b>	<b>30,283,098</b>
<b>As at 30 June 2022</b>				
Trade payables	1,493,850	-	-	1,493,850
Deferred Income	10,000,000	-	8,703,299	8,703,299
Provisions	139,200	-	139,200	278,400
Employee benefit obligation	8,842,499			
<b>Total</b>	<b>20,475,549</b>	-	<b>8,703,299</b>	<b>10,475,549</b>

**iii) Market risk**

NCS Management has put in place an internal audit function to assist it in assessing the risk faced by NCS on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect NCS's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. NCS Management is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to NCS's exposure to market risks or the manner in which it manages and measures the risk.

**Financial Risk Management**

**a) Foreign currency risk**

NCS has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

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

**Notes to the Financial Statements (Continued)**

**b) Interest rate risk**

Interest rate risk is the risk that NCS's financial condition may be adversely affected as a result of changes in interest rate levels. NCS's interest rate risk arises from bank deposits. This exposes NCS to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on NCS's deposits.

**Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

**iv) Capital Risk Management**

The objective of NCS's capital risk management is to safeguard NCS's ability to continue as a going concern. NCS capital structure comprises of the following funds:

	2022-2023	2021-2022
	Kshs	Kshs
Revaluation Reserve	2,487,000	2,487,000
Retained Earnings	121,460,140	75,261,458
Capital Reserve	8,382,221	8,382,221
<b>Total Funds</b>	<b>132,329,361</b>	<b>86,130,679</b>

**24 Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to NCS include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

**Government of Kenya**

The Government of Kenya is the principal shareholder of NCS, holding 100% of the NCS's equity interest.

**Other related parties include:**

Communication & Multimedia Appeals Tribunal (CAMAT)



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

	2022-2023	2021-2022
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Grants /transfers from the government</b>		
Grants from State Department for Broadcasting & Telecommunications	10,000,000	-
<b>Total</b>	<b>10,000,000</b>	<b>-</b>

**25 Events after the Reporting Period**

There were no material adjusting and non- adjusting events after the reporting period.

**26 Currency**

The financial statements are presented in Kenya Shillings (Kshs).

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

**27. Appendix**

**Appendix 1: Implementation Status of Auditor-General's Recommendations**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. –

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)
<b>Failure To Update Fixed Assets Register</b>	The secretariat acquired assets classified as computers worth 7,780,875. Review of the records supporting the assets revealed that the asset register did disclose details of serial numbers of the assets and holder of the asset. The need for frequent replacement of computers was not explained. In addition, the status of the old computers would not be determined without a current fixed assets register. In the circumstances the safety and custody of the valued assets at Kshs.7,780,875 could not be confirmed.	NCS consulted the supplier of the system, namely M/S Eco-Oryx Solution, and advised that the Asset Management System was malfunctioning. It was agreed that there seems to be a technical problem with the Software that has caused the system to malfunction. To address this challenge, they have committed to send their Software Developers to assess the System and identify the cause of the malfunction which may involve the re-installation and reactivation of the system.  This exercise shall be completed by the end of March 2023 to ensure the automation of the Assets Management System that resides in the NCS server. A copy of the manual asset register is hereby attached.	

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>
<b>Unresolved prior year audit issues</b>	The audit of the previous year highlighted several issues under Report on Financial Statements, Report on Lawfulness and effectiveness in use of public resources and Effectiveness of internal controls, risk management and governance. However the management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circulars.		
<b>1. Weakness in Human Resource Management 1.1 Failure to prepare handover reports by staff on exit from office</b>	Review of the Human Resource Management records and procedures revealed that there were not approved measures put in place for staff exiting the institution such as handover reports and control of access to the Secretariat's ERP system. As a result, staff who had left the Secretariat could access data in the ERP system thus compromising the security and integrity of the information system.	The Secretariat ensures necessary measures are in place once an officer separates. Please find attached email communication on exit of officers. Please note that the ERP system is not yet functional hence the officers who have already exited employment are not able to access any of the Secretariat's data.	
<b>1.2 Failure to Disclose Expected Allowance In Appointment Letters to New Staff</b>	Review of appointment letters for 18 staff of the secretariat revealed lack of clear terms of service and benefits on joining the secretariat. The appointment letters did not specify the expected allowances for	The Secretariat has complied by ensuring all the new staff from 2021 to date have appointment letters that stipulate remunerable allowances payable.	

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)
	the newly appointed staff, hence the administrators have discretion to determine the amount to be paid which may result in irregular payments.		
<b>1.3 Failure to conduct regular staff performance appraisals and promotion.</b>	The secretariat did not carry out annual performance evaluations and quarterly performance review meetings. Instead, the appraisals were done after every three years at the time of renewal of the staff contracts. Further, there were no controls put in place to guide in promotion of staff, which may lead to disparities in staff job placement and expected salaries and benefits. The management did not provide satisfactory explanation for these anomalies. In the circumstances, guidance and controls on human resource management of the secretariat may be inadequate.	The NCS shall ensure all staff are appraised by end of March 2023.	

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)
<b>2. Irregular Placement of Staff in New Salary Structure</b>	According to the Salaries and Remuneration Commission letter Ref.No.SRC/TS/JE/CS/3/33/1/Vol.V(142) dated 10 <sup>th</sup> May 2018 on job evaluation, SRC approved a new grading structure for the secretariat which was to be implemented in four phases with effect from 01 July 2017. However, review of implementation of the new grading structure by the secretariat revealed that various officers were wrongly placed in payroll and others were not aligned to the SRC structure. In the circumstances, the secretariat disregarded the SRC guidelines which resulted in irregular underpayment and overpayment of salaries to staff.	The NCS has constituted a committee to review the matter. Copy of the letter of appointment of committee members is herein attached for your reference.	

**Ag. Communications Secretary**

Date: .....

*21<sup>st</sup> September 2023*

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

**Appendix II: Projects implemented by National Communication Secretariat**

Due to the nature of the mandate of the NCS, there were no projects that were implemented by NCS in the year 2022/2023.

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

**Appendix III: Transfers from Other Government Entities**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others – Other Income	
Ministry of ICT, innovation and Youth Affairs; State Department for Broadcasting and Telecommunications	28/09/2022	Recurrent	37,500,000	37,500,000	-	-	37,500,000	-	160,000,000
	15/11/2022	Recurrent	37,500,000	37,500,000	-	-	37,500,000	-	
	08/03/2023	Recurrent	37,500,000	37,500,000	-	-	37,500,000	-	
	31/05/2023	Recurrent	37,500,000	37,500,000	-	-	37,500,000	-	
	16/06/2023	Recurrent	10,000,000	10,000,000	-	-	-	10,000,000	
<b>Total</b>			<b>160,000,000</b>	<b>160,000,000</b>	<b>-</b>	<b>-</b>	<b>150,000,000</b>	<b>10,000,000</b>	<b>160,000,000</b>

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

**Appendix IV: Reporting of Climate Relevant Expenditures**

National Communication Secretariat  
Telephone Number: +254 20 2719953  
Email Address: [info@ncs.go.ke](mailto:info@ncs.go.ke)  
Eng. Vincent Adul, HSC

Name and contact details of contact person (in case of any clarifications): **CHRP Sally Mbaya, Tel: +254 20 2719953**

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Tree Planting	Restoring of tree coverage in Kakamega forest Facilitate and supervise planting of 1000 indigenous trees	Arrest deforestation Improve clean air and water retention Promote tree planting as a lifestyle among the community Improve NCS visibility to the General Public	Site clearing Cutting stakes Staking out Pitting Planting Beating up Seedlings				√	CSR Budget	Kenya Forest Services and the Community



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

**Appendix V: Disaster Expenditure Reporting Template**

Date:						
Entity:						
<b>Period to which this report refers (FY)</b>	Year 2022/23			Quarter: 4 <sup>th</sup>		
<b>Name of Reporting Officer</b>	CHRP Sally Mbaya					
<b>Contact details of the reporting officer:</b>	Email: <a href="mailto:info@ncs.go.ke">info@ncs.go.ke</a>			Telephone: +254 20 2719953		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

