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REPORT

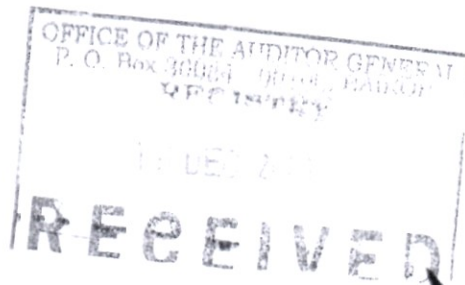
OF

THE AUDITOR-GENERAL

ON

**NATIONAL SECURITY
TELECOMMUNICATIONS SERVICE**

**FOR THIRTEEN (13) MONTHS
PERIOD ENDED 30 JUNE, 2023**



NATIONAL SECURITY TELECOMMUNICATIONS SERVICE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR 13 MONTHS ENDING 30TH JUNE 2023

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

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

Table	of
Contents.....	Page
1. Acronyms, Abbreviations and Glossary of Terms.....	iii
2. Key Entity Information and Management.....	iv
3. The Board of Directors/Council.....	viii
4. Key Management Team.....	xiii
5. Chairman’s Statement.....	xiv
6. Report of the Director General.....	xv
7. Statement of Performance against Predetermined Objectives for FY 2022/2023.....	xvi
13. Report of the Independent Auditor for the Financial Statements of National Security Telecommunications Service.....	xxvi
14. Statement of Financial Performance for the 13 months ended 30 June 2023.....	1
15. Statement of Financial Position for the 13 months ended 30 June 2023.....	2
16. Statement of changes in Net Assets for the 13 months ending 30 June 2023.....	3
17. Statement of Cash flows for the 13 months ended 30 June 2023.....	4
18. Statement of Comparison of Budget and Actual amounts for the 13 months ended 30 June 2023 6	
19. Notes to the Financial Statements.....	7

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year- Means the prior period.

(This list is an indication of the common acronyms and abbreviations; the Entity should include all from the annual report and financial statements prepared)

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

2. Key Entity Information and Management

a. Background information

The National Security Telecommunications Service (NSTS) was established under Executive Order No. 4 of 2020 (Legal Notice No 4, July 2020). The NSTS mandate is to provide telecommunication services within the National Security Sector and to other National Government agencies in order to enhance the quality of communication services for enhanced National security.

The history of the NSTS has its roots in the Kenya multi-agency doctrine which has continued to promote multi-agency approach to operations in the last 8 years with positive outcomes in responding to national security threats. One of the critical enablers of multi-agency operations is secure and reliable communication information systems which should facilitate effective coordination and timely decision making through seamless information sharing amongst the security Agencies.

b. Principal Activities

(1) Coordinate and regulate multi-agency telecommunication activities in the country and externally.

(2) Recommend and advise the Government on the development of relevant legislation to facilitate successful implementation of the Kenya multi-agency telecommunication programmes:

(3) Recommend national multi-agency telecommunication policies, strategies and programmes.

(4) Promote capacity building in multi-agency telecommunication and its applications.

(5) Establish centre of excellence in multi-agency telecommunication sector.

(6) Enter into mutually beneficial bilateral and multilateral agreements with persons, agencies or bodies in furtherance of its mandate.

(7) Identify, prepare and facilitate the implementation of inventions and innovations in multi-agency telecommunication technologies.

(8) Provide leadership in coordinating and supporting research in multi-agency telecommunications.

(9) Monitor and evaluate the telecommunication practices of the security organs and government institutions.

(10) Ensure that the multi-agency telecommunication service is efficient and effective.

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

c. Key Management

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

No.	Designation	Name
1.	Board of Directors/ Council/ Management etc;	Gen R K Kibochi Gen F O Ogolla
2.	Accounting officer/ DG	Brig N Marwanga
3.	Manager 1	Mr Sammy Muthai
4.	Manager 2	Mrs Jane Nzula Mutinda

d. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
(1)	DG/CEO	Brig N Marwanga
(2)	Head of Corporate Services	Mr Sammy Muthai
(3)	Head of Finance	Mrs Jane Nzula Mutinda
(4)	Head of Procurement	Mr Jonathan Kiilu Wambua
(5)	Head of Network Strategy and Planning	Mr Anthony Zack Karangi

(Include positions regarded as top management in your organisation as per your organisational structure).

Key Entity Information and Management (continued)

e. Entity Headquarters

P.O. Box 36078-00200
Herufi House
Lt Tumbo Avenue
Nairobi, KENYA

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

f. Entity Contacts

Telephone: (254) 120301401

E-mail: info.nsts@mod.go.ke

Website: www.nsts.go.ke

g. Entity Bankers

(1) Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

Nairobi, Kenya

(2) **Other Banks (state other bankers as appropriate)**

Kenya Commercial Bank

University Way Branch

A/C No: 1283447649 (KES)

1283447797 (USD)

Cooperative Bank of Kenya

Parliament Road Branch

A/C No: 01141747374100

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

Key Entity Information and Management (continued)

h. Independent Auditor

Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

i. Principal Legal Adviser

The Attorney General

State Law Office and Department of Justice

Harambee Avenue



P.O. Box 40112

City Square 00200





Nairobi, Kenya

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**




3. The Board of Directors/Council

Ref	Directors	Details
1.		<p>General Robert Kariuki Kibochi is a Kenyan military officer who served from May 2020 to May 2023 as the Chief of Defence Forces (CDF) of the Kenya Defence Forces (KDF).</p> <p>He was born in the Rift Valley of Gilgil, Nakuru, Nakuru County. He attended Koel High School, in Gilgil and Nyeri High School.</p> <p>In 1979, he joined the Kenya Army and was sent to the Armed Forces Training College (AFTC) in Nakuru, Kenya where he graduated with a Degree in Military Science.</p> <p>He was the chairman of the NSTS Board from 01 July 2022 to 28 April 2023</p>
2.		<p>Gen Francis Omondi Ogolla Xjoined the Kenya Defence Forces on 24 April 1984. He was commissioned as 2nd Lieutenant on 6 May 1985 and posted to Kenya Air Force.</p> <p>Gen Ogolla is a graduate of École Militaire de Paris and National Defence College of Kenya. He holds Diploma both in International Studies and Military Science from Egerton University, a Bachelor of Arts in Political Science, Armed Conflict and Peace Studies (First Class Honors) and Masters of Arts in International Studies from the University of Nairobi.</p> <p>He is the current Chairman of the NSTS Board wef 29 April 2023</p>





**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

3.		<p>Major General (Rtd) Philip Wachira Kameru. He was born in Nyeri and holds a Master of Science in Security Management (UK) and Master of Science in National Resources Strategy (USA). He also holds a similar qualification in International Relations from the University of Nairobi.</p> <p>He was a member of the NSTS Board from 01 July 2022 to 26 September 2022</p>
4		<p>Noordin Mohamed Haji, OGW, CBS was born on 3 July 1973) He was a Kenyan advocate of the High Court of Kenya, a position he has held for the 21 years. He is the second Director of Public Prosecutions after the promulgation of the Constitution of Kenya 2010, which made the Office an independent entity from the Attorney General's Office, which it had been previously under.</p> <p>He is a member of the NSTS Board wef 27 September 2022</p>
5.		<p>Hillary Mutyambai was born on 2 April 1964 in Mwala Machakos County. He earned his bachelor's degree in political science from the University of Nairobi and Master's degree in National Security Policy from the Australian National University.</p> <p>He was a member of the NSTS Board from 01 July 2022 to 11 November 2022</p>
		<p>Japheth Koome joined the police service in 1991 when he was enlisted in the then-Kenya Police Force as a Police Constable. This was after graduating from the University of Nairobi in 1990, with a Bachelor of Science degree in Civil Engineering.</p> <p>He is a member of the NSTS Board wef 12 November 2022</p>

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

<p>6.</p>		<p>Brigadier (Rtd) John Kibaso Warioba is an extensively experienced former soldier who has, among other roles, served as a sector commander for AMISOM in the fight against Al-Shabaab in Somalia.</p> <p>Brigadier (Rtd) Warioba holds a Master of Arts in International Security and Strategy from the King's College, London. He has an advanced diploma in military management from the Indore University in India.</p> <p>He was a member of the NSTS Board from 01 July 2022 to 30 June 2023</p>
<p>7.</p>		<p>Brigadier General John Migui Waweru was born on 5th December 1961 in Nairobi, Kenya. He joined the Kenya Navy on 14th April 1982. After his basic training at the Armed Forces Training College in Lanet, Kenya, he attended his basic naval course at the Britannia Royal Naval College in Dartmouth, United Kingdom.</p> <p>He was a member of the NSTS Board from 01 July 2022 to 05 December 2022</p>
<p>8.</p>		<p>Dr. Erastus Kanga (HSC) is the Director General of Kenya Wildlife Service (KWS). Dr. Kanga has over 20 years' experience in biodiversity conservation, climate change vulnerability assessment and mapping, bio-enterprises, and community livelihood support. He has a long trajectory in biodiversity conservation, including (five) 5 years of service as the Secretary for Wildlife at the Ministry of Tourism, Wildlife & Heritage, and 16 years of extensive work experience with the Kenya Wildlife Service.</p> <p>He is a member of the NSTS Board wef 06 December 2022</p>

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**





9.		<p>Brigadier Vincent Naisho Loonena, is a Kenyan military officer in the Kenya Defence Forces (KDF). Brigadier Loonena had experience as an officer in the Kenya Navy, that exceeded 20 years. In the past, he served as the Commander of the Mtongwe Naval Base.</p> <p>He was a member of the NSTS Board from 01 July 2022 to 12 April 2023</p>
10.		<p>Bruno Isohi Shioso, a police officer and so a law enforcement agent with the National Police Service with a service experience spanning more than 30 years.</p> <p>He is a member of the NSTS Board from 13 April 2023</p>
11.		<p>Julius Kamau holds a Master of Arts Degree in Environmental Planning and Management (University of Nairobi) and a Diploma in International Environmental Law Making and Diplomacy (University of Eastern Finland) and has over 19 years' experience in the conservation sector.</p> <p>He was a member of the NSTS Board from 01 July 2022 to 07 August 2023</p>
12.		<p>Alex Lemarkoko has a wealth of experience since joining the former Forest Department in 1991.</p> <p>He has served in various capacities, starting as an Assistant District Forest Officer and later on he was promoted to District Forest Officer and served in about 10 counties.”</p> <p>He later moved to the KFS headquarters Forest Protection and Security function.</p> <p>He holds a Bachelor of Science degree in Forestry from Moi University and a Master of Arts in</p>

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

		<p>International Studies from the University of Nairobi.</p> <p>He is also a graduate of the National Defence College, Kenya.</p> <p>He is a member of the NSTS Board from 08 August 2023</p>
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**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

4. Key Management Team

	Management	Details
1.	 <p>Name: Nyatigo Marwanga Rank: Brigadier</p>	Director General
2.	 <p>Miss Jane Nzula Mutinda Bachelor of Commerce (Finance), Masters in Science (Finance & Accounting) & Certified Public Accountant - CPA (K)</p>	Principal Accounts Controller
3.	 <p>Mr Jonathan Kiilu Wambua Bachelor of Business Administration, Master of Business Administration & Certified Institute of Procurement and Supply (CIPS)</p>	Senior Supply Chain Management Officer
4.	 <p>Mr Anthony Zack Karangi Master of Science (Internet Computing)</p>	Head of Network Strategy

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

5. Chairman’s Statement



On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Financial Statements of National Security Telecommunication Service (NSTS) for the period 1st July 2022 to 30 June 2023. This report highlights the achievements during the period under review and the roles it has played as the communication hub of the security agencies and National Government Administration Offices (NGAO).

NSTS was established with the mandate to provide telecommunication services to National Security Organs and other National Government Agencies. The service shall fulfil this mandate by developing, operating and maintaining a Multi-Agency Communication and Information Systems (MACIS) common infrastructure for seamless inter-agency communication and information sharing and timely decision making.

During its inception NSTS was placed under the Ministry of Defence and was to fund itself through the sale of spectrum. After its inauguration in December 2020, it was not allocated funds and relied on goodwill of parent ministry until FY 22/23 when it received its first allocation and was to further receive Kshs. 200 Million from the National Treasury for a period of five (5) years to be able to establish itself and then be able to fully fund itself from the sale of spectrum.

NSTS will continue to be prudent in financial utilization as it seeks to align itself with the national agenda and Vision 2030 by providing world class communication services to the National Security Organs and to other government offices and agencies as need arises.

To the Board of Directors who have offered their support and guidance to ensure NSTS successfully accomplishes its mandate, I am truly honored to serve alongside you and to the Management and Staff, I recognize and applaud your tireless effort and commitment to ensuring NSTS achieves its objectives.

Finally, NSTS is seeking to be registered and recognized as a state corporation for efficient fulfillment of its mandate.

Signed.....

Gen Francis Omondi Ogolla MGH, EBS, HSC, 'ndc' (K), 'psc' (FRA)
Chairman NSTS

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

6. Report of the Director General



It is with great pleasure that I present to you the National Security Telecommunication Service (NSTS) Annual Report and Financial Statement for the period ending 30 June 2023. This is the first financial report since its inauguration in December 2020 and I am glad to report that NSTS has been able to deliver its mandate of providing telecommunication service to National Security Organs and other National Government Offices.

To achieve its mandate, NSTS anticipated to generate funds from the following revenue streams:

Lease of Spectrum	- Kshs. 19,950,000,000.00 (USD 175,000,000.00)
GoK Grant	- Kshs. 200,000,000.00
Total	- Kshs. 20,150,000,000.00

NSTS had budgeted and requested for Ksh. 200 Million but was allocated Kshs. 100 Million and was not able to accomplish all the activities that had been planned for the year under review. The major activities that had been planned were:

- Survey and take inventory of all infrastructure of Telekom Kenya Ltd
- SATCOM Upgrade (KU and C- Band)
- Microwave upgrade

Despite the shortage of funds, NSTS had the following key achievements; installation and operationalization of the Network Operations Centre (NOC) and Call Centre for Jambo Telecoms (Jambotel), the connection of fifteen (15) security headquarters within Nairobi with Jambotel internet and participation in major international telecommunication conferences on spectrum allocation in order to safeguard the interests of security agencies in the master international frequency register.

Despite the achievements, NSTS continues to face some challenges of emerging issues and in delivering its mandate which include budgetary cuts and rapid technological changes which renders some systems within the institution obsolete.

NSTS is planning to increase the capacity of Jambotel to 30,000 subscribers and also hardening of the network along the borders and in hotspot areas is ongoing. The service is also planning to introduce research and development on suitable Multi – Agency Telecommunication Platforms.

I would like to express my sincere gratitude to the members of the Board for their leadership and guidance during the financial year under review. I also acknowledge the contributions of the Management team and the members of Staff for their dedication and hard work to ensure that NSTS delivers on its mandate.

Signed.....

Brig Nyatigo Marwanga 'ndu' (USA) 'psc' (K) 'psc' (ZAM)

Director General, NSTS

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

7. Statement of Performance against Predetermined Objectives for FY 2022/2023

NSTS has 3 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2023/2028-1. These strategic pillars/ themes/ issues are as follows:

Application of multi-agency telecommunication services in the three pillars of the Kenya Vision 2030

Political Pillar

Rule of Law, Security, Peace Building and Conflict Management

Multi-agency Telecommunication applications will support efficient legal and judicial services, surveillance and forensic investigations by providing national security informatics supporting law and order, security and crime prevention internally and externally. It can be used to provide fast telecommunication emergency and support services.

Transparency and Accountability

National security telecommunication applications support access to information and data through the provision of robust multi-agency communication platforms in order to meet communication requirements at all levels in terms of secrecy, privacy, promoting transparency and accountability in the balance between state responsibilities and human rights.

Democracy and Public Service Delivery

The Kenyan system of government enshrines the rule of law and strives to protect the equality and dignity of all individuals. National security telecommunication applications and services are critical and will continue to be needed to strengthen and promote our system of governance minimizing security threats amongst our citizens and promoting a sense of belonging and patriotism to enhance democracy and public service delivery.

Devolution

NSTS will provide an integrated platform for efficient communication through enhanced coordination as a result of real-time information exchange between multi-agencies both at devolved and central levels. Through country-wide expansion national security telecommunication will support e-government platforms, and initiatives at county levels, crime and insecurity within counties will be monitored effectively and efficiently in real-time. Another area will be the enablement of security organs and National Government agencies to effectively prevent real-time the consequences of terrorist threats and internal conflicts which include refugee problems and which transcend geographical contiguity.

Social Pillar

Health

National security telecommunication applications platform will facilitate sharing of data and information for planning and decision-making particularly in regard to the spread of communicable diseases, crime and terrorism.

Population, Urbanization and Housing

National security telecommunication applications and services will enable the country to cater for the protection and defence of its citizenry as the country advance and develop urbanization that is sustainable and socially inclusive that promotes equality, combats discrimination in all its forms and empowers individuals and communities.

Education, Training and Research

Telecommunication and technology in National Security will support education and training. A stronger workforce with career-long training and skill building will also build enduring advantages that bolster NSTS strength and resilience. NSTS innovation programs will be supported by high-speed internet connectivity on

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

Application of multi-agency telecommunication services in the three pillars of the Kenya Vision 2030

Environment, Water, Sanitation and Regional Development	<p>modern telecommunication networks countywide and will also enhance learning for remote and isolated communities and learners with special needs.</p> <p>Water insecurity anticipates the ample threat to livelihood, economy, development, environment, peace, security, and poverty reduction efforts in our country. Through NSTS, security multi agencies and MDAs will be able to share secure informatics on internal and external threats toward water reservoirs, and catchment areas to enable efficient monitoring of reservoir water levels by providing early warning of shortages or overflows.</p>
Gender, Youth and Vulnerable Groups	<p>Compliance with obligations under international laws and instruments integrating gender into national security policy-making is necessary to comply with international and regional laws, instruments and norms concerning security and gender. Domestic violence contributes to a general pattern of crime and violence, due to its debilitating effects on the social fabric and its role in socializing youths to use violence as a means of dispute resolution. National security telecommunication through its communication network infrastructure will provide secure data to other security and MDAs to monitor such violence.</p>
Sports, Culture and Arts	<p>The National security telecommunication secure broadband network will provide an efficient platform for MDAs responsible for Sports, Culture, and Arts to distribute digital signals for sports with improved quality of images and soundtrack. This will enable the Sports, Culture, and the Arts Sector to continue playing a crucial role in national development and the well-being of the people through the development and promotion of sports, promotion, and exploitation of Kenya's diverse culture.</p>

Economic Pillar

Agriculture (Crops and Livestock)	<p>The National Government agencies responsible for monitoring soil, drought and floods, crop development, pests, diseases and rainfall will be able to share real-time data using the national security telecommunication network platform.</p>
Manufacturing	<p>NSTS will support strategic industries, such as critical infrastructure and advanced technologies. This will provide a strong domestic manufacturing base, production, and commercialization to increase the share of manufacturing to GDP through a more economic stability and secure environment. A technologically strong, vibrant, and resilient manufacturing sector is critical for meeting the defense needs of a nation, in addition to ensuring its economic security.</p>
Tourism	<p>Tourism is a key driver of socio-economic progress and offers job creation and enterprises, infrastructure development, and export revenues earnings. NSTS will provide MDAs that deal with the tourism industry with a secure network infrastructure to liaise closely with the security agencies in Kenya to ensure that visitors' safety is a high priority.</p>
Trade	<p>NSTS will provide MDAs responsible for promoting trade with a secure platform to support e-commerce, mapping of markets, trading centers, market facilities, and product information.</p>
Business Process Outsourcing	<p>Telecommunication applications in National Security will support BPO and IT enabled services sector call centers to enhance their great potential that they bring on economic growth and development. Secure broadband with high-speed broadband connectivity will support BPOs with increased demand and supply of services being offered online by both public and private sector.</p>

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

Application of multi-agency telecommunication services in the three pillars of the Kenya Vision 2030

Financial Services	<p>The Financial Services Sector represents a vital component of our nation's critical infrastructure. Large-scale power outages, and an increase in the number and sophistication of cyberattacks demonstrate the wide range of potential risks facing the sector. National Security Telecommunication applications and services will provide a stable and secure network infrastructure for multi-agencies to effectively respond to the cybersecurity and physical risks facing the Financial Services Sector. This will require close collaboration between NSTS, and host of public and private entities to share real-time information exchange.</p>
Oil, gas and minerals	<p>Energy security is the association between national security and the availability of natural resources (Oil, gas and minerals) for energy consumption. Through its secure network, NSTS will enable cross agency communication with regards to protection of our country natural resources against illegal exploitation and mining.</p>
Blue Economy	<p>Innovation and growth in the coastal, marine and maritime sector could deliver food, energy, transport, among other products and solutions and serve as a foundation for sustainable development in Kenya. National security and the new blue economy are inextricably intertwined. In the absence of security, the vast majority of the economic activities associated with the Blue Economy cannot be effectively carried out. NSTS applications and secure network platform will facilitate and improve cross-sectoral cooperation and interoperability at national and regional level as in integrated maritime surveillance and information sharing. This will strengthen our country response to maritime security risks & threats.</p>

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

8. Corporate Governance Statement

The Service held two Board meetings in the Financial period i.e. 25 August 2022 and 15 March 2023. The Board meetings were attended by 10 and 7 members respectively. The Service does not have a Board Charter. The appointment and removal of Directors is as per Mwongozo – The Code of Governance for State Corporations. The roles of the Board are as follows;

- (a) Determine the organization’s mission, vision and mandate.
- (b) Review, evaluate and approve, on a regular basis, long-term plans for the organization.
- (c) Review, evaluate and approve the organization’s budget and financial forecasts.
- (d) Review, evaluate and approve major resource allocations and capital investments.
- (e) Ensure that the procurement process is cost-effective and delivers value for money.
- (f) Review and approve the operating and financial results of the Service.
- (g) Ensure that effective processes and systems of risk management and internal controls are in place.
- (h) Review, evaluate and approve the overall organizational structure, the assignment of senior management responsibilities and plans for senior management development and succession.
- (i) Review, evaluate and approve the remuneration structure of the Service.
- (j) Adopt, implement and monitor compliance with the Service’s Code of Conduct and Ethics.
- (m) Review periodically the organization’s strategic objectives and policies relating to sustainability and social responsibility investment.
- (n) Monitor compliance with the Constitution, all applicable laws, regulations and standards.
- (o) Review, monitor and ensure that the Service is effectively and consistently delivering on its mandate

The Board members did not have any conflict of interest between their private activities and their part in the conduct of the Service business.

Board Remuneration: Board members were remunerated as per the Mwongozo guidelines.

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

9. Management Discussion and Analysis

The Service budget was Ksh 200M but only Ksh 100 M was disbursed and fully utilised. The realised revenue was Ksh 7,895,199,353.00. The Service has undertaken several projects namely installation of point to point microwave communication for the provision of internet services to selected National Security Agencies with Nairobi region. The major challenge in fulfilment of the Service mandate has been the delay in anchoring to law of the Service.

10. Environmental and Sustainability Reporting

a. Sustainability Strategy and Profile

The management is adhering to the governments directive on reducing expenditures by cutting down on unnecessary travels and purchases. The organization is also ensuring that the acceptable and best practice in the financial management is adhered to.

b. Environmental Performance

In line with the governments landscapes and ecosystems restorations programme, the service planted 500 seedlings in the Karen block area as assigned by the Kenya Forest Services.



**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

c. Employee welfare

The organization since is still in its inception stages does not have an operational HR policy and instruments but still endeavour to observe and take into account the morale and welfare of the personnel by nominating them for career courses and scheduling them for leave depending on the existences of duty. The organization has trained some of its members to be safety officers by nominating them for First Aid and Fire Safety courses.

d. Market place practices

(1) Responsible Competition Practice

The organization practice open tender system and requests for quotation from the general public. There are procedures put in place to ensure fair competition, respect for competitors and avenues for corruptions are sealed as much as possible.

(2) Responsible Supply Chain and Supplies Relations

The service endeavours to ensure that all suppliers are given equitable opportunities in provision of goods, works, services and consultancies. The Service is cognizant of the Government policy of promoting businesses owned by youth, women and people with disabilities. The Service in its procurement budget has been reserving thirty (30) percent of procurement to the said categories.

(3) Responsible Marketing and Strategy

The organization still being in its inception stage does not have a marketing and advertisement policy in place.

(4) Product Stewardship

The organization being a service provider, ensures that the customers rights and interests are taken care into account especially by dealing with complaints as soon as they are raised.

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

e. Corporate Social Responsibility (Community Engagement)

The organization has not carried out any corporate social responsibility but has included it in its strategic plan for the next five (5) years.

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 20xx, which show the state of the Entity's affairs.

a. Principal Activities

- (1) Coordinate and regulate multi-agency telecommunication activities in the country and externally.
- (2) Recommend and advise the Government on the development of relevant legislation to facilitate successful implementation of the Kenya multi-agency telecommunication programmes:
- (3) Recommend national multi-agency telecommunication policies, strategies and programmes.
- (4) Promote capacity building in multi-agency telecommunication and its applications.
- (5) Establish centre of excellence in multi-agency telecommunication sector.
- (6) Enter into mutually beneficial bilateral and multilateral agreements with persons, agencies or bodies in furtherance of its mandate.
- (7) Identify, prepare and facilitate the implementation of inventions and innovations in multi-agency telecommunication technologies.
- (8) Provide leadership in coordinating and supporting research in multi-agency telecommunications.
- (9) Monitor and evaluate the telecommunication practices of the security organs and government institutions.
- (10) Ensure that the multi-agency telecommunication service is efficient and effective

b. Results

The results of the Entity for the year ended June 30, 2023, are set out on page 1.

c. Directors

The members of the Board of Directors who served during the year are shown on page viii - xii.

d. Surplus Remission

During the FY ending 30 June 2023, NSTS remitted Ksh 5.2B as surplus to the National Treasury.

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

d. Auditors

The Auditor-General is responsible for the statutory audit of NSTS in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended 30 June 2023.

By Order of the Board

.....

Name

Corporation Secretary/Secretary to the Board

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

12. Statement of Directors Responsibilities

- a. Exercise the highest degree of care, skill and diligence in discharging their duties.
- b. Act in the best interest of the Service and not for any other purpose.
- c. Act honestly at all times and must not place themselves in a situation where their personal interests conflict with those of the Service.
- d. Exercise independent judgment.
- e. Devote sufficient time to carry out their responsibilities, regularly update their knowledge and enhance their skills.
- f. Promote and protect the image of the Service.
- g. Owe their duty to the Service and not to the nominating or appointing authority.

- h. Owe the Service the duty to hold in confidence all information available to them by virtue of their position as a Board member.

Approval of the financial statements

The Entity's financial statements were approved by the Board on _____ 2023 and signed on its behalf by:

.....

Name

Chairperson of the Board/Council

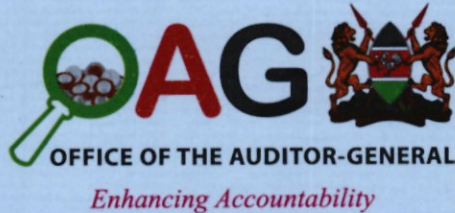
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Accounting Officer

REPUBLIC OF KENYA

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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL SECURITY TELECOMMUNICATIONS SERVICE FOR THIRTEEN (13) MONTHS PERIOD ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Security Telecommunication Service set out on pages 1 to 19, which comprise of the statement of financial position for thirteen (13) months period ended 30 June, 2023 and the statement

Report of the Auditor-General on National Security Telecommunications Service for the Thirteen (13) Months period ended 30 June, 2023

of financial performance, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the period 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 Security Telecommunications Service for thirteen (13) months period ended 30 June, 2023, and of its financial performance and its cash flows for the period then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Security Telecommunications Service 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.

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, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else 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

1. Non-Compliance with the Financial Reporting Template

The financial statements submitted for audit had the Chairman's statement, statement of directors' responsibility, statements of financial performance and statements of financial position not signed by the Chairperson of the Board.

In the circumstances, the presentation of the financial statements did not comply with the requirements of the financial reporting template issued by the Public Sector Accounting Standards Board.

2. Late Submission of Financial Statements

The Company prepared and submitted the financial statements for thirteen (13) months period ended 30 June, 2023 to the Auditor-General on 27 October, 2023 which was twenty seven (27) days after the statutory deadline of 30 September, 2023 contrary to Paragraph 81(4) of the Public Finance Management Act, 2012 which requires not later than three months after the end of each financial year, the Accounting Officer for the entity shall submit the entity's financial statements to the Auditor-General and Section 47(1) of the Public Audit Act, 2015 which requires that, the financial statements is required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

In the circumstances, Management was in breach of the law.

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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Board Charter and Work Plan

Examination of the Company's documents submitted for audit indicated that, the Board of Directors did not develop a Board Charter for the Company during the year. This contravenes the provisions of Section 1.11 of Mwongozo Code. Further, the Board of Directors did not develop a Board Work Plan for the year under review. This is in contravention of the provisions of Mwongozo Code of Governance for State Corporations which requires Board Members to develop an Annual Board Work Plan.

The Board of Directors were therefore in breach of the provisions of Mwongozo Code of Conduct.

2. Failure to Establish Committees of the Board

Examination of documents revealed that, the Board of Directors did not establish the Committees of the Board in the year under review. This contravenes the provisions of

Section 1.7 of Mwongozo Code which requires the Board to establish the relevant Board Committees.

The Board of Directors were therefore in breach of the provisions of Mwongozo Code of Conduct.

3. Failure to Meet the Board Meeting Thresholds

Examination of records revealed that, the Board held only two full Board meetings during the year under review. This is contrary to Circular Ref. No. OP/CAB.9/1A of 11 March, 2020 which require the Board and its Committees hold meetings for a minimum of four (4) and maximum of six (6) times in a financial year.

The Board of Directors may not have optimally performed its governance and oversight roles.

4. Lack of Approved Human Resource Policy Instruments

During the year under review, the Board had not implemented the Human Resources Policy pending State Corporations Advisory Committee (SCAC) approval. In the absence of the Human Resource Policy Instruments, it was not possible to confirm how the organization managed and deployed staff, to achieve its core mandate.

In the circumstances, the company may not optimally match its mandate with the required skill sets and job placements.

5. Lack of Internal Audit Function

Evaluation of available records maintained by National Security Telecommunication Services revealed that, there was no internal audit function. It was therefore not possible to establish how the Management ensured the internal audit functions of risk management, review of effectiveness of financial and non-financial performance management systems and oversight on control and governance were executed.

In the circumstances, I am unable to confirm the effectiveness of internal controls and governance.

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS.

As required by Companies Act, 2015, I report based on my audit, that:

- i. 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;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,

- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to liquidate the Company 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.

The Board of Directors is responsible for overseeing the Company'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 overall 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 overall 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 controls 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 Company's ability to continue as a going concern. 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 Company to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 January, 2024


**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023.**


14. Statement of Financial Performance for the 13 months ended 30 June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from Ministry of Defence	6	100,000,000	
Revenue from exchange transactions			
Rendering of Services	7	7,957,951,720	
Other income	8	-	
Total revenue		8,057,951,720	
Expenses			
Employee Costs	9	-	
Use of goods and services	10	857,459,290	
Repairs & Maintenance	11	5,610,763	
Depreciation and Amortization Expense	12	-	
Finance costs	13	-	
Total expenses		863,070,053	
Other gains/losses			
Foreign Exchange Gains		717,127,341	
Surplus/(deficit) before tax			
Surplus Remission to Treasury		5,200,000,000	
Surplus/Deficit		2,712,009,009	

(The notes set out on pages 1 to 73 form an integral part of these Financial Statements)

The financial statements were approved onby:


.....
Brig N Marwanga
CEO/ Accounting Officer


.....
Jane Nzula Mutinda
Finance Manager
ICPAK M/No: 9033


.....
Gen Francis O Ogol
Chairperson of the Board

National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023.


15 Statement of Financial Position for the 13 months ended 30 June 2023

	Note	2022/2023	2021/2022
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	14	2,371,414,828	-
Receivables from exchange transactions	15	62,752,368	-
Prepayments	16	-	-
Inventory	17	-	-
Total Current Assets		2,434,167,196	-
Non-current assets			
Receivables from exchange transactions		-	-
Property, plant, and equipment	18	277,841,813	-
Intangible assets	19	-	-
Total assets		2,712,009,009	-
Liabilities			
Trade and other payables	20	-	-
Total Current Liabilities			
Total liabilities		-	-
Net assets			
Capital Reserves		-	-
Revaluation Reserve		-	-
Mortgage revolving fund		-	-
Accumulated surplus (<i>Reserves</i>)	21	2,712,009,009	-
Total net assets and liabilities		2,712,009,009	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on _____ 2023 and signed by:



Brig N Marwanga
 CEO/ Accounting Officer



Jane Nzula Mutinda
 Finance Manager
 ICPAK M/No: 9033

Gen Francis O Ogolla
 Chairperson of the Board

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023.**

16. Statement of changes in Net Assets for the 13 months ending 30 June 2023.

Description	Revaluation Reserve	Capital Reserve	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Balance as at 1 July 2022	-	-	-	-
Surplus/(deficit) for the period			2,712,009,009	2,712,009,009
Funds received during the year				
Transfers				
As at 30 June 2023	-	-	2,712,009,009	2,712,009,009

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023.**

17. Statement of Cash flows for the 13 months ended 30 June 2023

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from other Parent Ministry		100,000,000	
Rendering of Services		7,895,199,353	
Other income			
Total receipts		7,995,199,353	-
Payments			
Use of goods and services		857,459,290	
Repairs & Maintenance		5,610,763	
Surplus Remission to Treasury		5,200,000,000	
Total payments		6,063,070,053	-
Net cash flow from operating activities	19	1,932,129,300	-
Cash flows from investing activities			
Purchase Of PPE		(277,841,813)	
Increase/Decrease in Non-Current Receivables			
Proceeds from loan principal repayments			
Loan disbursements paid out			
Net cash flows used in investing activities		(277,841,813)	-
Cash flows from financing activities			
Repayment of Borrowings			
Deposits collected			
Net cash flows used in financing activities		-	-

National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023.

Unrealized Foreign Exchange Gains/ (losses)		717,127,341	
Net increase/(decrease) in cash and cash equivalents		2,371,414,828	-
Cash and cash equivalents at 1 July 2022	14	-	
Cash and cash equivalents at 30 June 2023	14	2,371,414,828	-

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023.**

18. Statement of Comparison of Budget and Actual amounts for the 13 months ended 30 June 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Revenue						
Rolled over Resources	200,000,000		200,000,000	100,000,000	100,000,000	50%
Rendering of Services	7,957,951,720		7,957,951,720	7,957,951,720	-	100%
Total Revenue	8,157,951,720	-	8,157,951,720	8,057,951,720	100,000,000	99%
Expenses						
Use of goods and services	900,000,000		900,000,000	857,459,290	42,540,710	95%
Repairs & Maintenance	6,000,000		6,000,000	5,610,763	389,237	94%
Expenditure	906,000,000	-	906,000,000	863,070,053	42,929,947	95%
Surplus for the period		-		7,194,881,667	57,070,053	
Capital Expenditure	7,251,951,720		7,251,951,720	277,841,813	6,974,109,907	
Total	8,157,951,720		8,157,951,720	1,140,911,866	7,017,039,854	

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

19. Notes to the Financial Statements

a. General Information

NSTS is established by and derives its authority and accountability from Executive Order No 4 of 2020. The Entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Entity's principal activity is to provide secure communications and surveillance network to all Security Organs and National Government Administration Offices (NGAOs).

b. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *Entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Entity*. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

c. Depreciation of property, plant and equipment

The depreciation policy and rates used by NSTS are as per the guidelines of management of specific categories of assets and liabilities issued by The National Treasury in June 2020. Organization charges zero (0) depreciation on the year of acquisition and disposal. Depreciation rates are as shown below:

S/NO	DESCRIPTION	DEPRECIATION RATE
1.	BUILDINGS	2%
2.	MOVABLE ASSETS	12.5%
3.	MOTOR VEHICLES	12.5%
4.	ICT	30%

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023.**

Note 6 Transfers from Other Government Entities

Description	2022/23	2021/22
	Kshs.	Kshs.
Transfers from Government entities—operations	100,000,000	
Total	100,000,000	-

Name Of The Entity Sending The Grant/Transfer	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Total transfers	Insert Comparative FY
	Kshs	Kshs	Current FY Kshs	Kshs
Ministry of Defense	100,000,000	-	100,000,000	-
Total	100,000,000	-	100,000,000	-

Note 7 1. Rendering Of Services

Description	2022/23	2021/22
	Kshs.	Kshs.
NSTS fees & Licenses	7,957,951,720	
Other (<i>Specify</i>)		
Total Interest Income	7,957,951,720	-

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023.**

Note 8

1. Other income

Description	2022/23	2021/22
	Kshs.	Kshs.
Insurance recoveries	-	-
Income from Sale of Tender documents	-	-
Miscellaneous income (<i>Specify</i>)	-	-
Total Other income	-	-

Note 9

1. Employee Costs

Description	2022/23	2021/22
	Kshs.	Kshs.
Salaries and Wages		
Staff Gratuity		
Staff Training expenses		
Social Security Contribution		
Other (<i>Specify</i>)		
Total		

Note 10

1. Use of Goods and Services

Description	2022/23	2021/22
	Kshs.	Kshs.
Electricity	1,848,802	
Water	283,933	
Courier & Postage	9,450	
General office expenses	6,061,556	

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023.**

Training Expenses	14,842,336	
Professional services costs	9,048,000	
Hospitality	24,532,572	
Administration fees		
Software & Licenses	2,995,000	
Printing and Stationery	211,800	
Insurance	261,210	
Telephone a Communication expenses		
Bank charges	209,321	
Domestic Accommodation And subsistence	2,041,542	
Foreign Accommodation & Travel	2,212,560	
Provision for Doubtful Debts		
Land development costs		
Fuel & oil	2,845,633	
Specialized Materials & Supplies	778,200	
Other Operating Expenses	789,277,375	
Total	857,459,290	-

Note 11 Repairs & Maintenance

Description	2022/23	2021/22
	Kshs.	Kshs.
Motor Vehicle	2,966,933	
Plant & Machinery	1,704,630	
Building	939,200	
Total	5,610,763	-

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023.**

Note 12 1. Depreciation and Amortization Expense

Description	2022/23	2020/21
	Kshs.	Kshs.
Property Plant and Equipment	-	-
Intangible assets	-	-
Total	-	-

Note 13 1. Finance costs

Description	2022/23	2020/21
	Kshs.	Kshs.
Interest on Bank Overdrafts		
Interest on Loans from financing Institutions		
Total	-	-

Note 14 1. Cash and cash equivalents

Description	2022/23	2020/21
	Kshs.	Kshs.
NSTS Operational Account	502,370	
Kenya Commercial Bank KSH Account	650,837,115	
Kenya Commercial Bank USD Account	33,793,343	
On – Call Deposits	1,686,282,000	
Current Account		
Cash		
Total Cash and Cash equivalents	2,371,414,828	

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023.**

12 a) Detailed analysis of the cash and cash equivalents in banks approved by National Treasury in line with Section 28 of the PFM Act are as follows:

		2022/23	2020/21
Financial Institution	Account number	Kshs.	Kshs.
Bank Accounts			
Cooperative Bank Account		502,370	-
Kenya Commercial Bank KSH Account			
Kenya Commercial Bank USD Account			
Fixed Deposit Accounts			
Commercial Bank			
Sub- Total		502,370	-
Cash On Hand		-	-
Mobile Money		-	-
Sub- Total		-	-
Grand Total		502,370	-

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023.**

Note 15

1. Receivables from exchange transactions

Description	2022/23	2020/21
	Kshs.	Kshs.
Current Receivables		
Fees Receivable	62,752,368	
Current Grants Receivable(Min of Lands)		
Other Exchange Debtors		
Less: Impairment Allowance		
Total Current Receivables	62,752,368	-
Non-Current Receivables		
Long Term Loan Repayments Due		
INTEREST RECEIVABLE		
DEVELOPMENT LOAN ISSUED		
Total Non- Current Receivables	-	-
Total Receivables From Exchange Transactions	-	-

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023.**

(c) Ageing analysis for Receivables from exchange transactions

Description	2022-2023		2021-2022	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	62,752,368	100.00%		
Between 1- 2 years		0.00%		
Between 2-3 years		0.00%		
Over 3 years		0.00%		
Total (a+b)	62,752,368	100.00%	-	
Description	2022-2023	2021-2022		
	Kshs	Kshs		
At the beginning of the year				
Additional provisions during the year				
Recovered during the year				
Less receivables from prior collected				
Written off during the year				
At the end of the year	-	-		

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023.**

Note 16 1. Prepayments

Description	2022/23	2020/21
	Kshs.	Kshs.
Prepaid Rent		
Prepaid Electricity Costs		
Temporary Imprest		
Total	-	-

Note 17 1. Inventory

Description	2022/23	2020/21
	Kshs.	Kshs.
As at 1st Jul		
Additions during the year		
Distributions during the year	-	
Closing Inventory/Holdings	-	-

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

1. Property, Plant, and Equipment

Note 18

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Capital Work in progress	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Cost							
At 1 July 2022	-	-	0	0	0	0	-
Additions		260,652,195	8,030,320	4,549,472.00	4,609,826.00	0	277,841,813
Disposals							
Transfers/adjustments							
At 30th June 2023	-	260,652,195	8,030,320	4,549,472	4,609,826	-	277,841,813

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

Note 19

1. Intangible assets

Description	2022/23	2020/21
	Kshs.	Kshs.
Cost		
At beginning of the year		
Additions		
Disposal		
At end of the year		
Amortization and impairment		
At beginning of the year		
Amortization		
At end of the year		
Impairment loss		
At end of the year		
Net book value		

Note 20

1. Trade and other payables

Description	2022/23	2020/21
	Kshs.	Kshs.
Deposits & retentions		
Other payables		
Total trade and other payables	-	-

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

Long Term Liability

Description	2022/23	2020/21
	Kshs.	Kshs.
GOK Loan (1989)		
GOK Loan (1990)		
Total trade and other payables	-	-

Revenue Reserves

Description	2022/23	2020/21
	Kshs.	Kshs.
Bal b/f		
Surplus for the Year	2,712,009,009	-
Total trade and other payables	2,712,009,009	-

National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023

1. Net cash flows from operating activities

Note 21

	2022/23	2020/21
	Kshs.	Kshs.
Surplus/(deficit) for the year before tax	2,712,009,009	-
Adjusted for:		
Imprest		
Less Forex gains	(717,127,341)	-
Accrued fees	(62,752,368)	
Prepayments/Advances in the year		
Prepayments applied during the period	-	-
Working capital adjustments	(779,879,709)	-
Changes in Inventories	-	
Increase in receivables	-	-
Net cash flow from operating activities	1,932,129,299	-

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

Note 22

Foreign Exchange Gain Table						
Date	Dollar			Kenya shilling		Exchange rate
	Money Out	Money In		Money Out	Money In	
8/6/2022		28,500,000.00			3,333,075,000.00	116.95
22/07/22	19,000,000.00			2,261,000,000.00		119.00
11/8/2022		38,000,000.00			4,531,165,600.00	119.24
11/8/2022	5.86			698.75		119.24
15/08/2022	5,500,000.00			657,250,000.00		119.50
16/12/2022	0.17					122.99
16/12/2022	0.83		1.00	122.99		
4/1/2023						
30/01/2023	0.16					
30/01/2023	0.82		0.98	123.56		126.08
31/01/2023		81,600.00			10,151,276.64	124.40
22/02/2023	0.16					
22/02/2023	0.80		0.96	121.04		126.08
26/02/2023		84,622.23			10,698,737.77	126.43
9/3/2023	0.16					
9/3/2023	0.79		0.95	124.99		131.56
9/3/2023						
9/3/2023		27,200.00		3,237,499,980.00	3,497,680.64	129.50 128.59
22/03/2023	24,526,615.00					
22/03/2023	473,485.00			62,500,020.00		132.00
23/03/2023	4.54					
24/04/2023	5,000,000.00			674,000,000.00		134.80
24/05/2023	12,000,000.00			1,686,282,000.00		140.52
31/05/2023		8,925.00			1,236,033.96	138.49
6/6/2023	0.15					

**National Security Telecommunications Service (NSTS)
Annual Report and Financial Statements
for the 13 months ending 30th June 2023**

6/6/2023	0.75		0.90	124.99	1,686,282,000.00	138.87	140.52
27/06/2023	0.10						
27/06/2023	0.15	<i>12,000,000.00</i>	0.25	35.11		140.44	
30/06/2023		38,250.00			5,375,023.88	140.52	
	66,500,115.44	78,740,597.23					
				8,578,533,351.42	9,581,481,352.88		
				1,002,948,001.46			
				9,344,828,972.03	11,064,904,314.85		
				1,720,075,342.82			
				(717,127,341.36)	Gain on Forex		