

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Paper laid on the
Table of the House
by the Leader of
the Majority
Party [Hon Aden
Dore] on Tuesday
26th June 2018*

REPORT

PARLIAMENT
OF KENYA
LIBRARY

OF

THE AUDITOR-GENERAL

ON

[Afternoon]

**THE FINANCIAL STATEMENTS OF
NATIONAL COMMUNICATIONS
SECRETARIAT**

**FOR THE YEAR
ENDED 30 JUNE 2017**



**NATIONAL COMMUNICATIONS
SECRETARIAT**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

TABLE OF CONTENTS

I.	KEY ENTITY INFORMATION AND MANAGEMENT.....	3
a)	Background information	3
b)	Principal Activities	3
c)	Key Management.....	3
d)	Fiduciary Management.....	4
f)	Headquarters	4
g)	Contacts	4
h)	Entity Bankers.....	5
i)	Independent Auditors	5
j)	Principal Legal Adviser.....	5
k)	The Key Management.....	5
II.	REPORT OF THE COMMUNICATIONS SECRETARY/CHIEF EXECUTIVE OFFICER	9
III.	CORPORATE GOVERNANCE STATEMENT	13
IV.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT	14
V.	STATEMENT OF ACCOUNTING OFFICER RESPONSIBILITIES	15
VI.	REPORT OF THE INDEPENDENT AUDITORS ON NATIONAL COMMUNICATIONS SECRETARIAT	17
VII.	STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017.....	18
VIII.	STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017	19
IX.	STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017	20
X.	STATEMENT OF CASH FLOWS.....	21
XI.	STATEMENT OF COMPARATIVE OF BUDGET AND ACTUAL AMOUNTS.....	22
XII.	NOTES TO THE FINANCIAL STATEMENTS	23
	The movement of Kshs 2,041,717 is as result of:.....	40
XIII.	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	41
XIV.	Appendix 1 : PROJECTS IMPLEMENTED BY NATIONAL COMMUNICATIONS	41
XV.	Appendix 2 : INTER – ENTITY TRANSFERS	41
XIV.	Appendix 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES	42

I. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

National Communications Secretariat was established under the Kenya Communications Act, 1998, Section 84, on 1st October 1998. It is domiciled in Kenya with headquarters in Nairobi and has no branches.

b) Principal Activities

The Principal mandate of National Communications Secretariat is defined in the Kenya Communications Act,1998, Section 84(2) as to advice 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, Ministry of Information, Communication and Technology.

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Acting Communications Secretary	Daniel O. Obam
2.	Communications Legal Expert	Joseph N. Kihanya
3.	Communications Technology Expert	Vincent O. Adul
4.	Head of Human Resource and Administration	Sally C. Malova
5.	Head of Finance	Nelly A. Nandwa

e) Fiduciary Oversight Arrangements

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) Headquarters

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

g) 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

i) Independent Auditors

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

j) Principal Legal Adviser

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

k) The Key Management

 <p>Eng. Daniel Onyango Obam Acting Communications Secretary</p>	<p>D.O.B 20/05/1960</p> <p>Engineer Obam holds a BSc in Electrical Engineering and MSc in Engineering Management. He has wide experience in the ICT industry within the Radio frequency Spectrum and Broadcasting sectors having previously worked in KBC and in WorldSpace Corporation before joining the Secretariat in January 2003.</p>
 <p>Eng. Vincent Otieno Adul Communications Technology Expert</p>	<p>D.O.B 12/06/1960</p> <p>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.</p> <p>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(IEEE Region 8), and the Institute of Engineering Technology(UK)</p>



Mr. Joseph Ndung'u Kihanya
Communications Legal Expert

D.O.B 13/10/1971

Mr. Kihanya holds a LLB and a LLM in Media, Communication and Information Technology Law. He joined National Communications Secretariat in 2007 after working at Kencell Communications Ltd, Communications Law Centre, United States International University and Council of Legal Education, Kenya School of Law.



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.



CPA Nelly Awinja Nandwa
Head Of Finance

D.O.B 09/08/1982

Nelly Nandwa is a Certified Public Accountant of Kenya.

Nelly joined National Communications Secretariat in 2005.

ICPAK Membership No. 13491

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, answerable to the Principal Secretary, State Department of Broadcasting & Telecommunications, Ministry of Information, and Communications & Technology. 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 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. The draft Wireless Broadband Spectrum Policy 2017 which is currently uploaded on the Ministry of ICT website for public comments is the most recent policy formulated by the Ministry. The process of the policy formulation is always done in a transparent manner and in accordance with the Constitution.

b)National, Regional and International Activities

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

- ❖ Review of the National ICT Policy 2006;
- ❖ Participated in the KBC Taskforce to examine and review strategies, structures, processes and systems within the National broadcaster's management for the purpose of revamping it into a modern National Public Broadcaster;
- ❖ Participated in the PCK Taskforce for the rationalisation of the Postal and Courier Network in Kenya to align it with the current market trends and emerging competition;
- ❖ Participated in Mobile money interoperability discussions with Mobile operators;
- ❖ Participated in Ajira Digital Programme; an online initiative by the Government to bridge the gap between skills, demand and lack of jobs.
- ❖ Reviewed and developed a draft of Wireless Broadband Spectrum policy;
- ❖ Ongoing participation on the review of the National Broadband Strategy;
- ❖ Ongoing participation on the review of the National ICT Masterplan;
- ❖ Participation in the review of Broadcasting Regulations;
- ❖ Participation in the ongoing development of the National Addressing System Policy and implementation framework;
- ❖ Coordinated the participation in the GSMA World Congress, 2016 by the Ministry of ICT;
- ❖ Participation in ICANN activities as Kenya government representative in the Governance Advisory Council (GAC) of Internet Corporation for Assigned Names and Numbers (ICANN);
- ❖ Participation as panellists in support of the Communications Authority of Kenya organised "Kikao Kikuu" County Consumer Forums;
- ❖ Continued to provide technical support for the ongoing KBC/APD Project for rollout of digital sites as means of extension and enhancement of the Digital Terrestrial Television (DTT) footprint to unserved and underserved areas of the country.

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

c) Internal Operational Activities

During the FY - 2016/2017, the Secretariat once again experienced budgetary constraints owing to inadequate funding.

Though the revised estimates for 2016/2017 were approved, once again, the Secretariat did not get the additional funds which has led to operational budget constraints and consequently has not been able to implement the Car Loan and Mortgage Scheme that was granted by the Salaries and Remuneration Commission (SRC) through Circular No. SRC/ADM/CIR/1/13/Vol.III (128) of December 2014. This has persisted despite several requests for funding from the Communications Authority of Kenya (CA) for the provision of a one-off revolving fund. The net effect is that this has denied the Secretariat staff benefits that accrue from Government funded loans for public officers.

These challenges have however not hampered 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 and also to participate 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. It is our hope and wish that funds permitting, we should be able to dispose and replace these units going forward, 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



Reports and Financial Statements For the year ended June 30,2017

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 last financial year, the Communications Authority (CA) committed to refurbish the Secretariat offices in order to provide for a modern and conducive work environment and create 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 Ag. Communications Secretary. The project team is in the process of finalizing the Bill of Quantities and the tender papers. The Secretariat is currently in contact with CA to ensure that funds for the repair and refurbishment of its offices are set aside, ready for implementation.

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 requested for secondment of a Procurement Professional from the Ministry of ICT, who would provide professional and transparent procurement service at the Secretariat that gives equal opportunity to all. In the Finance Department, the Secretariat continues to execute the currently adopted standards and as such reported its accounts using the International Public Sector Accounting Standards (IPSAS). To uphold the principle of transparency and accountability, all the annual reports of accounting will be published and uploaded on the Secretariat 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 RP in order to be more efficient in service delivery.

Lastly, two positions were advertised in the FY2016/2017. the Communications Legal Expert position that fell vacant within the year and the Communications Economic Expert position that has been vacant since the FY 2015/16. They were advertised through newspapers of national coverage and wide circulation and the evaluation of the applications is underway.



Reports and Financial Statements For the year ended June 30,2017

IV.CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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.

During the FY 2016/17, the employees of the Secretariat had two sensitization programmes and health talks. The focus of the programmes were; stress management/High Blood Pressure and Cancer health talk which was conducted by the Health Management Organization - AAR. In addition, free health checkups were provided for all where individualized health advice was given. Opportunities for improvement of careers were provided where most employees were encouraged to enroll for tertiary education to enhance and enrich their professional/academic qualification. The Secretariat is also facilitating and encouraging employees to take up pre-retirement courses to help them cope with their retirement stage in life.

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.

In order to affect the lives of the community directly, an enhanced internship programme is underway for qualified female and physically challenged students.

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.

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 Secretariat, which give a true and fair view of the state of affairs of the Secretariat at the end of the financial year and the operating results of the Secretariat for that year. The Accounting Officer is also required to ensure that the Secretariat keeps proper accounting records which disclose with reasonable accuracy the financial position of the Secretariat. The Accounting Officer is also responsible for safeguarding the assets of the Secretariat.

The Accounting Officer 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, 2017. 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 Accounting Officer 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 Accounting Officer 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, 2017, and of the Secretariat's financial position as at that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the Secretariat,



Reports and Financial Statements For the year ended June 30,2017

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 Accounting Officer 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 _____31st July _____ 2017 and signed on its behalf by:

Daniel Obam, HSC
Ag. Communications Secretary
National Communications Secretariat

Sammy Itemere, CBS
Principal Secretary, State Department
Of Telecommunication and Broadcasting
Ministry Of Information, Communication and
Technology

Date: 23/03/2018

Date: 23/03/2018

REPUBLIC OF KENYA



Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL COMMUNICATIONS SECRETARIAT FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Communications Secretariat set out on pages 18 to 42, which comprise the statement of financial position as at 30 June 2017, 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, the financial statements present fairly, in all material respects, the financial position of National Communications Secretariat as at 30 June 2017, 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.

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

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Communications Secretariat in 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 judgement, are of most significance in the audit of the financial statements. Except for the matter described

Report of the Auditor-General on the Financial Statements of National Communications Secretariat for the year ended 30 June 2017

in the Other Matter section of my report, I have determined that there were no Key Audit Matters to communicate in my report.

Other Matter

Non-compliance with the Constitution and the National Cohesion and Integration Act No. 12 of 2008

A review of the secretariat staff composition revealed that one ethnic community accounts for 44% of the total staff. Therefore, the Secretariat contravened Article 232(1) (h) of the constitution on the values and principles of the Public Service for the representation of Kenya's diverse communities and section 7 of the National Cohesion and Integration Act, 2008, on discrimination in employment for all public establishments and which should represent the diversity of the people of Kenya and no public establishment shall have more than one third (1/3) of its staff from the same ethnic community. Consequently, the management is in breach of the law.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Secretariat's ability to continue as a going concern, disclosing, as applicable, matters related to going concern 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.

Those charged with governance are responsible for overseeing the Secretariat's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. 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 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.

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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Secretariat's 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 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 as a going concern or to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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

24 April 2018

VII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	Note	2016-2017 Kshs	2015-2016 Kshs
Revenue from non-exchange transactions			
Government Grants	5	80,000,000	80,000,000
Total Revenue from non-exchange transactions		80,000,000	80,000,000
Revenue from exchange transactions			
Bank Interest earned	6	358,188	733,184
Income from disposal of fixed assets	6	-	17,000
Total Revenue from exchange transactions		358,188	750,184
Total Revenue		80,358,188	80,750,184
Expenses			
Employee costs	7	50,767,397	56,083,035
Depreciation and amortization expense	8	1,282,109	1,346,132
Administrative and Operating Costs	9	27,199,211	30,291,911
General expenses	10	139,200	139,200
Total expenses		79,387,917	87,860,278
Surplus for the period		970,271	(7,110,094)

The notes set out on pages 23 to 42 form an integral part of the Financial Statements.



Reports and Financial Statements For the year ended June 30,2017

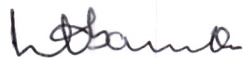
**VI. REPORT OF THE INDEPENDENT AUDITORS ON NATIONAL COMMUNICATIONS
SECRETARIAT**

Reports and Financial Statements For the year ended June 30,2017

VIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

Assets		2016-2017	2015-2016
Cash and cash equivalents	11	12,091,304	8,383,515
Receivables from non-exchange transactions	12	5,475,357	6,571,039
		17,566,661	14,954,554
Non-current assets			
Property, plant and equipment	13	4,629,531	3,309,876
Intangible Assets	14	-	22,712
		4,629,531	3,332,588
Total assets		22,196,192	18,287,142
Current liabilities			
Trade and other payables from non-exchange transactions	15	9,928,122	8,316,460
Non – Current Liabilities			
Payables from non-exchange transactions			
Total Liabilities	16	1,474,074	1,972,629
		11,402,196	10,289,089
Reserves			
Revaluation Reserve	17(a)	2,730,000	2,946,046
Capital Replacement Reserve	17(b)	8,382,221	8,382,221
Accumulated Reserves	17(c)	(318,225)	(3,330,214)
		10,793,996	7,998,053
Total liabilities and Reserves		22,196,192	18,287,142

The Financial Statements set out on pages 18 to 22 were signed on behalf of the Management by:



DANIEL OBAM, HSC
Ag. COMMUNICATIONS SECRETARY
NATIONAL COMMUNICATIONS SECRETARIAT

Date 23/03/2018



SAMMY ITEMERE, CBS
PRINCIPAL SECRETARY, STATE DEPARTMENT
OF TELECOMMUNICATION AND BROADCASTING
MINISTRY OF INFORMATION, COMMUNICATION
AND TECHNOLOGY

Date 23/03/2018

IX. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Note	Revaluation Reserve Kshs	Capital Replacement Reserve Kshs	Accumulated Reserve Kshs	Total Kshs
Balance at 30.06.15	17(b)	3,198,279	8,382,221	3,779,880	15,360,380
Revaluation loss	17(b)	(252,233)	-	-	-
Surplus/(deficit)for the period			-	(7,110,094)	(7,362,326)
Transfers to/from accumulated surplus		-	-	-	-
Balance as at 30th June 2016	17,17(a),17(b)	2,946,046	8,382,221	(3,330,214)	7,998,053
Revaluation loss	13	(216,046)	-	-	-
Transfers to/from					
Accumulated surplus	20	-	-	2,041,717	2,041,718
Surplus/(deficit) for the period		-	-	970,272	754,226
Balance as at 30th June 2017	17,17(a),17(b)	2,730,000	8,382,221	(318,225)	10,793,997

NATURE AND PURPOSE OF RESERVES

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.

**X. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2016-2017 Kshs	2015-2016 Kshs
Cash flows from operating activities			
Surplus/Deficit in Operations		970,272	(7,110,094)
Prior year adjustment			
Reversal of NHIF expense	20	5,120	
Adjustments for non-cash items			
Depreciation and impairment		1,282,109	1,346,132
Operating Surplus before working capital changes		2,257,501	(5,763,962)
Decrease in Accounts Receivable	12	1,095,682	298,408
Increase in Accounts Payable	15	1,113,106	(4,813,793)
Net cash flows from operating activities		4,466,289	(10,279,347)
Cash flows from investing activities			
Purchase of property	13	(758,500)	(999,861)
Purchase of software	14	-	-
Net cash flows used in investing activities		(758,500)	(999,861)
Cash flows from financing activities			
Cash flows from financing activities		-	-
Net cash flows used in financing activities		-	-
Net decrease in Cash and Cash equivalents		3,707,789	(11,279,208)
Cash and cash equivalents at 1 July 2016		8,383,515	19,662,723
Cash and cash equivalents at 30th June 2017	11	12,091,304	8,383,515

**XI. STATEMENT OF COMPARATIVE OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2017**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Explanation Of Material Variance
	2016-2017	2016-2017	2016-2017	2016-2017	
	Kshs		Kshs		
Revenue	Kshs		Kshs		
Transfers from the Government entities/units	552,398,645	(472,398,645)	80,000,000	80,000,000	
Revenue from Exchange Transactions	-	358,188	358,188	358,188	
Total income	552,398,645	(472,040,457)	80,358,188	80,358,188	(i)
Expenses					
Employee Costs	122,429,400	(71,662,003)	50,767,397	50,767,397	(ii)
Depreciation and Amortization expense	4,725,000	(3,442,891)	1,282,109	1,282,109	
Administrative and Operating Costs	425,105,045	(397,905,834)	27,199,211	27,199,211	(iii)
General Expenses	139,200	-	139,200	139,200	
Total expenditure	552,398,645	(473,010,728)	79,387,917	79,387,917	(iv)
Surplus/deficit for the period	-	970,271	970,271	970,271	(v)

i) The Communications Authority allocated and disbursed only Kshs 80,000,000 out of the Ksh 552,398,645 that was approved by the CS of MoICT and presented by the PS as NCS budget for 2016/17.

ii) Employee costs were adjusted to fit into the allocated and disbursed budget which was much lesser than the proposed one. Therefore the planned staff recruitments and restructuring of the Secretariat were not actualized.

iii) Due to a constrained budget of 80M that was disbursed, the vacant positions were not filled causing the plans that had been made for the prospected new staff to be cancelled thereby cutting down the Admin and Operating Costs.

iv) The difference is due to the drastic cut in the approved budget of Ksh 552,398,645 to the actual disbursed budget of only 80M.

v) The difference is due to the drastic cut in the approved budget to an allocated budget of only 80M.

XII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

National Communications Secretariat is established by and derives its authority and accountability from The Kenya Communications Act. NCS is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal mandate is to advise the government on all ICT matters.

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, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.</p>

Reports and Financial Statements For the year ended June 30,2017

Standard	Impact
	<i>National Communications Secretariat adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to NCS.</i>
IPSAS 34: Separate Financial Statements	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. <i>National Communications Secretariat does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</i>
IPSAS 35: Consolidated Financial Statements	Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following: <ul style="list-style-type: none"> -Its power over the other entity -Its exposure or rights to variable benefits from involvement with the other entity -Its ability to control the nature, timing and amount of benefits from the other entity. Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35. <i>The entity does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply</i>
IPSAS 36: Investments in Associates and Joint Ventures	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. <i>The entity does not have investments in associates or joint ventures.</i>
IPSAS 37: Joint	(Effective for annual periods beginning on or January 1, 2017)

Reports and Financial Statements For the year ended June 30,2017

Standard	Impact
Arrangements	In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. <i>The entity does not have an interest in a joint arrangement and therefore the standard does not apply.</i>
IPSAS 38: Disclosure of Interests in Other Entities	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows. <i>The entity does not have an interests in other entities and therefore the standard does not apply.</i>

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 39: Employee Benefits	Applicable: 1st January 2018 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.
IPSAS 40: Public Sector Combinations	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.



Reports and Financial Statements For the year ended June 30,2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii. Early adoption of standards

National Communications Secretariat did not early – adopt any new or amended standards in year 2017.

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 2016/17 National Communications Secretariat received government grants from Communications Authority through the Ministry of Information, Communication and Technology as total revenue for the year. The total amount received was Kshs 80,000,000 only.

ii) Revenue from exchange transactions

Interest income

In the course of the financial year, the Secretariat earned interest of income of Ksh 358,188 from cash deposits in the gratuity savings account.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Budget information

The original budget was not approved. Only Kshs 80,000,000 was approved as the budget for 2016/2017 for the National Communications Secretariat.

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 2017.

e) 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.

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%



Reports and Financial Statements For the year ended June 30,2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

f) 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.

g) Provisions

The Secretariat has made provision for Audit fees and Staff Gratuity for the year ended 30th June, 2017.

h) 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 2017 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 2017 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

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	Ag. Communications Secretary	Kshs 6,852,000
2.	Vincent Adul	Communications Technology Expert	Kshs 5,763,000
3.	Joseph Kihanya	Communications Legal Expert	Kshs 3,024,000
4.	Sally Malova	Head of Human Resource \$ Administration	Kshs 2,622,600
5.	Nelly Nandwa	Head of Finance and Accounts	Kshs 1,694,040
		Total	Kshs 19,955,640

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized employees which were not surrendered or accounted for 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.

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 30,2017.



Reports and Financial Statements For the year ended June 30,2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Revenue from non-exchange transactions

	2016-2017	2015-2016
	Kshs	Kshs
Government grants	80,000,000	80,000,000
Total Revenue from non-exchange transactions	80,000,000	80,000,000

	2016-2017	2015-2016
	Kshs	Kshs
6. Revenue from Exchange Transactions		
Bank interest earned	358,188	733,184
Income from disposal of assets	-	17,000
	80,358,188	750,184

	2016-2017	2015-2016
	Kshs	Kshs
7. Employee Costs		
Employee related costs - salaries and wages	37,159,765	41,1115,452
Employee related costs - contributions to pensions and medical aids	13,254,632	14,774,583
Leave allowance	353,000	193,000
Total Employee costs	50,767,397	56,083,035

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2016 -2017	2015 - 2016
	Kshs	Kshs
8. Depreciation and amortization expense		
Property, plant and equipment	1,282,109	1,346,132
Total depreciation and amortization	1,282,109	1,346,132
	2016-2017	2015-2016
	Kshs	Kshs
9. Administrative and Operating Costs		
Travelling - Local	3,372,311	3,215,421
External Travelling, Visa fees and Air ticket	15,742,149	20,589,762
Tuition fees -Local	2,559,760	2,431,151
Tuition fees – External	279,006	-
Stakeholder's Conferences	429,400	-
Research and Assistant	-	112,500
Postage, Telephone and Internet	1,298,653	1,263,931
Bank Charges	108,073	160,754
Repairs and Maintenance	33,500	-
Cleaning	309,144	257,630
Office Entertainment	700,166	597,381
Motor Vehicles running Expenses	1,496,692	1,345,118
Printing and stationery	72,000	318,263
Advertising	683,914	-
Miscellaneous	85,350	-
Uniforms	29,092	-
Total Administrative and Operating Costs	27,199,211	30,291,911
10. General Expenses	Kshs	Kshs
Audit fees	139,200	139,200
Total General Expenses	139,200	139,200



Reports and Financial Statements For the year ended June 30,2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Cash and Cash equivalents	2016-2017	2015-2016
	Kshs	Kshs
Bank - NCS Current A/C Kenya Commercial Bank Capital Hill branch – A/C 1117340023	(177,877)	3,591,121
Bank - NCS Gratuity A/C Kenya Commercial Bank Capital Hill branch - A/C 1136088261	12,269,180	4,792,394
Total Cash and Cash equivalents	12,091,303	8,383,515
12. Receivables from non-exchange transactions	2016-2017	2015-2016
current receivables	Kshs	Kshs
Staff debtors	792,264	548,539
Prepayments	4,683,093	6,022,500
Total receivables from non-exchange transactions	5,475,357	6,571,039

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Property Plant and Equipment

	Motor Vehicle	Furniture Fittings and Equipment	Computers	Total
Cost	Kshs	Kshs	Kshs	Kshs
As at 1 July 2015	12,511,458	2,101,833	4,339,895	18,953,186
Additions	-	713,141	286,720	999,861
As at 30th June 2016	12,511,458	2,814,974	4,626,615	19,953,047
Additions	-	-	758,500	758,500
As at 1 July 2016	12,511,458	2,814,974	5,385,115	20,711,547
Depreciation and impairment				
As at 1 July 2015	11,349,777	1,258,175	2,459,497	15,067,449
As at 30 th June 2016	11,602,010	1,549,422	3,491,739	16,643,171
Previous years Adjustments	(2,036,598)			(2,036,598)
Depreciation	-	237,677	1,021,720	1,259,397
Revaluation Loss	216,046	-	-	216,046
As at 30th June 2017	9,781,458	1,787,099	4,513,459	16,082,016
Net Book values				
As at 30 th June 2017	2,730,000	1,027,875	871,656	4,629,531
As at 30 th June 2016	909,448	1,265,552	1,134,876	3,309,876

1. 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.
2. Previous years adjustment of Ksh 2,036,598 is correction of depreciation charged on Vehicles erroneously in 2013 and 2014.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

QuickBooks computer software

14. Intangible Assets

	Kshs
Cost	
As at 30 th June 2016	68,000
Additions	-
Disposals	-
As at 1 July 2017	<u><u>68,000</u></u>
Depreciation and impairment	
As at 30 th June 2016	45,288
Depreciation	22,712
Disposals	-
As at 30th June 2017	<u><u>00</u></u>
Net Book Values	
As at 30 th June 2016	22,712
As at 30th June 2017	<u><u>00</u></u>

15. Trade and other payables from non-exchange transactions

ns

	2016-2017	2015-2016
	Kshs	Kshs
Outstanding Gratuity	9,745,567	8,128,478
NHIF	-	5,120
		139,200
Provision for Audit Fees	139,200	
Accrued expenses	43,355	43,662
Total Payables	<u><u>9,928,122</u></u>	<u><u>8,316,460</u></u>

16. Non-Current Liabilities

	2016-2017	2015-2016
	Kshs	Kshs
Outstanding Gratuity	1,474,074	1,972,629
	<u><u>1,474,074</u></u>	<u><u>1,972,629</u></u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17(a) Revaluation Reserve

	2016-2017	2015-2016
	Kshs	Kshs
Balance b/f	2,946,046	3,198,279
Revaluation Loss	216,046	252,233
Total	2,730,000	2,946,046

17(b) Capital Replacement Reserve

	2016-2017	2015-2016
	Kshs	Kshs
Balance	8,382,221	8,382,221
Total	8,382,221	8,382,221

17. (c) Accumulated Reserves

	2016-2017	2015-2016
	Kshs	Kshs
Balance B/F	(3,330,214)	3,779,880
Surplus for the Year	970,272	(7,110,094)
Transfers to/from accumulated surplus	2,041,717	-
Total	(318,225)	(3,330,214)

18. 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 does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company’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 customer, 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 directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Secretariat’s management based on prior experience and their assessment of the current economic environment.

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:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
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
At 30 June 2016				
Receivables from non- exchange transactions	6,571,039	6,571,039	00	00
Bank balances	8,383,515	8,383,515	00	00
Total	14,954,554	14,954,554	00	00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i)Credit risk (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Secretariat has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The key management sets the Secretariat's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(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.

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
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
At 30 June 2016				
Trade payables	-	48,782	-	48,782
Provisions	139,200	-	-	139,200
Employee benefit obligation	-	-	10,101,107	10,101,107
Total	139,200	48,782	10,101,107	10,289,089

19. Capital Commitments

National Communications Secretariat did not have any Capital Commitments at the end of the financial year 2016/17.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Movement in Accumulated Surplus

The movement of Kshs 2,041,717 is as result of:

- i. Correction of depreciation charged erroneously in 2013 of Ksh 1,018,299 and in 2014 Ksh 1,018,299.
- ii. Reversal of accounts payable to NHIF of amount Ksh 5,120. The expense was charged and paid in financial year 2013/14 but the cheque that NCS issued to NHIF was never debited from NCS account.

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)
N/A	N/A	N/A	N/A	N/A	N/A

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 2016/2017.

XV. Appendix 2 : INTER – ENTITY TRANSFERS

National Communications did not make any interentity transfers in the financial year 2016/2017

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

Name of the MDA/Donor Transferring the funds	Date received			Where Recorded/recognized		
	as per bank statement	Nature: Recurrent Grants	Total Amount - KES	Statement of Financial Performance	Capital Fund	Total Transfers during the Year
Ministry of Information, Communication and Technology, State Department of Broadcasting	9/9/2016		20,000,000	20,000,000	20,000,000	80,000,000
	30/9/2016		10,000,000	10,000,000	10,000,000	
	17/2/2017	Recurrent	10,000,000	10,000,000	10,000,000	
	25/01/2017		20,000,000	20,000,000	20,000,000	
	11/05/2017		20,000,000	20,000,000	20,000,000	
Total			80,000,000	80,000,000	80,000,000	80,000,000