

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT


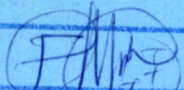
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL COMMUNICATIONS
SECRETARIAT

FOR THE YEAR ENDED
30 JUNE 2018

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 30 JUL 2019	
DAY: TUESDAY	
TABLED BY:	MAJORITY LEADER
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**NATIONAL
COMMUNICATIONS
SECRETARIAT**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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25 MAR 2019

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NATIONAL COMMUNICATIONS SECRETARIAT

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018

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

Annual Report and Financial Statements for the year ended June 30, 2018

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The National Communications Secretariat was established vide the Kenya Information and Communications Act, 1998, Section 84, on 1st October 1998. It was officially formed through Kenya Gazette Notice 12 Feb 1999. The entity is domiciled in Kenya and has no branches.

(b) Principal Activities

The Principal mandate of the Secretariat is defined in the Kenya Information and Communications Act, 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.

(c) Key Management

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

- The Communication Secretary; and
- The Principal Secretary, State Department of Broadcasting and Telecommunications Ministry of Information, Communication and Technology

Annual Report and Financial Statements for the year ended June 30, 2018
(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Communications Secretary	Daniel O. Obam
2.	Communications Technology Expert	Vincent O. Adul
3.	Head of Human Resource and Administration Officer	Sally C. Malova
4.	Head of Finance & Accounts	Nelly A. Nandwa
5.	Head of Procurement	David K. Ngugi

(e) Fiduciary Oversight Arrangements

The National Communications Secretariat plans to establish an internal audit department, when the funds are made available through future approved budgets and hire qualified staff to fill the positions in the department who will carry out the fiduciary oversight mandate.

(f) Entity Headquarters

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

(g) Entity Contacts

Telephone: (254) 20 2719953
Email: info@ncs.go.ke
Website: www.ncs.go.ke

(h) Entity Bankers

Kenya Commercial Bank Ltd
Capital Hill Branch
Nairobi, KENYA

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(i) Independent Auditors

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

(j) Principal Legal Adviser

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



MANAGEMENT TEAM



Eng. Daniel Onyango Obam
Communications Secretary

D.O.B 20/05/1960

Eng. Daniel Obam has over 30 years' experience in the ICT industry. Expert in policy, regulatory, technical and operational aspects of the sector. Has played a leading role in the development of policies, roadmaps and strategies that has seen Kenya become a regional ICT hub. E.g. chaired the technical team that implemented the migration from analogue to digital TV in Kenya within the internationally mandated timeframe.

He is an Expert in digital broadcasting, spectrum management and mobile broadband policy and regulation.

He Works at the National Communications Secretariat, ICT Policy advisors to the Government of Kenya, as the Communications Secretary/CEO.

He is involved in various ITU activities including being elected as the current Chairman, ITU Radiocommunication Advisory Group (RAG) which reviews and provides advice to the Director of the Radiocommunication Sector on priorities and strategies adopted in the Sector, and recommends measures to foster cooperation and coordination with other organizations and with the other ITU Sectors.

He has led and chaired the African Group during conferences such as the ITU Radiocommunication Assembly and World Radiocommunication Conference.

In 2015, Eng. Obam was awarded the Head of State Commendation (HSC) by the President of the Republic of Kenya in recognition of distinguished and outstanding services rendered to the Nation in the ICT sector.

He Holds an MSc in Engineering Management from the University of Southern California, USA; a BSc (Hons-Telecoms) from the University of Nairobi and other diplomas and certificates.



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Eng. Vincent Otieno Adul
Communications Technology Expert

D.O.B 12/06/1960

Engineer Adul holds a BSc in Electrical Engineering, MSc in Information Systems and MSc in Electrical Engineering. He has wide experience in Communications Technology having worked in Kenya Power, Safaricom Limited and Metropol Credit Reference Bureau Ltd, Lectured Computer Science at the department of Electrical and Information Engineering of the University of Nairobi before his appointment to National Communications Secretariat in October 2012.

He is a corporate member of the Institute of Engineers of Kenya(IEK), Engineers registration Board(EBK), Member of the Institute of Electrical and Electronic Engineers (USA), and the Institute of Engineering Technology(UK)



Miss Sally Chenyisa Malova
Head Of Human Resource and Administration

D.O.B 11/03/1977

Sally Chenyisa Malova is a Human Resources professional and qualified communicator having worked in sectors of Information Communications Technology and Petroleum industries in various organizations in Eastern Africa region. Sally has worked as the Human Resources and Administrative Officer at the National Communications Secretariat since 2003. Previously, she was the General Manager at the Petroleum & Industrial Services Ltd –Uganda & Rwanda. Sally has over 10 years-experience having competently worked in managerial positions in Quality Management, General Management and Human Resource Management.

Annual Report and Financial Statements for the year ended June 30, 2018



CPA Nelly Awinja Nandwa
Head Of Finance and Accounts

D.O.B 09/08/1982

CPA Nelly Nandwa is a Certified Public Accountant of Kenya, Membership 13491.

Nelly joined National Communications Secretariat in November 2005 after completing her internship at the Communications Authority of Kenya as a records assistant in the Human Resource and Administration department from May 2005 to October 2005.

Nelly holds a CPA(K) certification, A BSc in Commerce and a certification in quickbooks desktop and online. Nelly has competently worked as a professional accountant for the National Communications Secretariat for over 6 years after working for 6 years as an assistant to the Human Resource and Accounts departments.



Mr. David Kariuki Ngugi
Head of Supply Chain Management

D.O.B 14/ 04/1977

David Kariuki Ngugi holds an MSc in Procurement and Logistics and a Bachelor of Arts in Economics. He joined NCS on secondment in November 2016 having worked in various Government departments and agencies for the last 14years.

II. REPORT OF THE COMMUNICATIONS SECRETARY/CHIEF EXECUTIVE OFFICER

a) Introduction

The National Communications Secretariat (NCS) is a statutory body, formed to provide prompt, timely and objective policy advisory services on ICT matters to the Government, through the Ministry of ICT. The Secretariat is headed by the Communications Secretary, and as per Executive Order No.1 of 2018 answerable to the Principal Secretary, State Department of Broadcasting & Telecommunications, Ministry of ICT. The Secretariat has four key divisions headed by Experts and supported by a Human Resource & Administrative section. These divisions are: -

- Communications Radio Technology Division
- Communications Technology Division
- Communications Economics Division
- Communications Legislation and Treaties Division

The heads of each division are professionals with extensive qualifications and experience in their respective fields, from both private and public sectors. In fulfilling the mandate of the Secretariat, the division heads seek to provide timely and accurate policy advice, which would lead to sustainable development of the ICT industry in Kenya. The Secretariat further engages, at different levels, with sector stakeholders, in the process of policy formulation through the Ministry of ICT.

b) National, Regional and International Activities

The Secretariat was able to successfully execute its mandate through effective participation in the following among others, national and international activities during the year under review: -

- ❖ **National Broadband Strategy 2018-2023**
Member of the 2013 – 2017 National Steering Committee on the Review of the National Broadband Strategy
- ❖ **Privacy and Data Protection Policy and Privacy and Data Protection Bill**
Member of Taskforce to develop the Privacy and Data Protection Policy and Bill
- ❖ **Report on the review of the National ICT Master Plan 2013-2017**
Chair and Secretariat of the Taskforce to Review the National ICT Master Plan 2013-2017

Annual Report and Financial Statements for the year ended June 30, 2018

❖ **Kenya ICT Masterplan 2018 – 2028**

Lead Development of the Kenya ICT Masterplan 2018 – 2028.

Member of taskforce for the development of ICT-Centric Innovation Framework.

❖ **Kenya Block Chain & Artificial Intelligence Taskforce**

Members of the Taskforce. Drafting Policy Framework for upcoming digital technologies that demonstrate great potential to transform Kenya's economy including distributed ledger technologies, artificial intelligence, 5G wireless technology, and the internet of things.

❖ **Policy Proposal and legislative amendment proposals on content regulation**

Lead and chair the committee addressing jurisdictional overlaps between institutions within MOICT that deal with regulation of content

❖ **National Addressing System and Ecommerce Taskforce**

Members of the Taskforce to develop a National Addressing System and Ecommerce.

❖ **ITU-Plenipotentiary Conference 2018-Dubai-UAE**

Members of National Preparatory Committee for ITU-Plenipotentiary conference (PP-18) Preparation of country position to the forthcoming conference (PP-18) in Dubai. The main issues include Internet Public Policy issues, Regional Presence, International Telecommunication Regulations and Kenya re-election in the Council Position.

❖ **Africa Telecommunication Union Elections Conference 2018, Nairobi Kenya**

Members of the National Preparatory Committee for the Africa Telecommunication Union Elections Conference that was held in Nairobi, Kenya during the financial year.

Members of the National Campaign Team. Mr. John Omo (Kenya) was elected the Secretary General of ATU.

❖ **Northern Corridor Infrastructures Project**

Member of the Senior Officials Team of ICT Cluster of the Northern Corridor Infrastructure Project. Some of the issues discussed included, establishing the status of the directives to regulators to ensure that telecoms fully comply with requirements on the one network area (ONA) for data and the operationalisation of mobile financial Services, establishment of affordable data pricing to facilitate mobile data roaming within the region, presentation of roadmap for the procurement and implementation of the traffic monitoring system.

❖ **Attendance of MOICT H.O.D meetings.**

The Secretariat continued to carry out its advisory role in the above undertakings and progressed them upstream for necessary action.

Annual Report and Financial Statements for the year ended June 30, 2018

c) Internal Operational Activities

Though the revised budgetary estimates for 2017/2018 were approved, the lumpsum of the budget was disbursed to NCS towards the end of the fourth quarter. As a result, the Secretariat was unable to fully achieve its projected plans for the year.

This challenge did however not hamper the Secretariat in participating and executing its mandate at national, regional or international levels. The activities at these levels have involved participation in deliberations at policy, legal and regulatory levels in addition to projects. For example, we have continued to assist the Ministry of ICT in making presentations on legal instruments at the relevant National Assembly and Senate Committees.

We have also participated in conjunction with the ICT regulator, Communications Authority of Kenya in various National Preparatory Committees for Radio Communications, Standardization and Development among others.

During the year under review, the Secretariat continued to support its ageing fleet of three (3) vehicles that it has owned since 2006/2007 fiscal year due to inadequate budgetary allocation to enable replacement. Having carried forward the lumpsum of the revised budget to the next financial year (2018/19) we should be able to dispose off and replace these vehicles, as with time, they are becoming less and less efficient occasioning high maintenance costs.

The Secretariat management structure underwent an assessment during the SRC Job Evaluation Exercise. However, there are ongoing consultations with them on some fundamental issues regarding the correct placement of the Secretariat as a statutory body among others. This has partly been informed by the ever changing ICT sector and demand for rapid research in policy, legal and regulatory issues that affect the regional and global arena. The import of the dynamism of the sector requires fast turnaround of policy advisory if the nation is to keep pace with the rapid technological changes.

In the financial year 2015/16, the Communications Authority (CA) committed to refurbish the Secretariat's offices in order to provide for a modern and conducive work environment and create



Annual Report and Financial Statements for the year ended June 30, 2018

space for additional staff who may be recruited subject to the workload. The Director-General of the Communications Authority constituted a project team comprising various professionals within the State Department of Public Works under the leadership of the Communications Secretary. The project team has finalized the Bill of Quantities and the tender papers. Concurrently, the board of CA approved Fifty Million only (Ksh 50,000,000) for the renovation, expected to be remitted to the Secretariat in the next financial year. This was short by Fifteen Million (Ksh 15,000,000) of the budget estimate given by the Public Works.

III. CORPORATE GOVERNANCE STATEMENT

The Secretariat upholds the principles of corporate governance in areas such as procurement and disposal of its assets. With the advent of the Public Procurement and Assets Disposal Act 2015, the Secretariat currently has a functional procurement department headed by a Procurement Professional. In the Finance Department, the Secretariat continues to comply with the International Public Sector Accounting Standards (IPSAS) as required by the International Public Sector Accounting Standards Board (IPSAB) who have the legal mandate to guide financial reporting in the public sector through the National Treasury. To uphold the principle of transparency and accountability, the audited annual financial reports will be published and uploaded on the Secretariat's website. Further, the Secretariat endeavors to provide training of its professional staff in the different 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 acquiring an Enterprise Resource Planning (ERP) in order to be more efficient in service delivery.

Before the end of the financial year, the head of Finance & Accounts proceeded on compulsory leave for fresh vetting that was being conducted by the government until end of October 2018. The preparation of the final accounts for the year pended until she was recalled from the leave. As a result the final accounts were submitted to the office of the Auditor General later than the statutory deadline of 30th September.

Lastly, during the year under review three vacant positions; the Communications Secretary, the Communications Economics Expert and the Communications Legal Expert positions were advertised, interviews conducted and eligible staff recruited.

Vacancy for Communications Radio Technology Expert and internal auditor will be advertised once authority is obtained from the Cabinet Secretary.

Annual Report and Financial Statements for the year ended June 30, 2018

IV. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

In a bid to give back to the society, both internal and external community, the Secretariat has improved its focus on CSR by engaging in several programmes that are geared towards making the lives of its employees, their dependents as well as the larger society better.

NCS runs an intensive Internship Programme across our departments where we engage students from various universities to assist them meet the requirements for graduation. The programme also gives them a hands-on experience on the areas that they are training in. Female students are given priority to encourage them as a disadvantaged group. In order to affect the lives of the community directly, an enhanced internship programme is underway for qualified female and physically challenged students.

NCS engages in extensive training programmes for its staff. In the year under review, a budget of Kshs 7,083,201 was spent in achievement of the training needs of the staff both locally and externally.

During the FY 2017/18, the employees of the Secretariat participated in various activities, the participation of KECOSO games in Kisumu is the most recent activity where a number of employees participated in various games including darts, athletics, pool among others.

The Secretariat's efforts towards impacting the local community and society have seen plans to encourage adoption of e-waste management. This is intended to be achieved through use of electronic documentation leading to use of paperless working initiatives and promotion of electronic records management system.

We intend to extend Corporate Social Responsibility to plant trees and participate in many other environmental conservation exercises in the new financial year.

In conclusion, the mandate of the Secretariat is to advise the Government on ICT matters and it has carried out this role, albeit with limited resources.

Annual Report and Financial Statements for the year ended June 30, 2018

V. STATEMENT OF ACCOUNTING OFFICER RESPONSIBILITIES

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

The Communications Secretary 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 30th June, 2018. This responsibility includes:

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

The Communications Secretary 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 International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act.

The Communications Secretary is of the opinion that the Secretariat's financial statements give a true and fair view of the state of National Communication Secretariat's (NCS) transactions during the financial year ended 30th June, 2018, and of the Secretariat's financial position as at that date. The Communications Secretary further confirms the completeness of the accounting records maintained for

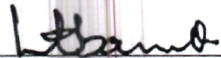
Annual Report and Financial Statements for the year ended June 30, 2018

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.

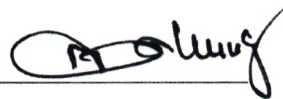
Nothing has come to the attention of the Communications Secretary to indicate that the Secretariat will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Secretariat's financial statements were approved by the Management on 23rd November 2018 and signed on its behalf by:



**Daniel Obam, HSC
Communications Secretary
National Communications Secretariat**



**Mr. Jerome Ochieng
Principal Secretary, State Department
for ICT
Ministry of Information, Communication
and Technology**

Date: 04/04/19

Date: 6/4/2019



REPORT OF THE AUDITOR-GENERAL ON NATIONAL COMMUNICATIONS SECRETARIAT FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Communications Secretariat set out on pages 1 to 28, which comprise the statement of financial position as at 30 June 2018, 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 Communications Secretariat as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Information and Communication Act, Cap 411A of the Laws of Kenya.

Basis for Qualified Opinion

Late submission of Financial Statements

Contrary to the requirements of Section 84 of the Public Finance Management Act, 2012, the financial statements of National Communications Secretariat for the year ended 30 June 2018 were submitted on 9 January 2019, which is one hundred and one days after the prescribed date of submission of 30 September. No satisfactory explanation has been provided for failure to comply with the law.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Communications Secretariat in

Report of the Auditor-General on the Financial Statements of National Communications Secretariat for the year ended 30 June 2018

accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Budget and Budgetary Controls

During the financial year under review it was noted that the commission had low absorption in the expenditure below:

Item of Expenditure	Budget Kshs	Actual Kshs	Performance Difference Kshs	Absorption %
Compensation of employees	52,112,646.00	43,738,116	8,374,530.00	84%
Administration and operating costs	49,853,343.00	33,042,709	16,810,634.00	66%
Other payments	17,163,942.00	1,240,203	15,923,739.00	7%
Total	119,129,931.00	78,021,028	41,108,903.00	65%

The Secretariat might not have achieved its intended objectives.

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS.

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

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective

processes and systems of internal control, risk management and 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 (Accrual Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Secretariat or to cease operations, or have no realistic alternative but to do so.

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

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

Auditor-General's Responsibilities for the Audit

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

error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

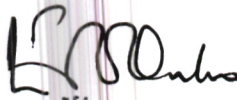
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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

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

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



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

Nairobi

11 July 2019

Annual Report and Financial Statements for the year ended June 30, 2018

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Revenue from Non-exchange Transactions			
Transfers from other governments – grants	6	120,000,000	80,000,000
		120,000,000	80,000,000
Revenue from exchange transactions			
Other income – Bank interest earned	7	743,590	358,188
Total revenue		120,743,590	80,358,188
Expenses			
Employee costs	8	43,738,116	50,767,397
Depreciation and amortization expense	10	1,001,661	1,282,109
Repairs and maintenance	11	238,542	33,500
General expenses	12	33,042,709	27,304,911
Total expenses		78,021,028	79,387,917
Surplus for the period/year		42,722,562	970,271

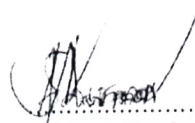
The notes set out on pages 6 to 27 form an integral part of these Financial Statements

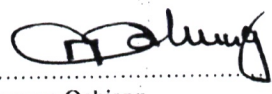
**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	13	60,230,048	12,091,304
Receivables from non-exchange transactions	14	663,528	5,475,357
		60,893,576	17,566,661
Non-current assets			
Property, plant and equipment	16	4,076,926	4,629,531
Total assets		64,970,502	22,196,192
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	15	11,614,911	11,402,196
Total liabilities		11,614,911	11,402,196
Net assets		53,355,591	10,793,996
Capital and Reserves			
Revaluation Reserve	18a	2,487,000	2,730,000
Accumulated surplus	18c	42,486,370	(318,225)
Capital Replacement Reserve	18b	8,382,221	8,382,221
Total net assets and liabilities		53,355,591	10,793,996

The Financial Statements set out on pages 1 to 5 were signed on behalf of the management by:


 Daniel O. Obam, HSC
 Communications Secretary
 National Communications
 Secretariat
 Date: 04/04/19


 Nelly A. Nandwa
 Head of Finance & Accounts
 ICPAK M/N 13491
 National Communications
 Secretariat
 Date: 4/04/2019


 Mr. Jerome Ochieng
 Principal Secretary, State Department of
 Broadcasting and Telecommunication
 Ministry of Information, Communication
 & Technology
 Date: 6/4/2019

Annual Report and Financial Statements for the year ended June 30, 2018

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2018**

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital Replacement reserve	Total
At July 1, 2016	2,946,046	-	(3,330,214)	-	8,382,221	7,998,053
Revaluation gain/loss	(216,046)	-	-	-	-	(216,046)
Transfer of excess depreciation on revaluation	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-
Surplus for the year	-	-	970,272	-	-	970,272
Transfer of depreciation to retained earnings	-	-	2,041,717	-	-	2,041,717
At June 30, 2017	2,730,000	-	(318,225)	-	8,382,221	10,793,996
At July 1, 2017	2,730,000	-	(318,225)	-	8,382,221	10,793,996
Revaluation gain/loss	(243,000)	-	-	-	-	(243,000)
Transfer of staff debtors adjustment to retained earnings	-	-	137,977	-	-	137,977
Deferred tax on excess depreciation	-	-	-	-	-	-
Transfer of depreciation Adjustment to retained earnings	-	-	(55,944)	-	-	(55,944)
Surplus for the year	-	-	42,722,562	-	-	42,722,562
At June 30, 2018	2,487,000	-	42,486,370	-	8,382,221	53,355,591

Transfers to retained earnings from Property Plant and Equipment and staff debtors were as a result of recording omissions made for staff debtors and depreciation charge for Furniture Fixtures and Fittings in previous years as supported by schedules submitted

Annual Report and Financial Statements for the year ended June 30, 2018

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

		2017-2018	2016-2017
		Kshs	Kshs
Cash flows from operating activities			
Surplus/Deficit in Operations		42,722,562	970,272
Prior year adjustment			
Reversal of NHIF expense			5,120
Adjustment of staff debtors omitted in previous years		137,977	-
Adjustment for non-cash items			
Depreciation and impairment		1,001,661	1,282,109
Operating Surplus before working capital changes		43,862,200	2,257,501
Decrease in Accounts Receivable	14	4,811,829	1,095,682
Increase in Accounts payable	15	212,715	1,113,106
Net cash flows from operating activities		48,886,744	4,466,289
Cash flows from investing activities			-
Purchase of property	16	(748,000)	(758,500)
Net cash flows from investing activities		(748,000)	(758,500)
Cash flows from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		48,138,744	3,707,789
		-	-
Cash and cash equivalents at 1 July 2017	13	12,091,304	8,383,515
Cash and cash equivalents at 30 June 2018	13	60,230,048	12,091,304

Annual Report and Financial Statements for the year ended June 30, 2018
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2018**

	Original budget	Adjustment	Final budget	Actual on comparable basis	Performance difference	Explanation Of Variance
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	NOTES
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Public contributions and donations	120,000,000	-	120,000,000	120,000,000	-	
Revenue from Exchange Transactions		743,590	743,590	743,590	-	
Total income	120, 000,000	743,590	120,743,590	120,743,590	743,590	
Expenses						
Compensation of employees	52,112,646	-	52,112,646	43,738,116	8,374,530	i)
Administration and operating Cost	49,853,343	-	49,853,343	33,042,709	16,578,965	ii)
Other payments	17,163,942		17,163,942	1,240,203	16,078,182	iii)
Total expenditure	119,129,931	-	119,129,931	78,021,028	41,031,677	iv)
Surplus for the period	870,069		1,613,659	42,722,562	41,775,266	v)

Budget notes

- i) The actual expenditure for compensation to employees varies from the original budget because by the close of the 2017/18 financial year, the scheduled recruitment of experts to fill in the vacant positions was not completed.
- ii) The variance in original administration and operational and the actual was caused by the scheduled recruitment of experts not having been finalised by the close of the financial year under review and by the fact that 40M of the revised approved budget was disbursed to NCS account towards the end of the financial year rendering it time burred for the planned procurement of motor vehicles, ERP among others, to be done.
- iii) The variance in original and actual other payment was caused by the scheduled recruitment of experts not having been finalised by the close of the financial year under review and by the fact that 40M of the revised approved budget was disbursed to NCS account towards the end of the financial year rendering it time burred for implementation of other payment items
- iv) The variance in original and actual expenditure occurred because some of the planned expenditure items were not actualised as a result of the scheduled recruitment of experts not having been finalised by the close of the financial year under review and by the fact that 40M of the revised approved budget was disbursed to NCS account towards the end of the financial year rendering it time burred for some expenditure items to be actualised.



Annual Report and Financial Statements for the year ended June 30, 2018

- v) The variance of the original and actual surplus arose as a result of the Secretariat not being able to carry out their entire plan for the year because the lumpsum of the budget (40M) was disbursed at the end of the fourth quarter.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

National Communications Secretariat is established by and derives its authority and accountability from Kenya Information Communications Act, 1998. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is policy advisory.

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 the entity. 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.

**Annual Reports and Financial Statements
For the year ended June 30, 2018**

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
<p>PSAS 39: Employee Benefits</p>	<p>Applicable: 1st January 2018</p> <p>The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.</p> <p><i>NCS is registered with NSSF as their pension scheme and remits the monthly statutory deductions from NCS and staff to NSSF. There was no outstanding obligation at the end of financial year under review.</i></p>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	<p>Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.</p> <p><i>NCS does not have any business combinations therefore this standard does not apply.</i></p>

iii. Early adoption of standards

NCS did not early – adopt any new or amended standards in year 2018.

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 the entity and can be measured reliably.

In the financial year 2017/18 National Communications Secretariat received government grants from Communications Authority through the Ministry of Information, Communication and Technology, State department of Broadcasting and Telecommunication, as total revenue for the year. The total amount received was One Hundred Twenty Million Kenya shillings only (Kshs 120M).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii) Revenue from exchange transactions

Interest income

In the course of the financial year, the Secretariat earned interest of income of Kshs 743,590 from cash deposits in the gratuity savings account.

b) Budget information

In the financial year under review, One Hundred and Twenty Million Kenya Shillings (Kshs 120M) was approved by the board of the Communication Authority as the budget for NCS for the year. The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxation

National Communications Secretary is a non-profit making statutory body that is exempt from paying corporate tax. Therefore, there is no taxation charge recorded in the statement of financial performance for the financial year ended 30 June 2018.

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment/revaluation 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, the entity 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

- | | |
|-----------------------------|-------|
| ▪ Computers and Accessories | 30% |
| ▪ Furniture and fittings | 12.5% |
| ▪ Motor Vehicles | 25% |

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. The intangible assets are amortized over a period of 3 years at the rate of 33.33% per annum on a straight line basis.

f) Provisions

The Secretariat has made provision for Audit fees and Staff Gratuity for the year ended 30th June, 2018.

g) Nature and purpose of reserves

National Communications Secretariat maintains reserves in terms of specific requirements.

- 1. Revaluation Reserve** – NCS has three motor vehicles purchased in the financial year 2006/2007 and have fully depreciated. Each financial year the motor-vehicles are revalued in order to determine their carrying amount
- 2. 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 FY 2005/2006. It is the same for all years since it was the starting capital.
- 3. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Employee benefits

Retirement benefit plans

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

The provision for gratuity for the year ended 30th June 2018 has been debited in the Statement of Comprehensive Income while the gratuity outstanding has been reflected in the Statement of Financial Position as at 30th June 2018 as accounts payable.

j) Research and development costs

The Secretariat expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- 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.

k) Changes in accounting policies and estimates

National Communications 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

l) Related parties – IPSAS 20

The Secretariat regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Secretariat, or vice versa. Members of key management are regarded as related parties and comprise of the following:

No.	Name	Designation	(Gross Salary and allowances)
1.	Daniel O. Obam	Communications Secretary	Kshs 6,883,000
2.	Vincent Adul	Communications Technology Expert	Kshs 5,763,000
3.	David K. Ngugi	Head of Supply chain Management	Kshs 1,932,996
4.	Sally Malova	Head of Human Resource & Admin	Kshs 2,775,360
5.	Nelly Nandwa	Head of Finance and Accounts	Kshs 1,848,996
		Total	Kshs 19,203,352

m) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank. Bank account balances include amounts held at the Kenya commercial bank capital hill branch current account number 1117340023 and Savings account number 1136088261, at the end of the financial year.

n) Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Secretariat's 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.

o) Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Secretariat,
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes,
- The nature of the processes in which the asset is deployed,
- Availability of funding to replace the asset,
- Changes in the market in relation to the asset

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, 2018.

q) Provisions

Provisions were made for audit fees and staff gratuity accrued for the year. The actual rates were used to calculate the provision for gratuity at 31% of the basic salary. Historical cost for the previous financial year was used to calculate the provision for audit fees.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFERS FROM OTHER GOVERNMENTS

Description	2017-2018	2016-2017
	KShs	KShs
Unconditional grants		
Operational grant	120,000,000	80,000,000
	120,000,000	80,000,000
Conditional grants	-	-
Total government grants and subsidies	120,000,000	80,000,000

6 b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2017-2018
			KShs	KShs	KShs
State Dept of Broadcasting and Telecommunication – MoICT	120,000,000	-	-	120,000,000	120,000,000
Total	120,000,000	-	-	120,000,000	120,000,000

7. OTHER INCOME

Description	2017-2018	2016-2017
	KShs	KShs
Interest earned from savings account balance	743,590	358,188
Total other income	743,590	358,188

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. EMPLOYEE COSTS

	2017-2018	2016-2017
	KShs	KShs
Salaries and wages	32,801,845	37,159,765.08
Employee related costs - contributions to pensions, medical aids and leave allowance	10,936,271	13,607,632
Employee costs	43,738,116	50,767,397

9. REMUNERATION OF DIRECTORS

NCS doesn't have a board therefore remuneration of directors doesn't apply.

10. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2017-2018	2016-2017
	KShs	KShs
Property, plant and equipment	1,001,661	1,282,109
Total depreciation and amortization	1,001,661	1,282,109

11. REPAIRS AND MAINTENANCE

Description	2017-2018	2016-2017
	KShs	KShs
Property, Plant and Equipment	61,810	33,500
Motor vehicle	176,732	-
Total repairs and maintenance	238,542	33,500

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. GENERAL EXPENSES

Description	2017-2018	2016-2017
	KShs	KShs
Travelling – local	1,916,567	3,372,311
External Travelling, visa fees and Airticket	16,755,836	15,742,149
Tuition fees – external	630,712	279,006
Tuition fees - local	3,297,565	2,559,760
Training –Membership fees and transport	192,264	
External Training subsistence	1,349,560	
Local Training Subsistence	1,613,100	
Stakeholder’s conference	1,192,700	429,400
KECOSO Games	888,084	-
Office Entertainment	388,928	700,166
Staff party	121,600	
Office Expenses	1,250	-
Bank Charges	173,808	108,073
Utilities	1,069,538	1,298,653
Printing and stationery	473,399	72,000
ICT Research		-
	306,037	
Newspapers, Books & Magazines	243,230	
Audit fees	139,200	
Advertising	598,560	683,914
Cleaning	371,262	309,144
Motor vehicle running expenses	1,319,509	1,496,692
Uniforms	0.00	29,092
Repairs and Maintenance		139,200
Miscellaneous	0.00	85,350
Total general expenses	33,042,709	27,304,911

**Annual Reports and Financial Statements
For the year ended June 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. CASH AND CASH EQUIVALENTS

Description	2017-2018	2016-2017
	KShs	KShs
Cash at bank	60,230,048	12,091,304
Total cash and cash equivalents	60,230,048	12,091,304

13 (a). DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Financial institution	Account number	2017-2018	2016-2017
		KShs	KShs
a) Current account			
Kenya Commercial bank Capital Hill Branch	1117340023	47,314,009	-177,876
b) Savings account			
Kenya Commercial bank Capital Hill Branch	1136088261	12,916,039	12,269,180
Grand total		60,230,048	12,091,304

14 . RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	KShs	KShs
Current receivables		
Staff debtors	420,001	792,264
Prepayments	243,527	4,683,093
Total current receivables	663,528	5,475,357.37

15. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	KShs	KShs
Current payables		
Unremitted P.A.Y.E	136,205	-
Provisions	139,200	139,200
Accrued Expenses	102,897	43,355
Outstanding gratuity	11,236,609	11,219,641
Total current receivables	11,614,911	11,402,196

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Furniture, Fittings & Equipment	Computers	Total
Cost	Shs	Shs	Shs	Shs
At 1 July 2016	12,511,458	2,814,974	5,385,115	20,711,547
Additions	-	-	-	-
At 30 June 2017	12,511,458	2,814,974	5,385,115	20,711,547
Additions	-	-	748,000	748,000
At June 2018	<u>12,511,458</u>	<u>2,814,974</u>	<u>6,133,115</u>	<u>21,459,547</u>
Depreciation and Impairment				
At 1 July 2016	11,602,010	1,549,422	3,491,739	16,643,171
At 30 June 2017	9,781,458	1,787,099	4,513,459	16,082,016
Previous year's Adjustments	-	55,944	-	55,944
Depreciation for the year		237,677	763,984	1,001,661
Revaluation Loss	243,000			243,000
At 30 June 2018	10,024,458	2,080,720	5,277,443	17,382,621
Net book values				
At 30th June 2018	2,487,000	734,254	855,672	4,076,926
At 30th June 2017	2,730,000	1,027,875.00	871,656.00	4,629,531.00

- The Ministry of Information, Communications and Technology donated two GK vehicles to the Secretariat in F/Y 2015/16 but the ownership has not yet been transferred to the Secretariat therefore they have not been recorded in assets register.
- In the last financial year, the accumulated depreciation for Furniture, Fixtures and Fittings was understated therefore an adjustment to correct that has been made on this statements and supporting schedules submitted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. INTANGIBLE ASSETS-SOFTWARE

Description	2017-2018	2016-2017
	KShs	KShs
Cost		
At beginning of the year	68,000	68,000
Additions	-	-
At end of the year	68,000	68,000
Amortization and impairment		
At beginning of the year	68,000	68,000
Amortization	-	-
At end of the year	68,000	68,000
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18(a) Revaluation Reserve

	2017-2018	2016-2017
	Kshs	Kshs
Balance b/f	2,730,000	2,946,046
Revaluation Loss	243,000	216,046
Total	2,487,000	2,730,000

18(b) Capital Replacement Reserve

	2017-2018	2016-2017
	Kshs	Kshs
Balance	8,382,221	8,382,221
Total	8,382,221	8,382,221

18. (c) Accumulated Reserves

	2017-2018	2016-2017
	Kshs	Kshs
Balance B/F	(318,225)	(3,330,214)
Surplus for the Year	42,722,562	970,272
Transfer from Staff debtors	137,977	-
Transfer to/from PPE	(55,944)	2,041,717
Total	42,486,370	(318,225)

19. EMPLOYEE BENEFIT OBLIGATIONS

The company 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.1,080 per employee per month.

20. Financial Risk Management

National Communication's 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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2018				
Receivables from non-exchange transaction	663,527	663,527	00	00
Bank balances	60,230,048	60,230,048	00	00
Total	60,893,575	60,893,575		
At 30 June 2017				
Receivables from non-exchange transactions	5,475,357	5,475,357	00	00
Bank balances	12,091,303	12,091,303	00	00
Total	17,566,660	17,566,660	00	00

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Secretariat's key Management, who have built an appropriate liquidity risk management framework for the management of the Secretariat's short, medium and long-term funding and liquidity management requirements. The Secretariat manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Trade payables	-	239,102	-	239,102
Provisions	139,200	-	-	139,200
Employee benefit obligation	-	-	11,236,609	11,236,609
Total	139,200	239,102	11,236,609	11,614,911
At 30 June 2017				
Trade payables	-	43,355	-	43,355
Provisions	139,200	-	-	139,200
Employee benefit obligation	-	-	11,219,641	11,219,641
Total	139,200	43,355	11,219,641	11,402,196

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk

The management will put in place an internal audit function to assist it in assessing the risk faced by the entity 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 the entity'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.

The company's Finance Department 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 the Secretariat's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The entity 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 within 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

b) Interest rate risk

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

c) Capital Risk Management

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017-2018	2016-2017
	Kshs	Kshs
Revaluation reserve	2,487,000	2,730,000
Retained earnings	42,486,370	(318,225)
Capital reserve	8,382,221	8,382,221
Total funds	53,355,591	10,793,996
	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

21. EVENTS AFTER THE REPORTING PERIOD

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

22. Currency

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

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XIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1. Misstatement of account balance	Cash and Cash equivalents was understated by Ksh 100,000	Casting error	Nelly Nandwa – Head of Finance and Accounts	Resolved	N/A
2. Payroll Preparation	NCS prepares its payroll using Microsoft Excel which is prone to manipulation and error	Lack of funds to procure an ERP	Management team	Not Resolved	Ongoing
3. IT Systems	There was no server, back up plan, no proper server room, no Strategic plan & IT Policy, no recovery plans & Business Continuity plans, unsecured physical access control and logical access control	Lack of funds to procure the items recommended for IT systems	Management team	Not resolved	Ongoing

**XIV. Appendix 1 : PROJECTS IMPLEMENTED BY NATIONAL
COMMUNICATIONS
SECRETARIAT**

Due to the nature of the mandate of the Secretariat, there were no projects that were implemented by NCS in the year 2017/18

XV. Appendix 2 : INTER – ENTITY TRANSFERS

National Communications did not make any inter-entity transfers in the financial year 2017/18

**XIV. Appendix 3: RECORDING OF TRANSFERS FROM OTHER
GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent Grants	Total Amount – KES	Where Recorded/recognized		
	as per bank statement			Statement of Financial Performance	Capital Fund	Total Transfers during the Year
Ministry of Information, Communication and Technology, State Department of Broadcasting	4/08/2017	Recurrent	20,000,000	20,000,000	-	120,000,000
	1/11/2017		40,000,000	40,000,000	-	
	31/01/2018		20,000,000	20,000,000	-	
	17/05/2018		40,000,000	40,000,000	-	
Total			120,000,000	120,000,000		120,000,000

