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REPORT

OF

THE AUDITOR-GENERAL

ON

**NATIONAL COMMUNICATIONS
SECRETARIAT**



FOR THE YEAR ENDED

THE NATIONAL ASSEMBLY PAPERS TAID 30 JUNE, 2019

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OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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NATIONAL COMMUNICATIONS SECRETARIAT

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019

**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, 2019

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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 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Communications Secretary (CEO)	Eng. Daniel O. Obam
2.	Communications Technology Expert	Eng. Vincent O. Adul
3.	Head of Human Resource & Administration	Sally C. Malova
4.	Head of Finance & Accounts	CPA Nelly A. Nandwa
5.	Head of Supply Chain Management	David K. Ngugi
6.	Communications Economics Expert	Dr. Jane W. Munga
7.	Communications Legal Expert	Victor B. Nzomo

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(e) Fiduciary Oversight Arrangements

The Ministry of Information, Communications and Technology performs the oversight mandate over the functioning of the National Communications Secretariat.

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

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

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

(f) Entity Bankers

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

(g) Independent Auditors

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

(h) 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

D.O.B 20/05/1960

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

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



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

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

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

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

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

 <p>Sally Chenyisa Malova (MIHRM) Head Of Human Resource and Administration</p>	<p>D.O.B 11/03/1977</p> <p>Sally Chenyisa Malova is a Human Resources professional and qualified communicator having worked in sectors of Information Communications Technology and Petroleum industries in various organizations in Eastern Africa region. Sally has worked as the Head of Department -Human Resources and Administration at the National Communications Secretariat since 2003. Previously, she was the General Manager at the Petroleum & Industrial Services Ltd –Uganda & Rwanda. Sally has over 15 years-experience having competently worked in managerial positions in Quality Management, General Management and Human Resource Management.</p>
 <p>Mr. David Kariuki Ngugi Head of Supply Chain Management</p>	<p>D.O.B 14/ 04/1977</p> <p>David Kariuki Ngugi holds an MSc in Procurement and Logistics and a Bachelor of Arts in Economics. He joined NCS on secondment in November 2016 having worked in various Government departments and agencies for the last 14years</p>

Annual Reports and Financial Statements for the year ended June 30, 2019



Eng. Vincent Otieno Adul
Communications Technology Expert

D.O.B 12/06/1960

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

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





Dr. Jane Wanjiru Munga
Communications Economic Expert

D.O.B 27/11/1975

Dr. Jane Munga holds a PhD in Political Science and Government, and a Masters in Economics, both from the University of Alabama, USA. She has wide experience in policy advisory having worked in the Ministry of Education as a Technical Policy Advisor and in the Ministry of Information, Communications and Technology as a Research and Policy Advisor before her appointment to National Communications Secretariat in 2018.

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 <p>CPA Nelly Awinja Nandwa Head Of Finance and Accounts</p>	<p>D.O.B 09/08/1982</p> <p>CPA Nandwa is a Certified Public Accountant of Kenya, Membership number 13491.</p> <p>Nelly joined National Communications Secretariat in November 2005 after conclusion of a casual employment at the Communications Authority of Kenya as a clerk in the Human Resource and Administration department from May 2005 to October 2005.</p> <p>Nelly holds a CPA(K) certification, A BSc in Commerce and a certification in Quickbooks desktop and online. Nelly has competently worked as a professional accountant for the National Communications Secretariat for 7 years.</p>
 <p>Mr. Victor Buziba Nzomo Communications Legal Expert</p>	<p>D.O.B 18/11/1984</p> <p>Mr. Nzomo holds a Bachelor of Laws (LL.B) Degree and a Master of Laws (LL.M) degree. He is an Advocate of the High Court of Kenya and Member of the Law Society of Kenya and the East Africa Law Society. He joined National Communications Secretariat in 2018 after working at World Intellectual Property Organization, Kenya Copyright Board, Music Copyright Society of Kenya, M-KOPA Solar and the Centre for Intellectual Property and Information Technology Law at Strathmore University. He is a former Google Policy Fellow for Africa.</p>

Annual Reports and Financial Statements for the year ended June 30, 2019

REPORT OF THE COMMUNICATIONS SECRETARY/CHIEF EXECUTIVE OFFICER

1. Introduction

The National Communications Secretariat (NCS) is a statutory body, mandated to provide prompt, timely and objective policy advisory services on ICT matters to the Government, through the Ministry of ICT. The Secretariat is headed by the Communications Secretary, and as per the Executive Order No.1 of 2018 (Revised), is answerable to the Principal Secretary, State Department for Broadcasting and Telecommunications, Ministry of ICT.

The Secretariat has four key divisions headed by Experts and supported by a Human Resource & Administration Division. These divisions are: -

- Communications Radio Technology Division
- Communications Technology Division
- Communications Economics and Planning Division
- Communications Legal Policy and Governance Division

The Heads of the Divisions are professionals with vast experience from both private and public sectors. In fulfilling the mandate of the Secretariat, the Directorate Heads seek to provide timely and accurate policy advice, which would lead to sustainable development of the ICT industry in Kenya. The Secretariat further engages, at different levels, with sector stakeholders, in the process of policy formulation through the Ministry of ICT.

2. National Activities and Engagements

During the year 2018-2019, the Secretariat amid various challenges, was able to execute its mandate through effective participation in various activities including:-

- (i) The Draft ICT Master Plan (2019-2029): The Secretariat leads the Development of the Kenya ICT Masterplan 2019 – 2029.
- (ii) The Secretariat was a member of the taskforce for the development of ICT-Centric Innovation Framework.
- (iii) Kenya Block Chain & Artificial Intelligence Taskforce: The Secretariat was a members of this Taskforce which was charged with the duty of drafting Policy Framework for upcoming digital technologies that demonstrate great potential to transform Kenya’s economy including distributed ledger technologies, artificial intelligence, 5G wireless technology, and the internet of things.
- (iv) National Addressing System and Ecommerce Taskforce: The Secretariat is a members of this taskforce which is charged with developing the National Addressing System and National E-Commerce Strategy.
- (v) The Secretariat is a member and Vice-Chairman of the National Preparatory Committee for the Radiocommunication Assembly 2019 (RA-19) and World Radiocommunication Conference 2019 (WRC-19) to be held in Egypt in October/November 2019.
- (vi) The Digital Economy Blueprint for Africa 2019:
The Secretariat spearheaded the development of the Digital Economy Blue Print 2019. Kenya was invited by the SMART Africa Alliance to develop a Digital Economy Blueprint for adoption by SMART Africa Alliance members. Kenya is a founder member of the Alliance and champion for Digital Economy Pillar within the Alliance.

Annual Reports and Financial Statements for the year ended June 30, 2019

Kenya's Digital Economy Blueprint for Africa was launched by H.E President Uhuru Kenyatta, on 15th May, 2019 at the Transform Africa Summit in Kigali, Rwanda, themed "Boosting Africa's Digital Economy". The Blueprint proposes a common Digital Economy framework for Africa with five foundations and enablers of the digital economy: Digital Government, Digital Business, Infrastructure, Innovation-Driven Entrepreneurship and Digital Skills and Values. The Blueprint further proposes an implementation framework that also considers creating a regulatory framework for investments and innovations, encouraging smart society and networks, strengthening privacy and data protection, enabling new business models for micro and small enterprises and striving for excellence in digital technology research and innovative ecosystems. **The Blueprint is intended as a framework to guide the acceleration of adoption of digital technologies and for countries in developing their Digital Economy Strategies.**

(vii) Policy Proposal and legislative amendment proposals on content regulation:

The Secretariat chaired the Committee that was charged with the role of addressing jurisdictional overlaps between Institutions within the Ministry of Information Communications and Technology that deal with regulation of content. The Committee submitted policy and legislative proposals to the Ministry of ICT.

3. Regional and International Activities and Engagements

During the year 2018-2019, the Secretariat participated in various activities including:-

(i) ITU-Plenipotentiary Conference 2018-Dubai-UAE:

The Secretariat was a member of the National Preparatory Committee (NPC) for ITU-Plenipotentiary (PP-18) Conference held in Dubai in October-November 2018. The NPC also prepared Kenya's proposals to Africa's position in the preparatory meetings for the ITU PP-18. Preparatory meetings were held in various African countries and conclusions of the positions finalised at the ATU PP-18 Conference held in Nairobi in August 2018.

The main issues that were discussed during the conference included the Internet Public Policy issues, Regional Presence, International Telecommunication Regulations. During the conference and after a successful campaign by the NPC members Kenya, was re-elected as member of the ITU Council for another term.

The Communications Secretary was the Deputy Head of Delegation of the delegation of Kenya to the Conference.

(ii) Africa Telecommunication Union (ATU) Plenipotentiary Conference 2018, Nairobi, Kenya:

The Secretariat was a member of the National Preparatory Committee for the Conference.

Secondly, the Secretariat was a member of the national campaign team towards the election of the Secretary General of the African Telecommunications Union. The culmination of this campaigns were done during the ATU PP-18 conference with the election of Mr. John Omo (Kenya) elected to the position of Secretary General of ATU for a period of 4 years.

(iii) Northern Corridor Infrastructures Project:

The Secretariat is a member of ICT Cluster for the Northern Corridor Infrastructure Project which is still ongoing. The culmination of the project will assist in reduction of cost of communication and enhance trade services

(iv) Representation of Kenya's interests in the International ICT Policy Meetings

Annual Reports and Financial Statements for the year ended June 30, 2019

In order to enhanced technical expertise and further enhance representation of Kenya's interests in international ICT Policy meeting, the Secretariat participated in the following for the year under review:-

- Smart Africa Alliance; Transform Africa 2019
- East Africa Communication Organisation (EACO)
- East African Community (EAC)
- Universal Postal Union (UPU)
- Pan-Africa Postal Union (PAPU)
- United Nations Conference on Trade and Development (UNCTAD)
- Internet Corporation for Assigned Names and Number (ICANN)
- Internet Governance Forum (IGF)
- International Telecommunication Union (ITU)

4. Internal 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 disbursement of this amount was done in 4 equal instalments and at the close of the financial year 2018-2019, the 4th Quarter budgetary allocation had not yet received by the Secretariat.

The project therefore is set to commence with procurement of services and implementation, in the financial year 2019/2020 under the supervision of the State Department of Public Works.

- (ii) Development of the NCS Strategic plan 2019/2023

The Secretariat commenced development of its Strategic Plan 2019-2023 in December 2018. The Plan will serve as the roadmap for NCS activities for the next five years. The Plan identifies the measures of success that will support the delivery of the Secretariat mission. 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.

5. Challenges faced in the financial year under review

The Secretariat faced various challenges during the financial year 2018-2019. Some of these challenges are long-term and therefore the Secretariat has learnt to work around them to effectively discharge its Mandate.

One major challenge faced in the year that is recurrent, was the issue of inadequate human resource capacity due to the lean work force. This issue is yet to be resolved however, the Secretariat is pursuing a more permanent solution which might involve restructuring and review of the staff establishment. The Secretariat has however embraced a different model in fulfilling its mandate which included enhancing engagement and collaboration with ICT Stakeholders in the development of Frameworks, and review of ICT Policy. This approach has proved to be very effective because of the enhanced ownership of projects and activities and increased involvement in government's ICT activities by stakeholders in the private sector and joint partnership in the projects and activities which enhances the chances of success.

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Secondly, the Secretariat acknowledges that during the year under review, the lack of adequate monitoring and evaluation systems did hamper the fulfilment of the Secretariat's mandate. Consequently, one of the focuses the NCS Strategic Plan 2019-2023 addresses is the development of an effective M&E Frameworks for assessing the impact of ICT Policy Advisory nationwide. This will in turn advise on the gaps that can be addressed through ICT Policy interventions, thus ensuring an entrenched evidence-based policy making.

Lastly, the disbursement of approved allocations to the Secretariat was done on quarterly basis during the year, amount of which sometimes would arrive late after the quarter commences. For instance, the amount for the 4th quarter was not received by the end of the financial. The late disbursement of funds was a challenge that led to postponement of key activities planned for the financial year. These activities some of which included: the replacement of vehicles which were already of high maintenance and a liability to the Secretariat; the renovation of NCS premises which shall now take place in the financial year 2019-2020; the purchase of an Enterprise Resource Planning software which was for purposes of digitizing the manual administrative processes and procedures for greater efficiency; and ICT research which would enhance the Advisory.



Eng. Daniel Obam, HSC
Communications Secretary
National Communications Secretariat

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.

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The Secretariat upholds 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.

In exercising the pillars of risk management and internal controls and in acting in its best interests, the NCS Management Team is in the process of setting up an audit function through recruitment of an internal auditor. 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 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.

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MANAGEMENT DISCUSSION AND ANALYSIS

The National Communications Secretariat received an approved budget of One Hundred and Seventy Million Kenya Shillings for the financial year 2018/19. The funds were allocated and utilised to achieve the routine administrative and operational functions.

Operational Activities

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 disbursement of this amount was done in 4 equal instalments and at the close of the financial year 2018-2019, the 4th Quarter budgetary was not disbursed to the Secretariat.

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Annual Reports and Financial Statements for the year ended June 30, 2019

Challenges faced in the financial year under review

The Secretariat faced various challenges during the financial year 2018-2019. Some of these challenges are long-term and therefore the Secretariat has learnt to work around them to effectively discharge its Mandate.

One major challenge faced in the year that is recurrent, was the issue of inadequate human resource capacity due to the lean work force. This issue is yet to be resolved however, the Secretariat is pursuing a more permanent solution which might involve restructuring and review of the staff establishment. The Secretariat has however embraced a different model in fulfilling its mandate which included enhancing engagement and collaboration with ICT Stakeholders in the development of Frameworks, and review of ICT Policy. This approach has proved to be very effective because of the enhanced ownership of projects and activities and increased involvement in government's ICT activities by stakeholders in the private sector and joint partnership in the projects and activities which enhances the chances of success.

Secondly, the Secretariat acknowledges that during the year under review, the lack of adequate monitoring and evaluation systems did hamper the fulfilment of the Secretariat's mandate. Consequently, one of the focuses the NCS Strategic Plan 2019-2023 addresses is the development of an effective M&E Frameworks for assessing the impact of ICT Policy Advisory nationwide. This will in turn advise on the gaps that can be addressed through ICT Policy interventions, thus ensuring an entrenched evidence-based policy making.

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Annual Reports and Financial Statements for the year ended June 30, 2019**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 improved its focus on CSR by engaging in several programmes that are geared towards making the lives of its employees, their dependents as well as the larger society better.

NCS runs an intensive hands-on Internship Programme across the departments where students are engaged from various universities to enable them meet the requirements for graduation and subsequent employment. NCS values diversity and therefore priority is given to female candidates, Persons With Disability (PWD) and the marginalized. A good number of interns from the programme have proceeded to get permanent employment in reputable organizations within the ICT sector.

In August 2018 NCS sent a team to the KECOSO Games which were held in Kakamega County. The games are held annually in August and the Cabinet Secretaries responsible for Communications and Transport are the Patrons of the Games. The games 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 Secretariat took part in the 4th Edition of Kakamega Forest Marathon and Tree Planting Program which was held in November 2018. The tree planting exercise is a complimentary effort by the organizers to the Government's efforts on restoration and conservation of forests for environmental protection and climate mitigation. NCS was able to procure and plant seedling on 1 hectare within the forest and will continue to monitor the trees and expand their coverage in the new Financial Year.

In March 2019 NCS sponsored a corporate team to the Beyond Zero Marathon by Beyond Zero Foundation through the patronship of H.E Margaret Kenyatta, to implement the 2018-



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2022 strategic framework, which lays strong emphasis on access to universal healthcare for Kenyans.

In a bid to promote a healthy lifestyle for its staff and their dependants, the Secretariat held a health talk in May 2019 where the topical discussion was around parasitic infections and how to prevent them as part of lifestyle change. The members of staff also underwent basic health tests to check on their 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.

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REPORT OF THE MANAGEMENT TEAM

The Management team submits its report together with the audited financial statements for the year ended June 30, 2019 which show the state of the National Communications Secretariat's affairs.

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;
1. fosters national security, economic prosperity and the delivery of critical social services through posts and telecommunications;
2. facilitates and contributes to the full development of competition and efficiency in the provision of services both within and outside Kenya; and
3. 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

Results

The results of the Secretariat for the year ended June 30, 2019 are set out from page 1 to page 5.

Managers

The Managers in the Management Team who served during the year are shown on page iv - vii

No manager resigned or retired during the year.

No new manager was appointed during the year.

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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 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 to the consolidated fund because Fifty Million (50M) of the surplus was committed for renovation of the Secretariat's premises and the balance was committed to fund the medical insurance of staff due on July 1, 2019 and the salaries for staff for the month of July 2019. The Secretariat will not have received the first quarter budgetary disbursements for 2019/20 by July 1, 2019 thereby posing a liquidity risk that would jeopardise the operations of the entity, hence the need to maintain a surplus that will remedy the risk until when the first quarter budgetary allocation for 2019/20 will be received.

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



Eng. Daniel Obam, HSC
Communications Secretary/CEO
National Communications Secretariat
Date:.....

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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, 2019. 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 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, 2019, 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

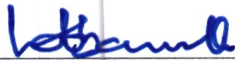
Annual Reports and Financial Statements for the year ended June 30, 2019

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.

Approval of the financial statements

The Secretariat's financial statements were approved by the Management on 31st July 2019 and signed on its behalf by:



**Eng. Daniel Obam, HSC
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: 03/08/2020

Date: _____

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL COMMUNICATIONS SECRETARIAT FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Communications Secretariat set out on pages 1 to 25, which comprise the statement of financial position as at 30 June, 2019 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Communications Secretariat as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Information and Communication Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Lack of Updated Assets Register

The statement of financial position and as disclosed under Note 16 to the financial statements reflects property, plant and equipment balance of Kshs.5,497,108 as at 30 June, 2019. However, the Secretariat had not tagged its assets and did not maintain updated asset register.

Consequently, the accuracy and completeness of the property, plant and equipment balance of Ksh.5,497,108 as at 30 June, 2019 could not be confirmed.

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 qualified 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. I have determined that there are no other key audit matters to communicate in my report.

Other Matters

Budgetary Control and Performance

The Secretariat expended Kshs.105,876,373 against an approved budget of Kshs.170,000,000 resulting to under absorption of Kshs.64,123,627 or 37.7% of the budget. Management explained the under expenditure to have resulted from planned lease of office space and renovation of the Secretariat which was not done during the year. The under expenditure of the approved budget may have negatively impacted on the overall achievement of the objectives and goals of the Secretariat.

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 IN INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, except for the effect of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, 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

IT Internal Controls

A review of IT Internal Controls revealed the Secretariat did not have data recovery and business continuity plan. Further, the Secretariat was using Quick Books Accounting System for financial management. However, the Quick Books Accounting system was installed in a standalone computer with no backup system or designated server.

Consequently, the Secretariat risks permanent loss of data in case the IT systems are interrupted which may adversely affect its operations.

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 overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (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 Secretariat's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to dissolve 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Secretariat's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Secretariat to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

12 October, 2021

Annual Reports and Financial Statements for the year ended June 30, 2019

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Revenue from Non-exchange Transactions			
Transfers from Government – grants	6	170,000,000	120,000,000
		170,000,000	120,000,000
Revenue from exchange transactions			
Other income – Bank interest earned	7	-	743,590
Total revenue		170,000,000	120,743,590
Expenses			
Employee costs	8	59,247,492	43,738,116
Depreciation expense	10	1,476,703	1,001,661
Repairs and maintenance	11	88,260	238,542
General expenses	12	45,063,919	33,042,709
Total expenses		105,876,374	78,021,028
Surplus for the period/year		64,123,626	42,722,562


The notes set out on pages 6 to 26 form an integral part of these Financial Statements

Annual Report and Financial Statements for the year ended June 30, 2019


**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	13	79,971,062	60,230,048
Receivables from non-exchange transactions	14	44,284,823	663,528
		124,255,885	60,893,576
Non-current assets			
Property, plant and equipment	16	5,497,108	4,076,926
Total assets		129,752,993	64,970,502
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	15	12,273,776	11,614,911
Total liabilities		12,273,776	11,614,911
Net assets		117,479,217	53,355,591
Capital and Reserves			
Revaluation Reserve	18a	2,487,000	2,487,000
Accumulated surplus	18c	106,609,996	42,486,370
Capital Replacement Reserve	18b	8,382,221	8,382,221
Total net assets and liabilities		117,479,217	53,355,591

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


 Eng. Daniel O. Obam, HSC
 Communications Secretary
 National Communications
 Secretariat

Date : 03/09/2020


 CPA Nelly A. Nandwa
 Head of Finance & Accounts
 ICPAK M/N 13491
 National Communications
 Secretariat

Date : 3/08/2020

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

Date :

Annual Report and Financial Statements for the year ended June 30, 2019

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2019**

	Revaluation reserve	Accumulated Reserves	Capital Replacement reserve	Total
At July 1, 2017	2,730,000	(318,225)	8,382,221	10,793,996
Revaluation gain/loss	(243,000)	-	-	(243,000)
Transfer of excess depreciation on revaluation	-	-	-	-
Transfer of staff debtors adjustment to retained earnings	-	137,977	-	137,977
Deferred tax on excess depreciation	-	-	-	-
Transfer of depreciation to retained earnings	-	(55,944)	-	(55,944)
Surplus for the year	-	42,722,562	-	42,722,562
At June 30, 2018	2,487,000	42,486,370	8,382,221	53,355,591
At July 1, 2018	2,487,000	42,486,370	8,382,221	53,355,591
Revaluation gain/loss	-	-	-	-
Transfer of staff debtors adjustment to retained earnings	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-
Transfer of depreciation	-	-	-	-
Adjustment to retained earnings	-	-	-	-
Surplus for the year	-	64,123,626	-	64,123,626
At June 30, 2019	2,487,000	106,609,996	8,382,221	117,479,217

Annual Report and Financial Statements for the year ended June 30, 2019

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

		2018-2019	2017-2018
		Kshs	Kshs
Cash flows from operating activities			
Surplus/Deficit in Operations		64,123,626	42,722,562
Prior year adjustment		-	137,977
Adjustment for non-cash items			
Depreciation and impairment		1,476,703	1,001,661
Operating Surplus before working capital changes		65,600,329	43,862,200
Increase in Accounts Receivable	14	(43,621,295)	4,811,829
Increase in Accounts payable	15	658,865	212,715
Net cash flows from operating activities		22,637,899	48,886,744
Cash flows from investing activities			
Purchase of property	16	(2,896,885)	(748,000)
Net cash flows from investing activities		(2,896,885)	(748,000)
Cash flows from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		19,741,014	48,138,744
Cash and cash equivalents at 1 July 2018	13	60,230,048	12,091,304
Cash and cash equivalents at 30 June 2019	13	79,971,062	60,230,048

**Annual Reports and Financial Statements
For the year ended June 30, 2019**
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
OR THE YEAR ENDED 30 JUNE 2019**

	Original budget	Adjustment	Final budget	Actual on comparable basis	Performance difference	Explanation Of Variance
	2018-2019	2018-2019	2018-2019	2018-2019	2018-19	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Government Grants	170,000,000	-	170,000,000	170,000,000	-	
Total income	170,000,000		170,000,000	170,000,000	-	
Expenses						
Compensation of employees	55,187,384	-	55,187,384	53,313,675	1,873,709	
Rent Paid	5,303,520		5,303,520	-	5,303,520	In anticipation of the renovation of the NCS premises, the funds were set aside for rent payment incase there would be need for leasing for office space during the renovation period. The planned leasing of office space for NCS during the planned renovation of the NCS premises was not done by the end of the Financial year
Other payments	109,509,096		109,509,096	52,562,698	56,946,398	The planned renovation of NCS premises which was budgeted for 50M was not done by the end of the Financial Year. This is because the funds for the renovation were not fully disbursed to NCS by 30.06.2019 In addition, the Secretariat had written to the National Treasury seeking for Authority to carry on with the renovation project but no response had been received by the end of the financial.
Total expenditure	170,000,000	-	170,000,000	105,876,373		
Surplus for the period	0		0	64,123,627		

**Annual Reports and Financial Statements
For the year ended June 30, 2019**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

**Annual Reports and Financial Statements
For the year ended June 30, 2019**

3. OPTION OF NEW AND REVISED STANDARDS

Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
<p>PSAS 40: Public Sector Combinations</p>	<p>Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. <i>NCS does not have subsidiaries and therefore this standard does not affect it.</i></p>
<p>IPSAS 41: Financial Instruments</p>	<p>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></p>
<p>IPSAS 42: Social Benefits</p>	<p>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></p>

i. Early adoption of standards

NCS did not early – adopt any new or amended standards in year 2019.

NOTES TO THE FINACIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

In the financial year 2018/19 National Communications Secretariat received government grants from Communications Authority through the Ministry of Information, Communication and Technology, State department of Broadcasting and Telecommunication, as total revenue for the year. The total amount received was One Hundred Seventy Million Kenya shillings only (Kshs 170M).

b) Budget information

In the financial year under review, One Hundred and Seventy Million Kenya Shillings (Kshs 170M) was approved by the board of the Communication Authority as the budget for NCS for the year

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

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 2019.

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 and Accessories 30%
- Furniture and fittings 12.5%
- Motor Vehicles 25%

e) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite. The intangible assets are amortized over a period of 3 years at the rate of 33.33% per annum on a straight line basis.

NOTES TO THE FINACIAL STATEMENTS (Continued)

f) Provisions

The Secretariat has made provision for Audit fees and Staff Gratuity for the year ended 30th June, 2019.

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.

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.

**Annual Reports and Financial Statements
For the year ended June 30, 2019**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Employee benefits

Retirement benefit plans

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

The provision for gratuity for the year ended 30th June 2019 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 2019 as accounts payable.

j) Research and development costs

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

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

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

k) Changes in accounting policies and estimates

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

l) Related parties – IPSAS 20

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

m) Cash and cash equivalents

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

n) Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

o) Useful lives and residual values

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

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

p) Subsequent events

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

q) Provisions

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

**Annual Reports and Financial Statements
For the year ended June 30, 2019**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFERS FROM OTHER GOVERNMENTS

Description	Date Received	2018-2019	2017-2018
Unconditional grants		KShs	KShs
Operational grant			
	04/08/2017		20,000,000
	1/11/2017		40,000,000
	31/01/2018		20,000,000
	17/05/2018		40,000,000
	02/10/2018	42,500,000	
	19/02/2019	85,000,000	
	01/07/2019	42,500,000	
Conditional grants		-	-
Total government grants and subsidies		170,000,000	120,000,000

6 b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2018-2019
			KShs	KShs	KShs
State Dept of Broadcasting and Telecommunication – MoICT	170,000,000	-	-	170,000,000	170,000,000
Total	170,000,000	-	-	170,000,000	170,000,000

7. OTHER INCOME

Description	2018-2019	2017-2018
	KShs	KShs
Interest earned from savings account balance	-	743,590
Total other income	-	743,590

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. EMPLOYEE COSTS

The Secretariat had Seventeen (17) staff in the year 2017/18 and Nineteen in the year 2018/19

	2018-2019	2017-2018
	KShs	KShs
Salaries and wages	44,666,017	32,801,845
Employee related costs - contributions to pensions, medical aids and leave allowance	14,581,475	10,936,271
Employee costs	59,247,492	43,738,116

9. REMUNERATION OF DIRECTORS

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

10. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	1,476,703	1,001,661
Total depreciation and amortization	1,476,703	1,001,661

11. REPAIRS AND MAINTENANCE

Description	2018-2019	2017-2018
	KShs	KShs
Property, Plant and Equipment	75,660	61,810
Motor vehicle	12,600	176,732
Total repairs and maintenance	88,260	238,542

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. GENERAL EXPENSES

Description	2018-2019	2017-2018
	KShs	KShs
Travelling – local	1,444,004	1,916,567
External Travelling, visa fees and Airticket	25,209,978	16,755,836
Tuition fees – external	133,400	630,712
Tuition fees - local	1,170,701	3,297,565
Training –Membership fees and transport	359,291	192,264
External Training subsistence	168,688	1,349,560
Local Training Subsistence	2,434,984	1,613,100
Stakeholder’s conference	3,815,744	1,192,700
KECOSO Games	1,104,070	888,084
CSR	343,146	-
Hospitality	530,975	388,928
Staff party	204,040	121,600
General Office Supplies	108,760	1,250
Bank Charges	74,207	173,808
Telephone, Postage and Internet	1,321,965	1,069,538
Printing and stationery	1,127,923	473,399
ICT Research	518,159	306,037
Newspapers, Books & Magazines	407,298	243,230
Audit fees – Provision for 2018/19	139,200	139,200
Consultancy	1,500,000	
Advertising	141,080	598,560
Cleaning	360,000	371,262
Motor vehicle running expenses	1,893,056	1,319,509
Corporate Branding – Uniforms	347,000	-
Staff Welfare	206,250	-
Total general expenses	45,063,919	33,042,709



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. CASH AND CASH EQUIVALENTS

Description	2018-2019	2017-2018
	KShs	KShs
Cash at bank	79,971,062	60,230,048
Total cash and cash equivalents	79,971,062	60,230,048

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

Financial institution	Account number	2018-2019	2017-2018
		KShs	KShs
a) Current account			
Kenya Commercial bank Capital Hill Branch	1117340023	33,990,514	47,314,009
b) Savings account			
Kenya Commercial bank Capital Hill Branch	1136088261	45,980,548	12,916,039
Grand total		79,971,062	60,230,048

14. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Current receivables		
Staff debtors	1,784,823	420,001
Prepayments	-	243,527
Grants receivable – 4 th quarter budgetary allocation outstanding from MOICT as at 30.06.2019	42,500,000	-
Total current receivables	44,284,823	663,528

15. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Current payables		
Unremitted P.A.Y.E	-	136,205
Provisions – Provision for audit fees f/y 2018/19 and audit fees f/y 2017/18 unpaid as at 30.06.2019	278,400	139,200
Accrued Expenses	891,600	102,897
Outstanding gratuity	11,103,776	11,236,609
Total current receivables	12,273,776	11,614,911

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Furniture, Fittings & Equipment	Computers	Total
Cost	Shs	Shs	Shs	Shs
At 1 July 2017	12,511,458	2,814,974	5,385,115	20,711,547
Additions	-	-	-	-
At 30 June 2018	12,511,458	2,814,974	6,133,115	21,459,547
Additions	-	432,705	2,464,180	2,896,885
At June 2019	12,511,458	3,247,679	8,597,295	24,356,432
Depreciation and Impairment				
At 1 July 2017	9,781,458	1,787,099	4,513,459	16,082,016
At 30 June 2018	10,024,458	2,080,720	5,277,443	17,382,621
Depreciation for the year	-	256,827	1,219,877	1,476,704
At 30 June 2019	10,024,458	2,337,547	6,497,320	18,859,325
Net book values				
At 30th June 2019	2,487,000	910,132	2,099,975	5,497,107
At 30th June 2018	2,487,000	734,254.16	855,672	4,076,926

- 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. INTANGIBLE ASSETS-SOFTWARE

Description	2018-2019	2017-2018
	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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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18(a) Revaluation Reserve

	2018-2019	2017-2018
	Kshs	Kshs
Balance b/f	2,487,000	2,730,000
Revaluation Loss	-	243,000
Total	2,487,000	2,487,000

18(b) Capital Replacement Reserve

	2018-2019	2017-2018
	Kshs	Kshs
Balance	8,382,221	8,382,221
Total	8,382,221	8,382,221

18. (c) Accumulated Reserves

	2018-2019	2017-2018
	Kshs	Kshs
Balance B/F	42,486,370	(318,225)
Surplus for the Year	64,123,626	42,722,562
Transfer from Staff debtors	-	137,977
Transfer to/from PPE	-	(55,944)
Total	106,609,996	42,486,370

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. EMPLOYEE BENEFIT OBLIGATIONS

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1,080 per employee per month.

20. Financial Risk Management

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

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

(i) Credit risk

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2018				
Receivables from non-exchange transaction	44,284,823	44,284,823	00	00
Bank balances	79,971,062	79,971,062	00	00
Total	124,255,885	124,255,885		
At 30 June 2018				
Receivables from non-exchange transactions	663,527	663,527	00	00
Bank balances	60,230,048	60,230,048	00	00
Total	60,893,575	60,893,575	00	00

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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 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
At 30 June 2018				
Trade payables	-	239,102	-	239,102
Provisions	139,200	-	-	139,200
Employee benefit obligation	-	-	11,236,609	11,236,609
Total	139,200	239,102	11,236,609	11,236,609

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk

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

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

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

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

a) Foreign currency risk

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

b) Interest rate risk

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

Management of interest rate risk

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

c) Capital Risk Management

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	2,487,000	2,487,000
Retained earnings	106,609,996	42,486,370
Capital reserve	8,382,221	8,382,221
Total funds	117,479,217	53,355,591
	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

21. EVENTS AFTER THE REPORTING PERIOD

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

22. Currency

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

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XIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.Late submission of Financial Statements	Financial statements for financial year ended 30, June 2018 were submitted to the Office of the Auditor General one hundred and twenty one days after the statutory submission date of 30 th September	Presidential proclamation for fresh vetting of head of accounting and procurement units issued in June 2018 to October 2018 caused the issue.	Management	Resolved	N/A
2.Under-absorption of total approved budget	Only 65% of the total approved budget was absorbed in 2017/18	4 th quarter budgetary allocation was disbursed to the Secretariat during the last month of the quarter.	Management	Ongoing	30.06.2020

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

Due to the nature of the mandate of the Secretariat, there were no projects that were implemented by NCS in the year 2018/19

XV. Appendix 2 : INTER – ENTITY TRANSFERS

National Communications did not make any inter-entity transfers in the financial year 2018/19

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

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent Grants	Total Amount – KES	Where Recorded/recognized		
	as per bank statement			Statement of Financial Performance	Capital Fund	Total Transfers during the Year
Ministry of Information, Communication and Technology, State Department of Broadcasting	01/10/2018	Recurrent	42,500,000	42,500,000	-	127,500,000
	19/02/2019		85,000,000	85,000,000	-	
Total			127,500,000	127,500,000		127,500,000