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CLERK-AT THE-TABLE:	SAMUEL KALAMA.

REPORT

OF

THE AUDITOR-GENERAL

ON

**NATIONAL COMMUNICATIONS
SECRETARIAT**

**FOR THE YEAR ENDED
30 JUNE, 2020**



**NATIONAL
COMMUNICATIONS
SECRETARIAT**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30034 - 00100, NAIROBI
REGISTRY

31 MAR 2021

RECEIVED

NATIONAL COMMUNICATIONS SECRETARIAT

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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



Annual Reports and Financial Statements for the year ended June 30, 2020

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The National Communications Secretariat was established vide the Kenya Information and Communications Act, 1998, Section 84, on 1st October 1998. It was officially formed through Legal Notice 22 of February 1999. The entity is domiciled in Kenya and has no branches.

(b) Principal Activities

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

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

(c) Key Management

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

- The Communication Secretary (CEO); and
- The Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	DESIGNATION	NAME
1.	Communications Secretary (CEO)	Eng. Daniel O. Obam
2.	Communications Economic Expert	Dr. Jane W. Munga
3.	Communications Technology Expert	Eng. Vincent O. Adul
4.	Communications Legal Expert	Mr. Victor B. Nzomo
5.	Human Resource & Administration Officer	Sally Chenyisa Malova (MIHRM)
6.	Accountant	CPA Nelly A. Nandwa
7.	Principal Supply Chain Management Officer	Mr. David K. Ngugi
8.	ICT Officer	Mr. Kevin Owino Nyapere

(e) Fiduciary Oversight Arrangements

The Ministry of ICT, Innovation and Youth Affairs performs the oversight mandate over the functioning of the National Communications Secretariat.



Annual Reports and Financial Statements for the year ended June 30, 2020

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

(f) NCS Headquarters

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

(g) NCS Contacts

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

(h) NCS Bankers

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

(i) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, Monrovia Street
P.O. Box 30084 - 00100
Nairobi, Kenya

(j) Principal Legal Adviser

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

MANAGEMENT TEAM

 Eng. Daniel Onyango Obam Communications Secretary/CEO	Eng. Daniel Obam is the Communications Secretary/CEO of National Communications Secretariat. He Holds an MSc in Engineering Management from the University of Southern California, USA; a BSc (Hons-Telecoms) from the University of Nairobi and other diplomas and certificates.
 Dr. Jane Wanjiru Munga Communications Economic Expert	Dr. Jane Munga is the Communications Economic Expert at National Communications Secretariat. She holds a PhD in Political Science and Government, and a Masters in Economics, both from the University of Alabama, USA



Eng. Vincent Otieno Adul
Communications Technology Expert

Eng. Vincent Adul is the Communications Technology Expert at National Communications Secretariat. He holds a BSc in Electrical Engineering, MSc in Information Systems and MSc in Electrical Engineering and currently pursuing a Ph.D in Computer Science at the University of Nairobi.



Mr. Victor Buziba Nzomo
Communications Legal Expert

Mr. Nzomo is the Communications Legal Expert at National Communications Secretariat. He holds a Bachelor of Laws (LL.B) Degree and a Master of Laws (LL.M) degree.

Annual Reports and Financial Statements for the year ended June 30, 2020

 Sally Chenyisa Malova (MIHRM) Human Resource and Administration Officer	Sally Chenyisa Malova (MIHRM) is the Human Resource and Administration Officer at the National Communications Secretariat. She holds an MSc in Entrepreneurship from Jomo Kenyatta University of Agriculture and Technology; a BA in Communications from Daystar University; and is in her final year of CHRP-K
 CPA Nelly Awinja Nandwa Accountant	CPA Nelly Nandwa is the Accountant at the National Communications Secretariat. She holds a CPA(K) certification, BSc Commerce and a certification in Quickbooks desktop and online. She is currently pursuing MSc Commerce.

Annual Reports and Financial Statements for the year ended June 30, 2020



Mr. David Kariuki Ngugi
**Principal Supply Chain Management
Officer**

Mr. David Ngugi is the Principal Supply Chain Management Officer at National Communications Secretariat. He holds an MSc in Procurement and Logistics and a Bachelor of Arts in Economics.



Mr. Kevin Owino Nyapere
ICT Officer

Mr. Kevin Nyapere is the ICT Officer at National Communications Secretariat. He holds a BSc in Information Technology and is currently undertaking MSc Information Systems Management.

STATEMENT OF THE COMMUNICATIONS SECRETARY/CEO

*Eng. Daniel O. Obam, HSC
Communications Secretary/CEO*

Kenya has been experiencing accelerated growth in the ICT sector, becoming a significant source of economic development and job creation with spill-over effects in almost every sector of the economy. This has contributed significantly to the country's GDP growth. To keep pace with this accelerated growth, rapid technological advancement, evolving global trends and the fast-changing public needs, there is need for updated ICT regulations and policy framework to govern the Sector.

During the year under review, the Secretariat recorded key milestones in its endeavor to provide efficient, quality and timely ICT policy advisory services to promote the benefits of technological development to the people of Kenya.

The Secretariat led in the review and development of the National ICT Policy 2019 which is now operational (gazetted on 7th August, 2020). The objective of the Policy is to provide access to ICTs to all Kenyans with seamless local, regional and global connectivity, through creation of infrastructure that enables the use of always-on, high speed, wireless, internet across the country while fostering a secure, innovation ecosystem. The Policy outlines how the ICT sector will enable the achievement of national development priorities including Kenya Vision 2030 and the Government's Big Four Agenda.

Kenya is ranked as one of the top ten fastest growing digital economies. As a contribution to championing the growth of an Africa-wide digital economy, Kenya was invited by SMART Africa Alliance to develop a Digital Economy Blueprint for adoption by other African Countries. The Secretariat led a multi-stakeholder team to develop the Digital Economy Blue print for Africa, which was launched by H.E the President of Kenya in Kigali, Rwanda during the Transform Africa Summit 2019. I am glad to report that the blueprint has gained traction and has been adopted by several African Countries who are now using it as a guiding framework to develop their own Digital Economy Strategies.

Following the adoption of the blueprint, there was need to develop Kenya's Digital Economy Strategy. The Secretariat led in the development of the Strategy which prioritizes initiatives, objectives and programmes that support the growth and digital transformation of the Kenyan economy, and ensuring that Kenya leads the region towards the 4th Industrial Revolution (4IR). The draft strategy was submitted to the Ministry and was approved for the next stage which is collection comments from the wider stakeholder consultation.

In delivering part of our Mandate which is to advise on ICT Policy that *foster full and efficient use of telecommunication resources including effective use of the radio spectrum*, the Secretariat was also able to successfully steer the development of a Draft Spectrum Policy which was submitted it to the Ministry towards the end of the year under review for approval for public comments. The Government of Kenya aims to manage the scarce spectrum resources more efficiently so as to encourage the development of new and innovative services and ensure that this policy supports the digital transformation of our economy and the development of the information society.

Annual Reports and Financial Statements for the year ended June 30, 2020

In collaborating with other State Institutions for policy making, the Secretariat participated in the development of the Public Relations Society of Kenya (PRSK) Bill and Policy. The proposed policy and legal framework establish the Institute of Public Relations and Communication Management and the Public Relations and Communication Management Professionals Examinations Board to promote, set standards and regulate the practice of Public Relations and Communication Management in Kenya. The two documents were completed and submitted to the Ministry for presentation to the Cabinet. Further, the Secretariat also chaired the committee that addressed the jurisdictional overlaps between Institutions within the Ministry of ICT, Innovation and Youth Affairs that deal with regulation of content. The Committee submitted policy and legislative proposals to the Ministry.

On Regional and international engagements, the Secretariat was Vice-chair of the National Preparatory Committee for the World Radio Conference (WRC-19) and attended all preparatory meetings. The Secretariat was appointed to head the Kenyan delegation to the World Radiocommunication Conference 2019 (WRC-19) held in Sharm El-Sheikh, Egypt from 21st October to 22nd November 2019. .

In order to enhance technical expertise and to keep up with policy global best practices, the Secretariat represented Kenya's interests in the International ICT Policy meetings in the year under review and collaborated with the following international organisations among others: Universal Postal Union (UPU) & Postal Operations Council (POC); United Nations Conference on Trade and Development (UNCTAD); Internet Corporation for Assigned Names and Number (ICANN); Internet Governance Forum (IGF); and the International Telecommunication Union (ITU).

Internally, we now embark on implementing our 5 year Strategic Plan (2020-2024) which provides a clear roadmap to guide execution of our mandate in consideration of the critical requirements of policy advisory to the Ministry of ICT in particular and the national ICT sector in general, as well as the expectations of various stakeholders.

Renovation of our premises that has been pending for a long time commenced in the year under review despite the COVID-19 Pandemic challenges. The project is now in progress under the supervision of the State Department for Public Works, and is expected to be complete by December 2020.

In order to strengthen internal controls in the Secretariat and improve on administrative processes, the Secretariat developed several internal policy and procedure manuals, some of which are still in the process of being finalised: IT Policy and Procedure Manual has been approved and will guide controls that govern all the operational units in the entire IT department. The Social Media Policy and Procedure is also operational. Recognising the potential for impact on the Secretariat's reputation as well as that of its staff and stakeholders the Policy was developed to guide on management of the Secretariat's social media accounts. The development of the Mortgage Scheme Fund Policy is in progress to enable staff to access mortgage facilities to construct, purchase and/or own residential property in line with the SRC Circular.

The Secretariat faced various challenges during the financial year 2019-2020 including inadequate human resource capacity due to the lean work force. Restructuring and review of the staff establishment is being pursued in conjunction with the parent Ministry, in order to resolve this challenge. The positions of the Communications Radio Technology Expert and the Internal Auditor were advertised and the selection process is ongoing. The Secretariat has however embraced



Annual Reports and Financial Statements for the year ended June 30, 2020

a different model in fulfilling its mandate which included enhancing engagements and collaboration with ICT Stakeholders in the development of Policy, Legal and Regulatory instruments. This approach has proved to be very effective in enhancing ownership to projects and activities and increasing collective responsibility among the ICT stakeholders. The results have been increased involvement in government's ICT activities by all stakeholders.

During the FY 2019/2020, the Secretariat's budget was inadvertently rationalized by the National Treasury down to Kshs.20 Million only, from the approved budget of Kshs.120 Million. The budget was eventually reinstated to Kshs.113 Million in May 2020. This resulted in suspension of key capital and operational activities planned for the financial year including the delay in the renovation of Secretariat's premises and the purchase of IT Hardware and Software infrastructure which was critical for automation of administrative processes and procedures for greater efficiency.

The unforeseen COVID-19 Pandemic declared in March 2020 presented challenges due to the need to work from home in compliance with the directives from the government. This required urgent provisions of Personal Protective Equipment (PPEs) to the staff, adequate and reliable provision of internet connectivity and electronic equipment to facilitate business continuity. Physical policy engagement forums were halted and this delayed the policy development process before arrangements for virtual meetings were put in place.

In spite of all these challenges, the Secretariat was able to conduct major multi-stakeholder taskforce meetings on online platforms resulting in the finalisation of three major draft policy documents – The PRSK Policy and Bill, the draft Digital Economy Strategy for Kenya and the draft National Spectrum Policy, among others.

All this was made possible due to the dedicated team of staff and I take this opportunity to thank them all.

Daniel O. Obam, HSC
Communications Secretary/CEO

Annual Reports and Financial Statements for the year ended June 30, 2020**CORPORATE GOVERNANCE STATEMENT**

Governance is concerned with the processes, systems, practices and procedures – the formal and informal rules – that govern institutions, the manner in which these rules and regulations are applied and followed, the relationships that these rules and regulations determine or create, and the nature of those relationships. Essentially, governance addresses the leadership role in the institutional framework. Corporate Governance therefore, refers to the manner in which the power of a corporation is exercised in the stewardship of the corporation's total portfolio of assets and resources with the objective of maintaining and increasing value and satisfaction of internal and external stakeholders.

Parastatal reforms in Kenya are a deliberate Government response to the need for more effective utilization of public resources in the face of rising societal needs. By adopting a transformational mind-set in the way business is conducted, Government expects the entities it owns to promote and accelerate economic growth and development, and to drive the social and economic transformation in Kenya. State Corporations need to support Government efforts by building the institutional and technical capacity of the state in facilitating and promoting national development; improving the delivery of public services to meet the basic needs of citizens; supporting the creation of employment opportunities in diverse sectors across the entire country and supporting the nation's regional integration initiatives and international partnerships.

As a major milestone, the Constitution of Kenya, 2010 has taken significant steps to address the question of leadership, governance and management of public resources. The success of State Corporations is premised on the Government's role in ensuring that public institutions are effectively led and managed. The Secretariat has institutionalized good corporate governance in order to increase efficiency and accountability in the use and deployment of scarce resources.

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

In exercising the pillars of risk management and internal controls and in acting in its best interests, the NCS Management Team has included an audit function through recruitment of an internal auditor. Further, the current Finance Procedures Manual is in the process of a comprehensive review with stakeholder engagement from The National Treasury, Ministry of ICT Innovation and Youth Affairs as well as Communications Authority. The Secretariat continues to comply with the International Public Sector Accounting Standards (IPSAS) as required by the International Public Sector Accounting Standards Board (IPSAB) who have the legal mandate to guide financial reporting in the public sector through the National Treasury. To uphold the principle of transparency, accountability and disclosure, the audited annual financial reports will be published and uploaded on the Secretariat's website. To ensure ethical leadership, the Secretariat will continue to support its professional staff in maintaining good standing with their respective professional bodies' codes of conduct. Further, the Secretariat is in the process of reviewing its Human Resource Instruments and will continue to build the capacity of its staff in the diverse fields in order to ensure that best practice advice is provided and appropriate standards in service delivery is upheld. The Secretariat has embarked on the process of acquiring an Enterprise Resource Planning (ERP) in order to be more efficient in service delivery.

Annual Reports and Financial Statements for the year ended June 30, 2020**MANAGEMENT DISCUSSION AND ANALYSIS**

The National Treasury, after rationalisation, approved a total of Kshs.113million (Kenya Shillings One Hundred and Thirteen Million) for the Financial Year 2019/2020 for use by the National Communications Secretariat. These funds were allocated and utilised to achieve the mandate of the Secretariat and also to provide for routine administrative and operational functions.

Operational Activities**(i) Renovation and refurbishment of NCS office space and replacement of office equipment**

In the financial year 2015/16, the Communications Authority (CA) committed to allocate funds for the purpose of refurbishing the Secretariat's offices. The final disbursement of this amount was received on 1st July 2019. Renovation works of the NCS premises commenced in June 2020 and is ongoing with a target handover date of December 2020. Replacement of office equipment will be undertaken after completion of the renovation.

(ii) Development of the NCS Strategic Plan 2020/2024

The Secretariat commenced the development of its Strategic Plan 2020-2024 in December 2018. The Plan will serve as the roadmap for NCS activities for the next four years. The Plan identifies the measures of success that will support the delivery of the Secretariat's mandate. Further, the Plan identifies strategic objectives, assesses Secretariat's strengths, weaknesses, threats, and opportunities, culminating into a series of strategic activities and numerous detailed tasks that will help in realizing the Vision and achieving the strategic goals. The final draft of the strategic plan was approved for editing and printing on 15th July 2020.

Annual Reports and Financial Statements for the year ended June 30, 2020**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
REPORTING**

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

The Secretariat continues to run an intensive hands-on Attachment Programme across the departments where students are engaged from various universities to enable them meet the requirements for graduation and subsequent employment. In 2019, the Secretariat engaged 2 interns from the Public Service Internship Program (PSIP) and 7 students drawn from various universities with backgrounds in Economics, Accounts and IT. NCS values diversity and therefore priority was put on gender and ethnic balances. The Secretariat has had a good number of students from the programme proceed to get permanent employment in reputable organizations within the ICT sector.

The activities laid down for FY 2019/2020 were greatly affected by the Novel Corona Virus (COVID-19) which was declared a global pandemic by World Health Organization (WHO). With the aim of providing advisory to staff and the larger society to help minimize its spread and reduce its economic impact at the workplace, the Secretariat developed Standard Operating Procedures (SOP) outlining specific requirements for infection controls, illness and notification as well as Work from Home/Flexible Hours.

Even though a number of planned CSR activities did not take place in FY2019/2020 due to the pandemic, the Secretariat has put in place plans and budgets for the annual KECOSO Games which provide an opportunity for the staff of the Secretariat to bond and network with peers across the various Government Ministries, Departments and Agencies (MDA). The games are held annually and the Cabinet Secretaries responsible for Communications and Transport are the Patrons of the Games.

The Secretariat still has 1 hectare of trees within Kakamega Forest as part of the Government's efforts on restoration and conservation of forests for environmental protection and climate mitigation. Continuous monitoring of the trees and further expansion of their coverage will resume upon advise by the Ministry of Health (MOH) regarding the COVID-19 control measures. Also pending this advisory is the Beyond Zero Marathon by Beyond Zero Foundation through the patronship of H.E Margaret Kenyatta, to implement the 2018-2022 strategic framework, which lays strong emphasis on access to universal healthcare for Kenyans.

In a bid to promote a safety and health for its staff and their dependants, the Secretariat included a line item in its budget to cover Personal Protective Equipment (PPE) and continues to circulate information about health and safety. The Secretariat is compliant to the Work Injury Benefit Act (WIBA) and also provides medical insurance cover that includes basic health checks on overall wellbeing.

NCS recognizes that Corporate Social Responsibility issues are of increasing importance to both internal and external stakeholders. The Secretariat partners with the Government in its various CSR initiatives encourages our employees to go further and take part in CSR initiatives aimed at improving the standards of living of the communities that they come from.

Annual Reports and Financial Statements for the year ended June 30, 2020

REPORT OF THE MANAGEMENT TEAM

The Management team submits its report together with Financial Statements for the year ended June 30, 2020 which show the state of the National Communications Secretariat's affairs.

(i) Principal Activities

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

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

(ii) Results

The results of the Secretariat for the year ended June 30, 2020 are as set out from page 1 to page 5

MANAGEMENT TEAM

The managers in the Management Team who served during the year are shown on page iv to page vii. No manager has separated during the year in review. No new manager was appointed during the year under review.

Dividends/Surplus remission

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

National Communications Secretariat is a non-commercial statutory institution which depends on government grants for all of its operations. Although a surplus was reported in the Audited Financial Statements, the Secretariat did not remit ninety per centum (90%) to the Consolidated Fund because the Kshs.50million (Kenya Shillings Fifty million) of the surplus was committed for renovation of the Secretariat's premises. The balance was committed to fund the medical insurance of staff which was due in August, 2020 and purchase of assets that had been postponed due to late disbursement of the quarterly budget allocations.

The Secretariat had not received the first quarter budgetary disbursements for 2020/21 by 1st July 2020 thereby posing a liquidity risk that would have jeopardised its operations as an entity, hence the need to maintain a surplus to remedy the risk.



Annual Reports and Financial Statements for the year ended June 30, 2020

AUDITORS

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

On Behalf of Management

Daniel O. Obam, HSC
Communications Secretary

Annual Reports and Financial Statements for the year ended June 30, 2020**STATEMENT OF ACCOUNTING OFFICER RESPONSIBILITIES**

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

The Management team is responsible for the preparation and presentation of the Secretariat's financial statements, which give a true and fair view of the state of affairs of the Secretariat for and as at the end of the financial year ended on 30th June, 2020. This responsibility includes:

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

The Management team accepts responsibility for the Secretariat's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act.

The Management team is of the opinion that the Secretariat's financial statements give a true and fair view of the state of National Communication Secretariat's (NCS) transactions during the financial year ended 30th June, 2020, and of the Secretariat's financial position as at that date. The Management team further confirms the completeness of the accounting records maintained for the Secretariat, which have been relied upon in the preparation of the Secretariat's financial statements as well as the adequacy of the systems of internal financial control.

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



Annual Reports and Financial Statements for the year ended June 30, 2020

Approval of the financial statements

The Secretariat's financial statements were approved by the Management on 19th August 2020 and signed on its behalf by:

**Daniel Obam,
Communications Secretary/CEO
National Communications Secretariat**

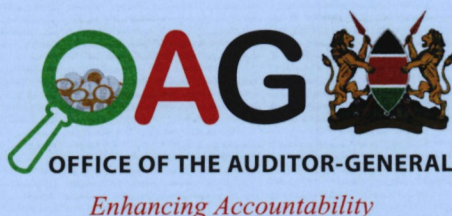
**Ms. Esther Koimett, CBS
Principal Secretary, State Department
for Broadcasting and Telecommunication
Ministry of ICT, Innovation and Youth
Affairs**

Date: 10th March 2021

Date: 17/3/2021

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON NATIONAL COMMUNICATIONS SECRETARIAT FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Communications Secretariat set out on pages 1 to 26, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, the statement of changes in net assets, the statement of cash flows, and the 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 the National Communications Secretariat as at 30 June, 2020, 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 Communications Act, 1998 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual expenditure on comparable basis of Kshs.113,000,000 and Kshs.95,202,164 respectively, resulting into an under absorption of Kshs.17,797,836 or 16% of the budget.

The under-expenditure may have negatively impacted on the overall achievement of the Secretariat's planned activities and programmes for the year.

2. Unresolved Prior Year Issue

As disclosed under the progress on follow up of auditor recommendations section of the financial statements, some of the prior year audit issues remained unresolved as at 30 June, 2020. Management has not provided satisfactory reasons for the delay in resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective

processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the ability of the Secretariat to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless Management is aware of the intention to terminate the Secretariat or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Secretariat's ability 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 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.


CPA Nancy Gatungu, CBS
AUDITOR-GENERAL

Nairobi

10 February, 2022

Annual Reports and Financial Statements for the year ended June 30, 2020

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2019 – 2020	2018-2019
		Kshs	Kshs
Revenue from Non-exchange Transactions			
Transfers from Government – grants	6	113,000,000	170,000,000
		113,000,000	170,000,000
Revenue from exchange transactions		-	-
Total revenue		113,000,000	170,000,000
Expenses			
Employee costs	7	63,213,216	59,247,492
Depreciation expense	9	1,659,990	1,476,703
Repairs and maintenance	10	439,100	88,260
General expenses	11	30,977,936	45,063,919
Total expenses		96,290,242	105,876,374
Surplus for the period/year		16,709,758	64,123,626

The notes set out on pages 6 to 25 form an integral part of these Financial Statements



NATIONAL COMMUNICATIONS SECRETARIAT

Annual Report and Financial Statements for the year ended June 30, 2020

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2019 – 2020	2018-2019
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	12	144,087,231	79,971,062
Receivables from non-exchange transactions	13	2,169,016	44,284,823
		146,256,248	124,255,885
Non-current assets			
Property, plant and equipment	15	5,336,309	5,497,108
Total assets		151,592,557	129,752,993
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	14	17,403,582	12,273,776
Total liabilities		17,403,582	12,273,776
Net assets		134,188,975	117,479,217
Capital and Reserves			
Revaluation Reserve	17	2,487,000	2,487,000
Accumulated surplus	17b)	123,319,754	106,609,996
Capital Replacement Reserve	17a)	8,382,221	8,382,221
Total net assets and liabilities		134,188,975	117,479,217

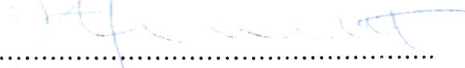
The Financial Statements set out on pages 1 to 5 were signed on behalf of the management by:


Daniel O. Obam, HSC
Communications Secretary
National Communications
Secretariat

Date :...10/3/2021


CPA Nelly A. Nandwa
Accountant
ICPAK M/N 13491
National Communications
Secretariat

Date: ...10/3/2021.....


Ms. Esther Koimett, CBS
Principal Secretary, State Department of
Broadcasting and Telecommunication
Ministry of ICT, Innovation and Youth
Affairs

Date :.....17/3/2021.....

Annual Report and Financial Statements for the year ended June 30, 2020

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2020**

	Revaluation reserve	Accumulated Reserves	Replacement reserve	Capital
At July 1, 2018	2,487,000	42,486,370	8,382,221	
Surplus for the year	-	64,123,626	-	
At June 30, 2019	2,487,000	106,609,996	8,382,221	
At July 1, 2019	2,487,000	106,609,996	8,382,221	
Surplus for the year	-	16,709,758	-	
At June 30, 2020	2,487,000	123,319,754	8,382,221	

Annual Report and Financial Statements for the year ended June 30, 2020
**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

		2019-2020	2018-2019
		Kshs	Kshs
Receipts			
G.O.K Grants	6	113,000,000	170,000,000
Total Receipts		113,000,000	170,000,000
Payments			
Compensation of employees	7	63,213,216	59,247,492
Goods and Services	1	30,977,936	45,063,919
Other Payments		439,100	88,260
Payments		94,630,252	104,399,671
Net Cash flows from Operating Activities		18,369,748	65,600,329
Cash flows from investing activities			
Purchase of property		(1,499,191)	(2,896,885)
Increase in Accounts Receivable	15	42,115,807	(43,621,295)
Increase in Accounts Payable	14	5,129,806	658,865
Net cash flows from investing activities		45,746,422	(45,859,315)
Cash flows from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		64,116,169	19,741,014
Cash and cash equivalents at 1 July 2019	12	79,971,062	60,230,048
Cash and cash equivalents at 30 June 2020	12	144,087,231	79,971,062



Annual Reports and Financial Statements

For the year ended June 30, 2020

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2020**

	Original budget	Adjustment	Final budget	Actual on comparable basis	Performance difference	Explanation Of Variance
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Government Grants	170,000,000	57,000,000	113,000,000	113,000,000	-	-
Total income	170, 000,000		113,000,000	113,000,000	-	-
Expenses						
Compensation of employees	67,920,030	-	67,920,030	45,827,419	(22,092,611)	Recruitment of CRTE and Internal Auditor was not effected by the end of the financial year
Medical Insurance	12,000,000		12,000,000	8,123,508	(3,876,492)	Medical budget for CRTE and Internal Auditor was not utilized
Utilities – Rent, Electricity, Water and Sewerage	5,653,520		5,653,520	-	(5,653,520)	Rent expense was not incurred as staff were working from home during the renovation of NCS premises
Other payments	84,426,450	57,000,000	27,426,450	41,251,237	13,824,787	This was a result of the rationalization of NCS budget by the National Treasury from 170M to 113M
Total expenditure	170,000,000	-	113,000,000	95,202,164	17,797,836	
Surplus for the period	0		0	17,797,836	17,797,836	

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared on the basis of historical cost, except for the measurement at re-valued amounts of certain items of property, plant and equipment. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis. NCS also complies with PFA 2012, PFM Regulations and the Kenya Information and Communications Act of 1998.

3. OPTION OF NEW AND REVISED STANDARDS

Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
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 are covered purely under Public Sector combinations as amalgamations. <i>NCS does not have subsidiaries and therefore this standard does not affect it.</i>

Annual Reports and Financial Statements

For the year ended June 30, 2020

Standard	Impact
PSAS 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 are covered purely under Public Sector combinations as amalgamations. <i>NCS does not have subsidiaries and therefore this standard does not affect it.</i>
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. <i>The standard does not affect NCS because the entity does not have financial assets and liabilities</i>
IPSAS 42: Social Benefits	Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <i>The standard does not apply to NCS because the entity does not have social benefits</i>

**Annual Reports and Financial Statements
For the year ended June 30, 2020**

Standard	Impact
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2022: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other Improvements to IPSAS	Applicable: 1st January 2021: a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard

i. Early adoption of standards

NCS did not early – adopt any new or amended standards in year 2020.

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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

b) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly on 1st July 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations or revisions are added to the original budget by the Secretariat upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Secretariat recorded reduction of Ksh 7,000,000 on the 2019-2020 budget following the governing body's approval.

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

Annual Reports and Financial Statements**For the year ended June 30, 2020****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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 2020.

d) Property, Plant and Equipment

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

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

▪ Computers	30%
▪ Furniture and fittings	12.5%
▪ Motor Vehicles	25%

e) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. The intangible assets are amortized over a period of 3 years at the rate of 33.33% per annum on a straight line basis.

f) Provisions

The Secretariat has made provision for Audit fees and Staff Gratuity for the year ended 30th June, 2020.

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Annual Reports and Financial Statements**For the year ended June 30, 2020****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

g) Nature and purpose of reserves

National Communications Secretariat maintains reserves in terms of specific requirements.

1. Revaluation Reserve – NCS has three motor vehicles purchased in the financial year 2006/2007 and have fully depreciated. Each financial year the motor-vehicles are revalued in order to determine their carrying amount.

2. Capital replacement Reserve- This is the capital that was used to set up and establish NCS when it started operating independent of the parent Ministry in the FY 2005/2006. It is the same for all years since it was the starting capital.

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

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 2020 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 2020 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

**Annual Reports and Financial Statements
For the year ended June 30, 2020**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

k) Changes in accounting policies and estimates

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

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 Communications Secretary, the experts and the Heads of Departments of the Secretariat.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the 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 authorised public officers and/or institutions 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.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION

UNCERTAINTY

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

o) Useful lives and residual values

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

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

p) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

q) Provisions

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

**Annual Reports and Financial Statements
For the year ended June 30, 2020**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFERS FROM OTHER GOVERNMENTS

Description	Date Received	2019-2020	2018 - 2019
Unconditional grants		KShs	KShs
Operational grant			
	02/10/20118		42,500,000
	19/02/2019		85,000,000
	01/07/2019		42,500,000
	October	30,000,000	
	June 2020	83,000,000	
Conditional grants		-	-
Total government grants and subsidies		113,000,000	170,000,000

6 a) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2019-2020
			KShs	KShs	KShs
State Dept of Broadcasting and Telecommuni cation – MoICT	113,000,000	-	-	113,000,000	113,000,000
Total	113,000,000	-	-	113,000,000	113,000,000

Annual Reports and Financial Statements

For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. EMPLOYEE COSTS

The Secretariat had Nineteen (19) staff in both the year 2018/19 and 2019/2020

	2019 - 2020	2018-2019
	KShs	KShs
Salaries and wages	45,862,540	44,666,017
Contribution to Pensions	8,760,890	8,225,658
Medical Expense	8,123,508	5,933,817
Leave Allowance	422,000	422,000
Club membership	44,278	-
Employee costs	63,213,216	59,247,492

8. REMUNERATION OF DIRECTORS

NCS doesn't have a Board of Directors therefore remuneration of directors does not apply.

9. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020	2018-2019
	KShs	KShs
Property, plant and equipment	1,659,990	1,476,703
Total depreciation and amortization	1,659,990	1,476,703

10. REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019
	KShs	KShs
Property, Plant and Equipment	61,950	75,660
Motor vehicle	15,150	12,600
Furniture and Fittings	362,000	-
Total repairs and maintenance	439,100	88,260

**Annual Reports and Financial Statements
For the year ended June 30, 2020**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. GENERAL EXPENSES

Description	2019-2020	2018-2019
	KShs	KShs
Travelling – local	843,500	1,444,004
External Travelling, visa fees and Airticket	14,054,060	25,209,978
Training	4,149,600-	4,267,064
Stakeholder's conference	4,667,936	3,815,744
KECOSO Games	1,054,756	1,104,070
CSR	104,840	343,146
COVID – 19	189,500	
Hospitality	400,014	530,975
Staff party	0	204,040
General Office Supplies	5,000	108,760
Computer Accessories and Others	439,972	-
Bank Charges	77,100	74,207
Telephone, Postage and Internet	1,072,919	1,321,965
Printing and stationery	441,497	1,127,923
ICT Research	401,258	518,159
Newspapers, Books & Magazines	267,296	407,298
Audit fees – Provision for 2019/20	139,200	139,200
Consultancy	-	1,500,000
Advertising	493,877	141,080
Cleaning	535,184	360,000
Motor vehicle running expenses	1,640,427	1,893,056
Corporate Branding – Uniforms	-	347,000
Staff Welfare	-	206,250
Total general expenses	30,977,936	45,063,919

Annual Reports and Financial Statements

For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. CASH AND CASH EQUIVALENTS

Description	2019 – 2020	2018-2019
	KShs	KShs
Cash at bank	144,087,231	79,971,062
Total cash and cash equivalents	144,087,231	79,971,062

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

		2019-2020	2018-2019
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank Capital Hill Branch	1117340023	81,175,488	33,990,514
b) Savings account			
Kenya Commercial bank Capital Hill Branch	1136088261	62,911,743	45,980,548
Grand total		144,087,231	79,971,062

13. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	KShs	KShs
Current receivables		
Staff debtors	175,876	1,784,823
Prepayments	1,993,140	-
Grants receivable	-	42,500,000
Total current receivables	2,169,016	44,284,823

14. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
Current payables	KShs	KShs
Provisions – Provision for audit fees f/y 2019/20 and audit fees f/y 2018/19 unpaid as at 30.06.2020	278,400	278,400
Accrued Expenses	907,150	891,600
Outstanding gratuity	16,218,032	11,103,776
Total current receivables	17,403,582	12,273,776

**Annual Reports and Financial Statements
For the year ended June 30, 2020**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Furniture, Fittings & Equipment	Computers	Total
Cost	Shs	Shs	Shs	Shs
At 1 July 2018	12,511,458	2,814,974	6,133,115	21,459,547
Additions	-	432,705	2,464,180	2,896,885
At 30 June 2019	12,511,458	3,247,679	8,597,295	24,356,432
Additions	-	491,991	1,007,200	1,499,191
At June 2020	<u>12,511,458</u>	<u>3,739,670</u>	<u>9,604,495</u>	<u>25,855,623</u>
Depreciation and Impairment				
At 1 July 2018	10,024,458	2,080,720	5,277,443	17,382,621
At 30 June 2019	10,024,458	2,337,547	6,497,320	18,859,325
Depreciation for the year	-	318,326	1,341,664	1,659,990
At 30 June 2020	10,024,458	2,655,873	7,838,984	20,519,315
Net book values				
At 30th June 2020	2,487,000	1,083,797	1,765,511	5,336,308
At 30th June 2019	2,487,000	910,132	2,099,975	5,497,107

- 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.

16. INTANGIBLE ASSETS-SOFTWARE

Description	2019-2020	2018-2019
	KShs	KShs
Cost		
At beginning of the year	68,000	68,000
Additions	-	-
At end of the year	68,000	68,000
Amortization and impairment		
At beginning of the year	68,000	68,000
Amortization	-	-
At end of the year	68,000	68,000
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

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For the year ended June 30, 2020**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Revaluation

Reserve

	2019-2020	2018-2019
	Kshs	Kshs
Balance b/f	2,487,000	2,487,000
Total	2,487,000	2,487,000

17 a) Capital

Replacement

Reserve

	2019-2020	2018-2019
	Kshs	Kshs
Balance	8,382,221	8,382,221
Total	8,382,221	8,382,221

17. b) Accumulated Reserves

	2019-2020	2018-2019
	Kshs	Kshs
Balance B/F	106,609,996	42,486,370
Surplus for the Year	16,709,758	64,123,626
Total	123,319,754	106,609,996

18. EMPLOYEE BENEFIT OBLIGATIONS

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

19. Financial Risk Management

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

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

(i) Credit risk

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

Management assesses the credit quality of each staff, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the terms and conditions of service. The carrying amount of financial assets recorded in the financial statements representing the Secretariat's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from non-exchange transaction	663,527	663,527	00	00
Bank balances	60,230,048	60,230,048	00	00
Total	60,893,575	60,893,575		
At 30 June 2020				
Receivables from non-exchange transactions	2,169,016	144,087,231	00	00
Bank balances	144,087,231	3,175,876	00	00
Total	146,256,247	147,263,107	00	00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(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	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Trade payables	907,150	-	-	825,932
Provisions	139,200	-	139,200	278,400
Employee benefit obligation	-	-	16,218,032	16,218,032
Total	1,046,350	-	16,357,232	17,322,364
At 30 June 2019				
Trade payables	891,600	-	-	891,600
Provisions	139,200	-	139,200	278,400
Employee benefit obligation	-	-	11,103,776	11,103,776
Total	1,030,800	-	11,242,976	12,273,776

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the Secretariat's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

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

b) Interest rate risk

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

Management of interest rate risk

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

c) Capital Risk Management

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	2,487,000	2,487,000
Retained earnings	123,319,754	106,609,996
Capital reserve	8,382,221	8,382,221
Total funds	134,188,975	117,479,217
	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

20. EVENTS AFTER THE REPORTING PERIOD

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

21. Currency

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

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XIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timefram e: (Put a date when you expect the issue to be resolved)
1. Property, Plant and Equipment	Lack of a complete and updated asset register Assets are not tagged	Asset register shall be maintained and updated. Asset tagging has been allocated a sufficient budget in the F/Y 2020/21 in which the exercise has been planned to be undertaken	Management	In Progress	30/06/2021
3. Budgetary Control and Performance	under absorption of Kshs.64,123,627 or 37.7% of the budget.	Under- absorption should be based on the 120M Budget and not the 170M Budget that was used as basis for the calculation	Management	In Progress	30/06/2021
4. IT Internal Controls	i) There was no server, information back up plan and no proper server room. ii) There was no data recovery plans and business continuity plan.	Procurement for a server is underway, Server room has been factored in the ongoing refurbishment	Management	In Progress	30/06/2021



**Daniel O. Obam, HSC
Communications Secretary**

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