

NATIONAL COMMUNICATIONS SECRETARIAT

PARLIAMENT
OF KENYA
LIBRARY



ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED

30TH JUNE 2015





**NATIONAL
COMMUNICATIONS
SECRETARIAT**

**NATIONAL COMMUNICATIONS SECRETARIAT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2015**

**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
ii. Report Of The Communications Secretary/Chief Executive Officer	8
iii. Corporate Governance Statement	10
iv. Corporate Social Responsibility Statement	12
v. Statement Of Accounting Officer Responsibilities	13
vi. Auditors Report	15
vii. Statement Of Financial Performance	17
viii. statement Of Financial Position	18
viii. Statement Of Changes In Net Assets	20
ix. Statement Of Cash Flows	21
x. Statement Of Comparative Of Budget And Actual Amounts	22
xi. Notes To The Financial Statements	23
xii. Progress On Follow Up Of Auditor Recommendations	35



I. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The National Communications Secretariat was established by Section 84 of the Kenya Information and Communications Act, 1998.

b) Principal Activities

The Principal activity/mission of the Secretariat is defined in the Kenya Information and Communications Act, Section 84(2) of 1998 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 organs:

- Communication Secretary; and
- 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 2016 and who had direct fiduciary responsibility were:

Designation	Name
Acting Communications Secretary	Daniel O. Obam
Communication Legal Expert	Joseph N. Kihanya
Communication Technology Expert	Vincent O. Adul
Human Resources and Admin Officer	Sally Chenyisa Malova
Accountant	Nelly Awinja Nandwa



**NATIONAL
COMMUNICATIONS
SECRETARIAT**

e) Headquarters

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

f) Contacts

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

g) Entity Bankers

Kenya Commercial Bank Ltd
Capital Hill Branch
NAIROBI, Kenya

h) Auditors

Auditor-General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
NAIROBI, Kenya

i) Principal Legal Adviser

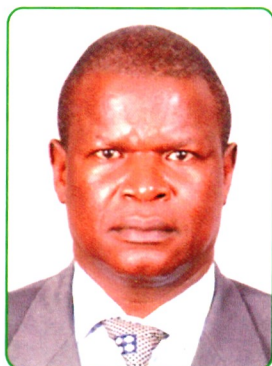
The Attorney General
State Law Office, Harambee Avenue
P.O. Box 40112, GPO 00200
NAIROBI, Kenya



**Mr. Charles Owino Ngesa
Communications Secretary**

D.O.B 07/02/1959

Mr. Ngesa holds a BSc in Economics and Statistics, a post-graduate B.Phil in Economics, MA in Development Economics and a Master of International Affairs (MIA) in Economic Policy Management. Mr. Ngesa has wide experience in economic policy, planning and management and has previously worked in the Ministry of Planning and National Development, a stint at the World Bank and at Industrial Development Bank. He joined the Secretariat in April 2001.



**Eng. Daniel Onyango Obam
Acting Communications Secretary**

D.O.B 20/05/1960

Engineer Obam holds a BSc in Electrical Engineering and MSc in Engineering Management. He has wide experience in the Broadcasting Industry having previously worked in KBC and in WorldSpace Corporation before joining the Secretariat in January 2003.



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 before his appointment to National Communications Secretariat in October 2012.



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.



II. REPORT OF THE COMMUNICATIONS SECRETARY/CHIEF EXECUTIVE OFFICER

In 2013/2014, the National Communications Secretariat was largely challenged by budgetary constraints owing to inadequate funding. These challenges continued to bite into 2014/2015, albeit modestly largely due to prudent expenditure management, austerity and fiscal discipline. Fortunately, like in the previous Financial Year, 2014/2015 was largely successful on account of the accomplishments which included but were not limited to the following:-

- (a) Completion of the review of the National ICT Policy 2006;
- (b) Completion of the National Broadband Spectrum Policy;
- (c) Completion of the National Addressing System Policy;
- (d) Conclusion of the One Mobile Network Area agreements;
- (e) Completion of the Media, Access to Information and Data Protection draft Bills pursuant to Articles 34, 31 and 35 of the Constitution 2010, respectively; and
- (f) Completion of development of draft Information Communications & Technology Authority (ICTA) and Kenya Institute of Mass Communications KIMC) bills.

The Secretariat successfully executed its part and role in the above undertakings and progressed them upstream for necessary action. During the year under review, the Secretariat also continued to execute its primary mandate of provision of policy advisory services on a continuous basis to meet the Ministry's requirements.

Despite the persistent capacity constraints and challenges, largely occasioned by budgetary constraints, the resilience of our experts ensured the Secretariat fulfilled its statutory mandate of providing both on-going and ad-hoc policy advisory support effectively and expeditiously, often on very short notice.

The administrative and support services staff also continued to selflessly maintain their fair share of responsibilities towards the attainment of the Secretariat's objectives as a result of which, the joint effort of all staff members again promises a smooth transition into the upcoming 2015/2016 Financial Year.

During 2014/2015, following proposals to the Ministry and the Communications Authority on the restructuring and capacity enhancement priorities of the Secretariat and subsequent tripartite and bilateral meetings between the Secretariat, the Ministry and Communications Authority, there are bright prospects for a more facilitated Secretariat during 2015/2016 when budgetary resources will have hopefully been availed to finance the proposals. We are positive that sufficient budgetary resources will be availed by the Communications Authority Board to



see through the implementation of these proposals including a “revolving” one-off seed capital for the mortgage and car loan schemes for the Secretariat pursuant to the Salaries and Remuneration Commission Circular of 17th December 2014.

The Secretariat as already alluded, continued to face budgetary challenges during 2014/2015, only securing an approval of Kshs. 80 million against a proposed total budget of Kshs. 180 million. This was way below our projections. Consequently, the Secretariat restricted its spending to essential recurrent expenditure to sustain its operational priorities with zero spending on capital expenditure. The Secretariat could therefore, as in the previous Financial Year, only discharge its mandate sub-optimally. Towards the tail end of the Financial Year, however, the Ministry allocated two 4x4 Chevrolet vehicles to the Secretariat to support the ageing fleet of 3 vehicles the Secretariat has had since 2006/2007 and which it has been unable to replace because of inadequate budgetary allocation for capital expenditure purposes.

Despite all these fiscal challenges and as a consequence, operational and administrative hiccups, the Secretariat managed to successfully wade through 2014/2015. It is against this background that it is reasonable to conclude that should the proposed restructuring and capacity enhancement proposals be implemented, then 2015/2016 Financial Year holds very positive and forward-looking prospects for the Secretariat.

III. CORPORATE GOVERNANCE STATEMENT

The National Communications Secretariat upholds good corporate governance principles at all times and recognizes the need to conduct its affairs and operations with fairness, honesty, accountability and transparency in accordance with these principles in its operations.

As constituted, the Secretariat does not have a board. It was created through the Kenya Communications Act of 1998 as a statutory body, headed by the Communications Secretary who is answerable to the Principal Secretary of the parent ministry i.e. Ministry of Information Communication and Technology. The Secretariat has four key divisions headed by Experts and are supported by a Human Resource and Administrative section. The divisions are:-

1. Radio Spectrum Policy and Management Division.
2. Communication Technology Division.
3. Communication Economics Division.
4. Communications Legislation and Treaties Division.



**NATIONAL
COMMUNICATIONS
SECRETARIAT**

All members of key management have extensive experience in their areas of expertise in private and public sectors that is applied in executing the statutory mandate of National Communications Secretariat, which entails providing prompt, timely and objective policy advisory services on ICTs to the Government through the Ministry of ICT.

In pursuit of the laid down regulations, the Secretariat has ensured that it adheres fully to established policy and regulatory frameworks governing public institutions. For example, pursuant to the Accounting Standards, the Secretariat has successfully adopted and reported its accounts using the International Public Sector Accounting Standards (IPSAS). Further, the Secretariat has ensured full compliance with the migration of its procurements to the e-Procurement platform using the Integrated Financial Management Information System (IFMIS) portal.

In addition, pursuant to the Public Procurement and Disposal Act 2005, a Tender Committee and the relevant sub-committees are in place to execute and oversee all matters of procurement in accordance with the Act.





IV. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

In executing its mandate, National Communications Secretariat is committed to upholding ethical and responsible principles in its advisory role in order to contribute to advancement of ICT sector while improving the quality of life of its employees and their families which in turn impacts the local community and the society at large.

The Secretariat continues to mentor university students majoring in ICT based programmes through its Internship Program. Students from accredited Universities who apply for internship are inducted following successful interviews. In the past year, the interns went through rigorous mentorship and some even attended a high profile meeting – the 4th and Final African Preparatory Meeting for the World Radio communication Conference 2015 (WRC-15) as part of the Kenyan delegation. In facilitating attendance of such meetings, it is expected the ensuing exposure and networking gives the interns a good niche for the challenges in the job market after graduation.

A crucial focus of the Secretariat's Corporate Social Responsibility during the coming years will be on conservation of the environment with emphasis on e-waste management. This will be the Secretariat's contribution towards reducing e-waste effluent discharge and negative externalities to the environment as part of our collective effort to reduce our carbon footprint.

If our budgetary resource endowments improve in the near future, the Secretariat hopes that 2015/2016 will be a more successful year in identifying and executing a good Corporate Social Responsibility programme(s).





V. STATEMENT OF ACCOUNTING OFFICER RESPONSIBILITIES

Section 84 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/period and the operating results of the Secretariat for that year/period. 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 , 2015. 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(NCS) transactions during the financial year ended 30th June , 2015, and of the Secretariat's financial position as at that date. The Accounting Officer further confirm the completeness of the accounting records maintained for the Secretariat, which have been relied upon in the preparation of the Secretariat's financial statements as well as the adequacy of the systems of internal financial control.



Nothing has come to the attention of the 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 AUG 2015 and signed on its behalf by:

Communications Secretary

26th FEB 2016

Date

Principal Secretary

26/02/2016

Date

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 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Communications Secretariat set out on pages 17 to 34, which comprise the statement of financial position as at 30 June 2015, 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected

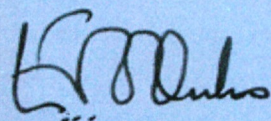
National Communications Secretariat – Annual Report and Financial Statements for the year ended 30 June 2015

depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Secretariat's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Secretariat as at 30 June 2015, 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 Kenya Information and Communications Act, Cap 411A of the Laws of Kenya.



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

Nairobi

03 March 2016



V. STATEMENT OF ACCOUNTING OFFICER RESPONSIBILITIES

For the year ended 30th June 2015

	Notes	2014-2015 Kshs	2013-2014 Kshs
Revenue from non-exchange transactions			
Government Grants	3	75,648,960	91,491,150
Total Revenue from non-exchange transactions		<u>75,648,960</u>	<u>91,491,150</u>
Revenue from exchange transactions			
Bank Interest earned	4		
Income from disposal of fixed assets	4	547,952	272,170
Total Revenue from exchange transactions		42,850	-
Total Revenue		<u>76,239,762</u>	<u>91,763,320</u>
Expenses			
Employee costs	5	55,005,287	50,272,176
Depreciation and amortization expense	6	1,587,342	1,913,633
Administrative and Operating Costs	7	36,072,861	14,628,095
General expenses	8	139,200	139,200
Total expenses		<u>92,804,690</u>	<u>66,953,103</u>
		<u>(16,564,928)</u>	<u>24,810,217</u>
Surplus for the period			

The notes set out on pages 22 to 32 form an integral part of the Financial Statements.




VIII. STATEMENT OF FINANCIAL POSITION
As at 30th June 2015

Assets	Notes	2014-2015 Kshs	2013-2014 Kshs
Current assets			
Cash and cash equivalents	9	19,662,723	33,691,471
Receivables from non-exchange transactions	10	6,869,447	7,053,879
		<u>26,532,170</u>	<u>40,745,350</u>
Non-current assets			
Property, plant and equipment	11	3,885,737	3,819,778
Intangible Assets	12	45,356	-
		<u>3,931,093</u>	<u>3,819,778</u>
Total assets		<u>30,463,263</u>	<u>44,565,130</u>
Liabilities and Reserves			
Current liabilities			
Trade and other payables from non-exchange transactions	13	11,005,910	11,764,905
Non – Current Liabilities			
Trade and other payables from non-exchange transactions	14	4,096,973	-
Total Liabilities		<u>15,102,883</u>	<u>11,764,905</u>
Reserves			
Revaluation Reserve	15	3,198,279	4,073,196
Capital Replacement Reserve	15	8,382,221	8,382,221
Accumulated Reserves	15(a)	3,779,880	20,344,808
		<u>15,360,380</u>	<u>32,800,225</u>
Total liabilities and Reserves		<u>30,463,263</u>	<u>44,565,130</u>

The Financial Statements set out on pages 15 to 18 were signed on behalf of the Management by:


Charles Owino Ngesa
communications Secretary
National Communications Secretariat


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

Date..... 26th FEB 2016

Date..... 26/02/2016



VIII. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30th June 2015

	Revaluation Reserve	Capital Replacement Reserve	Accumulated Reserve	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 30-Jun-13	4,073,196	8,382,221	(4,465,409)	7,990,008
Surplus/(deficit)for the period	-	-	24,810,217	24,810,217
Transfers to/from accumulated surplus				
Balance as at 30th June 2014	4,073,196	8,382,221	20,344,808	32,800,225
Surplus for the period	(874,917)	-	(16,564,928)	(17,439,845)
Balance as at 30th June 2015	3,198,279	8,382,221	3,779,880	15,360,380



IX. STATEMENT OF CASH FLOWS
For the year ended 30th June 2015

	Notes	2015-2016 Kshs	2014-2015 Kshs
Cash flows from operating activities			
Surplus/Deficit in Operations		(16,564,928)	24,810,217
Adjustments for non-cash items			
Depreciation and impairment		1,587,342	1,913,633
Operating Surplus before working capital changes		<u>(14,977,586)</u>	<u>26,723,850</u>
Decrease in Accounts Receivable	10	184,433	151,075
Decrease in Accounts Payable	13 - 14	3,337,978	2,334,923
Net cash flows from operating activities		<u>(11,455,175)</u>	<u>29,209,848</u>
Cash flows from investing activities			
Purchase of property	11	(2,505,573)	(301,000)
Purchase of software	12	(68,000)	-
Net cash flows used in investing activities		<u>(2,573,573)</u>	<u>(301,000)</u>
Cash flows from financing activities		-	-
Net cash flows used in financing activities		-	-
Net decrease in Cash and Cash equivalents		<u>(14,028,748)</u>	<u>28,908,848</u>
Cash and cash equivalents at 1 July 2014		33,691,471	4,782,623
Cash and cash equivalents at 30th June 2015	9	<u>19,662,723</u>	<u>33,691,471</u>



X. STATEMENT OF COMPARATIVE OF BUDGET AND ACTUAL AMOUNTS
For The Year Ended 30th June 2015

	Original budget 2014-2015	Adjustments 2014-2015	Final budget 2014-2015	Actual on comparable basis 2014-2015
Revenue	Kshs	Kshs	Kshs	Kshs
Transfers from the Government entities/units	180,419,684	(104,770,724)	75,648,960	75,648,960
Revenue from Exchange Transactions	-	590,802	590,802	590,802
Total income	180,419,684	(104,179,922)	76,239,762	76,239,762
Expenses				
Employee Costs	67,078,674	(12,161,387)	54,917,287	54,917,287
Depreciation and Amortization expense	7,575,000	(5,989,902)	1,585,098	1,585,098
Administrative and Operating Costs	63,841,010	(27,995,471)	35,845,539	35,845,539
General Expenses	139,200	-	139,200	139,200
Total expenditure	138,633,884	(46,146,760)	92,487,124	92,487,124
Surplus/deficit for the period	41,785,800	25,538,438	(16,247,362)	(16,247,362)



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30th June 2015

1. Statement of compliance and basis of preparation – IPSAS 1

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 and all values are rounded to the nearest one (1) shilling. 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.

2. Summary of Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions – IPSAS 23

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.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2015 (CONTINUED)**

ii. Revenue from exchange transactions – IPSAS 9

In the course of the financial year, the Secretariat earned interest income from cash deposits in the gratuity savings account. In addition, the Secretariat also earned income from disposal of fully depreciated assets.

b) Budget information – IPSAS 24

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) Property, plant and equipment – IPSAS 17

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 FOR THE YEAR ENDED 30th JUNE 2015 (CONTINUED)

The depreciation 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%

d) Intangible assets – IPSAS 31

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.

e) Provisions – IPSAS 19

The Secretariat has made provision for Audit fees and Staff Gratuity for the year ended 30th June, 2015

f) Revaluation Reserve

The Secretariat created and maintains a revaluation reserve for the motor vehicles .



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2015 (CONTINUED)**

g) Employee benefits – IPSAS 25

Retirement benefit plans

The Entity 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 2015 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 2015 as accounts payable.

h) Research and development costs

The Entity 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
FOR THE YEAR ENDED 30th JUNE 2015 (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.

i) 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 Entity, or vice versa. Members of key management are regarded as related parties and comprise of the Principal Secretary, Cabinet Secretary and the other officials of the Government of Kenya.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank. Bank account balances include amounts held at the Kenya commercial bank 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.

k) 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
FOR THE YEAR ENDED 30th JUNE 2015 (CONTINUED)**

Significant judgments and sources of estimation uncertainty – IPSAS 1

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.

m) 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 from disposal:-

The condition of the asset based on the assessment of experts employed by the 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

n) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June, 2015.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2015 (CONTINUED)

3. Transfers from other government entities/units	2014-2015	2013-2014
	Kshs	Kshs
Operational grant	75,648,960	91,491,150
Total Government grants	75,648,960	91,491,150
	2014-2015	2013-2014
	Kshs	Kshs
4. Revenue from Exchange Transactions		
Bank interest earned	547,952	272,170
Income from disposal of assets	42,850	
	590,802	272,170
	2014-2015	2013-2014
	Kshs	Kshs
5. Employee Costs		
Employee related costs - salaries and wages	48,324,122	36,304,592
Employee related costs - contributions to pensions and medical aids	6,202,165	13,772,584
Leave allowance	479,000	195,000
Employee costs	55,005,287	50,272,176
	2014-2015	2013-2014
	Kshs	Kshs
6. Depreciation and amortization expense		
Property, plant and equipment	1,587,342	1,913,633
Total depreciation and amortization	1,587,342	1,913,633



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2016 (CONTINUED)

7. Administrative and Operating Costs	2014-2015	2013-2014
	Kshs	Kshs
Travelling - Local	3,504,116	1,036,240
External Travelling, Visa fees and Air ticket	24,282,843	8,610,770
Tuition fees -Local	2,409,242	650,599
Tuition fees – External	343,525	-
Stakeholder's Conferences	209,967	-
Research and Assistant	94,000	74,500
Postage, Telephone and Internet	1,302,764	657,048
Bank Charges	132,713	89,538
Repairs and Maintenance	160,730	105,072
Cleaning	848,478	-
Office Entertainment	580,733	582,576
Motor Vehicles running Expenses	1,454,701	2,611,794
Printing and stationery	483,179	91,220
Computer software	-	20,000
Miscellaneous	141,150	50,000
Uniforms	-	48,736
Total Administrative and Operating Costs	124,720	-
	36,072,861	14,628,095
	2014-2015	2013-2014
8. General Expenses	Kshs	Kshs
Audit fees	139,200	139,200
Total General Expenses	139,200	139,200



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2015 (CONTINUED)**

9. Cash and Cash equivalents	2014-2015 Kshs	2013-2014 Kshs
Bank - NCS Current A/C	4,414,349	22,165,189
Bank - NCS Gratuity A/C	15,248,373	11,526,282
Total Cash and Cash equivalents	19,662,722	33,691,471
10. Receivables from non-exchange contracts current receivables	2014-2015 Kshs	2013-2014 Kshs
Staff debtors	668,586	868,994
MOICT	-	196,560
Prepayments	6,200,861	5,988,325
Total receivables from non-exchange contracts	6,869,447	7,053,879



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2015 (CONTINUED)**

11. Property Plant and Equipment	Motor Vehicle	Furniture Fittings and Equipment	Computers	Total
	Kshs	Kshs	Kshs	Kshs
Cost	12,511,458	1,913,130	4,380,844	18,805,432
As at 1 July 2013	-	-	301,000	301,000
Additions	12,511,458	1,913,130	4,681,844	19,106,432
As at 30th June 2014	-	245,393	2,260,180	2,505,573
Additions	-	(56,690)	(2,021,504)	(2,078,194)
Disposals			(580,625)	
Boarded assets 11(a)	12,511,458	2,101,833	4,339,895	18,953,186
As at 1 July 2015				
Depreciation and impairment	9,456,561	812,995	3,103,464	13,373,020
As at 1 July 2013	10,474,860	1,052,136	3,759,657	15,286,653
As at 30th June 2014	-	262,729	1,301,969	1,564,698
Depreciation	874,917	-	-	874,917
Revaluation Loss		(56,690)	(2,021,504)	(2,078,194)
Disposals			(580,625)	
Boarded assets 11(a)	11,349,777	1,258,175	2,459,497	15,067,449
As at 30th June 2015				
Net Book values	1,161,681	843,658	1,880,398	3,885,737
As at 30th June 2015	2,036,598	860,994	922,187	3,819,779
As at 30th June 2014				

11(a) Computers of Cost Ksh 580,625 were boarded for disposal as during the financial year 2014-15 but were not disposable as at 30th June 2015 because they were fully written off, unserviceable and unprofitable. Therefore they were removed from the fixed assets register.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2015 (CONTINUED)

12. Intangible Assets	QuickBooks computer software
	2014/15
Cost	68,000
As at 30th June 2014	-
Additions	68,000
Disposals	
As at 1 July 2015	-
Depreciation and impairment	22,644
As at 30th June 2014	-
Depreciation	22,644
Disposals	
As at 30th June 2015	-
Net Book Values	45,356
As at 30th June 2014	
As at 30th June 2015	

13. Current Payables from Exchange Transactions

	2014-2015	2013-2014
	Kshs	Kshs
Outstanding Gratuity	10,611,918	11,625,705
NHIF	5,120	-
Provision for Audit Fees	139,200	139,200
Provision for leave allowance	88,000	-
Accrued cleaning expenses	161,672	-
Total Payables	11,005,910	11,764,905

14. Non-Current Payables from Exchange Transactions

	2014-2015	2013-2014
	Kshs	Kshs
Outstanding Gratuity	4,096,973	-
	4,096,973	-



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2015 (CONTINUED)**

15. Reserves	2014-2015	2013-2014
	Kshs	Kshs
Revaluation Reserves	3,198,279	4,073,196
Capital Replacement Reserves	8,382,221	8,382,221
Accumulated Reserves	3,779,880	20,344,808
Total Reserves	15,360,380	32,800,225

During the year motor vehicles were revalued at Ksh 3,198,279.

15. (a) Accumulated Reserves	2014-2015	2013-2014
	Kshs	Kshs
	20,344,808	(4,465,409)
Balance B/F	(16,564,928)	24,810,217
Deficit for the Year	3,779,880	20,344,808
Total		



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	<p>Internal Control environment:-</p> <ul style="list-style-type: none"> -No disaster recovery plan in place -The secretariat does not have a procurement unit required by law -shared responsibility of accounts department 	<ul style="list-style-type: none"> -Consultations regarding restructuring of the Secretariat are ongoing-once completed and implemented will cater for the staffing needs. -Tender and procurement committees were formed -A comprehensive training programme put in place to build their capacity. 	<p>Communications Secretary in liaison with Communications Authority of Kenya and MOICT Human Resource and Administrative Officer</p>	Ongoing	Unknown since both depend on availability of finances



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)
2.	Fully depreciated assets reported in PPE	They were disposed off	NCS Disposal Committee	Most assets that were fully depreciated were disposed off. Plans are underway to dispose off the remaining assets	2015-2016




NATIONAL
COMMUNICATIONS
SECRETARIAT



NATIONAL
COMMUNICATIONS
SECRETARIAT



The image shows the front cover of a book. The cover is divided into three horizontal sections: a red top section, a yellow middle section, and a dark green bottom section. The yellow section features a stylized logo consisting of a grey circle with a yellow swoosh passing through it. The letters 'NCS' are printed in white on the grey circle. A large white circle is centered on the dark green section, partially overlapping the yellow section.

NCS