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THE AUDITOR-GENERAL

ON

TEACHERS SERVICE COMMISSION

**FOR THE YEAR ENDED
30 JUNE, 2021**





OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

8 APR 2022

RECEIVED

TEACHERS SERVICE COMMISSION
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2021

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



TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

I. KEY COMMISSION INFORMATION AND MANAGEMENT

(a) Background information

Teachers Service Commission is established under Article 237 of the Constitution of Kenya. The mandate of the Commission is buttressed by the TSC Act 2012 to perform teacher management functions.

Vision

To be a transformative teaching service for quality education

Mission

To professionalize the teaching service for quality education and development

Core Values

- Professionalism
- Customer focus
- Integrity
- Innovativeness
- Team spirit

Functions and Mandate

The Commission is mandated to perform the following functions:

- a) Register trained teachers
- b) Recruit and employ registered teachers
- c) Assign teachers employed by the Commission for service in any public school or institution
- d) Promote and transfer teachers
- e) Exercise disciplinary control over teachers
- f) Terminate the employment of teachers
- g) Review the standards of education and training of persons entering the teaching service
- h) Review the demand for and supply of teachers
- i) Advise the national government on matters relating to the teaching profession

**TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**



**Dr. Jamleck Muturi John
Chairman**



**Leila Abdi Ali
Vice Chairperson**



**Mbage Njuguna Ng'ang'a
Commissioner**



**Timon Oyucho
Commissioner**



**Annceta G. Wafukho
Commissioner**



**Salesa Adan Abudo
Commissioner**



**Christine K. Kahindi
Commissioner**



**Dr. Nicodemus Ojuma Anyang
Commissioner**



**CS Sharon Jelagat Kisire
Commissioner**



**Dr. Nancy Njeri Macharia, CBS
Commission Secretary/CEO**

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

I. KEY COMMISSION INFORMATION AND MANAGEMENT

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TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

(d) Fiduciary Oversight Arrangements

Roles of Audit Committee: The Committee offers assurance to the Board that all financial and non-financial internal control and risk management functions are operating effectively and reliably. It also offers independent review of the Commission's reporting functions to assure the integrity of its financial reports in compliance with legislative and regulatory requirements.

(e) Headquarters

TEACHERS SERVICE COMMISSION
TSC House,
Kilimanjaro Road,
Upper Hill,
Nairobi, Kenya

(f) Contacts

Private Bag -00100
Nairobi.
Telephone: (254) 020 289 2000
E-mail: info@tsc.go.ke
Website: www.tsc.go.ke

(g) Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
Box 60000 – 00200
Nairobi, Kenya

2. National Bank of Kenya
National Bank of Kenya Building
Harambee Avenue
Box 41862 – 00200
Nairobi, Kenya

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

(h) Independent Auditors

Auditor-General

Anniversary Towers, University Way

Box 30084 - 00100

Nairobi, Kenya

(i) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

Box 40112 - 00200

Nairobi, Kenya

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

II. FORWARD BY THE COMMISSION CHAIRMAN

I am delighted to present the Annual Report and the Financial Statement of the Teachers Service Commission for the fiscal year 2020-2021. The preparation and presentation of the report is in line with Section 81 of Public Finance Management Act 2012.

In the 2020/2021 financial year, gross budget allocation from The National Treasury was Kshs. 275.1 Billion. This was mainly recurrent but included Kshs. 240 Million as Development Budget. The total recurrent expenditure for the period was Kshs. 275 Billion. While Kshs. 119 Million was spent on development, compensation to employees recorded the highest expenditure of Kshs. 274 Billion of the total budget allocated. Through these budgetary provisions, the Commission was able to execute its mandate and deliver services in teacher management.

In an effort to attain Sustainable Development Goal 4 (SDG 4) on provision of quality education, the Government has greatly supported the Commission's mandate of increasing the supply of qualified teachers in learning institutions. During the year under review, the Commission was able to recruit 24,774 teachers. This comprised of 6,000 additional teachers to support the 100% transition from Primary to Secondary school initiative, and 6,474 for replacement of teachers who exited service during the year. In addition, the Commission institutionalized teacher internship program as a strategy to cope with the ever growing teacher demand as well as giving prospective teachers an opportunity to acquire practical skills. Through this programme, the Commission recruited a total of 12,300 teacher interns which comprised of 4,300 primary school and 8,000 secondary school interns respectively.

The Commission has established a database on registered teachers by qualification and level of education. During the year under review a total of 42,573 new teachers were registered. This was a decrease of 12% from the 48,218 registered during the 2019/2020 period. In addition, 83 teachers were deregistered due to violation of the Code of Regulations for Teachers.

The Commission also implemented the final phase of the Collective Bargaining Agreement (CBA) (2017-2021), where teachers benefitted from the revised salary award at a cost of Ksh.9.5 Billion.

**TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

During the period under review, Capacity building for teachers on Competence Based Curriculum (CBC) was carried out and a total of 50,000 teachers were equipped with necessary skills for effective implementation of the new curriculum. In addition, 100,000 teachers were trained on Teacher Professional Development (TPD) modules in order to enhance their capacity in curriculum delivery.

In pursuit of achieving the strategic goal of service delivery re-engineering, the Commission digitized 100,000 records, rolled out 3 modules of Human Resource Management Information System (HRMIS) and 150 staff members were trained.

During the period the Commission encountered a few emerging issues and some implementation challenges as follows;

- i. Disruption of services as a result of the COVID 19 pandemic
- ii. Austerity measures which affected the Commission's programmes and activities
- iii. Teacher shortage
- iv. Inadequate office accommodation in the Counties and Sub-Counties
- v. Inadequate funding to facilitate operations and to implement Commission programmes in the field.

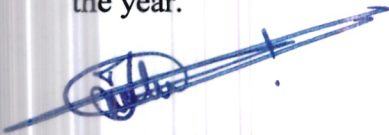
Following the above challenges, the Commission recommends the following: -

- i. Government to provide additional funds for teacher recruitment and other priority programmes.
- ii. Timely release of allocated funds by the National Treasury to fast track the training of teachers on CBC and other priority programmes.
- iii. On its part, the Commission will continually
 - i. Undertake stakeholder engagement and sensitization on the Commission's mandate.
 - ii. Construct/lease more offices in the counties and sub-counties and establish common standards to ensure that all offices have a similar work space and furnishings across the Counties to save on costs.
 - iii. Provide required infrastructure necessary for efficient service delivery at the county and sub-county levels.

**TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

In conclusion, I wish to register our appreciation to the Government, various State and Non-State institutions, partners and stakeholders for the invaluable support throughout this period.

My profound gratitude goes out to the Commissioners, the Management and staff of the Teachers Service Commission for their dedication and commitment that led to remarkable achievements during the year.



DR. JAMLECK MUTURI JOHN

COMMISSION CHAIRMAN

Date: 24-09-2021

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

III. STATEMENT OF PERFORMANCE AGAINST PREDETRMINED OBJECTIVES

The Teachers Service Commission is mandated under article 237 of the Constitution to register trained teachers, recruit and deploy teachers, assign teachers employed by the Commission, exercise disciplinary control over registered teachers, terminate employment of teachers, review the standards of education and training of persons entering the teaching service, review demand for and supply of teachers and advice the National Government on matters relating to the teaching profession.

In executing this mandate, the Commission identified three key strategic goals as stipulated in its 2019-2023 strategic plan. Each of the goals has strategic objectives which form the basis of its programs and effectively the budget execution.

The Commission's key development objectives as stipulated in the strategic plan 2019-2023 are:

Goal 1: Teacher Competency Conduct and performance Management

- a) To improve the level of legal compliance on teaching standards
- b) To improve the quality of teaching services in basic education learning institutions
- c) To improve professionalism in the teaching service and reduce cases of indiscipline among teachers
- d) To improve the quality of teacher support infrastructure and data management at the County and Sub-county levels

Goal 2: Reforms and Innovations in provision of teaching services

- a) To reduce the teacher shortage at the basic education learning institutions
- b) To improve equity and efficiency in utilization of the teaching resource
- c) To grow the TSC Financial resource base
- d) To improve Corporate Governance in teacher management

Goal 3: Service Delivery Re-engineering

- a) To optimize the human resource and productivity in the Commission
- b) To establish information security and ICT Disaster Recovery Systems
- c) To Automate the core TSC processes

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Progress made on attainment of the strategic development objectives

For purposes of implementing and cascading the above development objectives to specific Directorates, the objectives were made specific, measurable, achievable, and realistic and time bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement.

The progress made in attaining the stated objectives based on each program is shown in table below:

| Program | Objective | Outcome | Indicator | Performance |
|---|---|---------------------------|---|--|
| Teacher Resource Management- primary | To reduce the teacher shortage at the basic education learning institutions | Improved Teaching Service | i. Number of Teachers Replaced ii. Number of Intern Teachers Recruited | In the FY 20/21 6,593 teachers were replaced and 4,175 intern teachers were recruited. |
| Teacher Resource Management- Secondary | To reduce the teacher shortage at the basic education learning institutions | Improved Teaching Service | i. Number of teachers recruited ii. Number of Teachers Replaced iii. Number of Intern Teachers Recruited | In the FY 20/21 we recruited 5,000 teachers, 1,531 teachers were replaced and 8,031 intern teachers were recruited. |
| Quality Assurance and standards | i)To improve the level of legal compliance on teaching standards ii)To improve the quality of teaching services in basic education learning institutions | Quality teaching service | i. Percentage of teachers complying with teaching standards ii. Percentage level of implementation of performance contract by learning institutions. | In the FY 20/21, 95% of teachers were complying with the teaching standards 100% of all the learning institutions were on performance contract. |

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

| | | | | |
|--|--|---|--|---|
| <p>Teacher Professional Development</p> | <p>i)To improve the quality of teaching services in basic education learning institutions</p> <p>ii)To improve professionalism in the teaching service and reduce cases of indiscipline among teachers</p> | <p>Improved professionalism in the teaching service</p> | <p>Number of teachers on mentorship program.</p> <p>Percentage of Teachers Complying with the Code of Regulations and Code of Conduct and Ethics.</p> <p>Number of field officers and BoMs trained on regulation and skills on management of teacher conduct</p> | <p>In the FY 20/21, target was not fully met due to budgetary constraints and effects of COVID 19 pandemic.</p> <p>In the FY 20/21, 95% of teachers were complying with the code of regulation and code of conduct and ethics.</p> <p>In the FY 20/21, the target number of 4,080 of field offices and BoM were trained</p> |
| <p>Teacher Capacity Development</p> | <p>To improve equity and efficiency in utilization of the teaching resource</p> | <p>Enhanced Teacher Capacity in curriculum delivery</p> | <p>i) Number of teachers trained on TPD modules</p> <p>ii) Number of teachers trained in Competency Based Curriculum</p> | <p>In the FY 20/21 a total of 100,000 teachers were trained on TPD modules, 50,000 were trained on CBC</p> |
| <p>Policy Planning and support Services</p> | <p>i) To improve the quality of teacher support infrastructure and data management at the County and Sub-county levels</p> <p>ii)To optimize the human resource and productivity in the Commission</p> | <p>Enhanced service delivery</p> | <p>Number of County offices constructed</p> <p>Number of staff trained</p> | <p>In the FY 20/21 the targeted 1 county office was constructed.</p> <p>In the FY 20/21 210 staff were trained in different specialized areas of service delivery</p> |

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

| | | | | |
|-------------------------------------|--|--|--|---|
| Field Services | To improve professionalism in the teaching service and reduce cases of indiscipline among teachers | Discipline cases dispensed | Percentage of registered discipline cases determined and finalised within three months. | 42% of registered discipline cases were determined and finalized. Target not achieved due to expiry of the term of the board and surge of the COVID-19 affecting hearing of cases. |
| Automation of TSC operations | <p>i) To Automate the core TSC processes</p> <p>ii) To improve the quality of teacher support infrastructure and data management at the County and Sub-county levels</p> <p>iii) To establish information security and ICT Disaster Recovery Systems</p> | <p>Number of records digitized</p> <p>HRM processes Automated</p> <p>Business Continuity service</p> | <p>Number of records digitized</p> <p>Number of modules rolled out on HRMIS</p> <p>Number of staff sensitized on HRMIS</p> | <p>In the FY 20/21 100,000 records were digitized</p> <p>3 Modules of the HRMIS were rolled out in FY 20/21.</p> <p>In the FY 20/21, 150 members of staff were sensitized on HRMIS.</p> |

Some of the challenges experienced by the Commission during the implementation of its programmes during the financial year include; austerity measures by the National Treasury reducing most of the budget items and effect of COVID-19 pandemic and the resultant guidelines on its management by the Ministry of Health which interfered with work schedule.

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

IV. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process and structure by which an organization is directed and controlled with the ultimate aim of achieving long term value to key stakeholders while taking into account the interest of other interested parties. The Commissioners and management of Teachers Service Commission are committed to achieving and demonstrating the highest standards of corporate governance.

The Commission has continued to be committed to high corporate governance standards and effective service delivery and ethics within the organization by abiding with the laws and statutory regulations. The employees of the Commission are guided by the code of conduct approved by the Commission.

The Commission

The Commission consist of a chairperson and eight other members appointed in accordance with constitution and the Teachers Service Commission Act 2012. They possess qualification and a wide range of expertise and experience that enable them to effectively contribute in their capacities as members. They are appointed by the President following a competitive process.

The Commission Secretariat is headed by a Secretary who is also its Chief Executive and the Accounting officer. She implements the decisions of the Commission.

Duties of the Commissioners

The Commissioners provide strategic directions; objectives and values that ensure policies and practices are in place to implement governance and effective control over the Commission's assets and operations.

The Commissioners meet regularly to continually review and monitor the Commission's progress with respect to strategic direction and operational effectiveness.

In this regard the Commission has established the following governance committees with special mandates to assist in the execution of the Commission's programs.

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Audit Committee Membership

- | | |
|---|-----------------------------|
| 1. Rodgers Kinoti M'Ariba | Chairperson |
| 2. Kenneth M. Juma | Member |
| 3. Comm. Albert Fred Ekirapa (Retired on 21/3/2021) | Member |
| 4. Elizabeth W. Kiano | Member (National Treasury) |
| 5. Isaac K. Ng'ang'a | Secretary |

Human Resource Committee Membership

- | | |
|---|-------------|
| 1. Comm. Kinoti Imanyara (Retired on 21/3/2021) | Chairperson |
| 2. Comm. A.F. Ekirapa (Retired on 21/3/2021) | Member |
| 3. Comm. Leila Abdi Ali | Member |
| 4. Comm. Mbage Njuguna Ng'ang'a | Member |
| 5. Dr.Nancy Njeri Macharia, CBS | Secretary |
| 6. Dr. Julius O. Olayo | Member |
| 7. C. Ayabei | Member |
| 8. Rita W. Wahome | Member |
| 9. Dr. Reuben Nthamburi | Member |
| 10. Charles Gichira | Member |

Field Services Committee Membership

- | | |
|---|-----------|
| 1. Comm. Tache Bansa Gollo (Retired on 21/3/2021) | Chairman |
| 2. Comm. Kinoti Imanyara (Retired on 21/3/2021) | Member |
| 3. Comm. A.F. Ekirapa (Retired on 21/3/2021) | Member |
| 4. Comm. Mbage Njuguna Ng'ang'a | Member |
| 5. Dr.Nancy Njeri Macharia, CBS | Secretary |
| 6. Mary Rotich | Member |
| 7. Mumin Gedi, OGW | Member |
| 8. C. Ayabei | Member |
| 9. Rita W. Wahome | Member |

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Finance Committee Membership

| | |
|---|-----------|
| 1. Comm. Beatrice Adu (Retired on 21/3/2021) | Chairman |
| 2. Comm. Kinoti Imanyara (Retired on 21/3/2021) | Member |
| 3. Comm. Tache Bansa Gollo (Retired on 21/3/2021) | Member |
| 4. Comm. Leila Abdi Ali | Member |
| 5. Dr.Nancy Njeri Macharia, CBS | Secretary |
| 6. Dr. Julius O. Olayo | Member |
| 7. C. Ayabei | Member |
| 8. Mary Rotich | Member |
| 9. Mumin Gedi, OGW | Member |
| 10. Charles Gichira | Member |
| 11. Rita W. Wahome | Member |
| 12. Dr. Reuben Nthamburi | Member |

Strategy and Innovation Committee Membership

| | |
|---|-----------|
| 1. Comm. Mbarak Twahir, FKIM (Retired on 21/3/2021) | Chairman |
| 2. Comm. Tache Bansa Gollo (Retired on 21/3/2021) | Member |
| 3. Comm. Albert Fred Ekirapa (Retired on 21/3/2021) | Member |
| 4. Comm. Kinoti Imanyara (Retired on 21/3/2021) | Member |
| 5. Comm. Leila Abdi Ali | Member |
| 6. Comm. Mbage Njuguna Ng'ang'a | Member |
| 7. Dr.Nancy Njeri Macharia, CBS | Secretary |
| 8. Mumin Gedi, OGW | Member |
| 9. Dr. Reuben Nthamburi | Member |
| 10. Charles Gichira | Member |

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

V. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Commission takes ultimate responsibility for Corporate Social Responsibilities (CSR) and is committed to developing and implementing appropriate policies while adhering to a fundamental commitment to create and sustain long term value for teachers and all stakeholders.

We recognize that our social, environmental and ethical conduct has an important impact to our clients, we, therefore, take our CSR seriously and are committed to advancing our policies and systems to ensure we address and monitor all aspects of CSR that are relevant to our mandate. These include good ethical behaviour, concern for employees' health and safety, care for the environment and community involvement.

We strive to maintain a productive and open dialogue with all parties who may have an interest in our activities including; key stakeholders, suppliers and employees. We conduct regular customer satisfaction surveys and actively encourage feedback from our employees.

There is an elaborate programme through our Wellness section to provide information, education and psychosocial support on HIV & AIDS, drug and substance abuse, teachers on depression and Voluntary Counselling and Testing (VCT) services to our employees and members of the community. We are reviewing our CSR strategy with a view of expanding it to benefit more teachers and the community in general.

During the year under review, the Commission did not carry out any Corporate Social Responsibilities due to the COVID-19 pandemic and in observance of the resultant guidelines on its management by the Ministry of Health.

**TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

VI. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 and Section 40 of the Teachers Service Commission Act, 2012 requires that, at the end of each financial year, the accounting officer for Teachers Service Commission shall prepare financial statements in respect of the Commission. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the Teachers Service Commission is responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ended on June 30, 2021. 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 Commission.
- v) Selecting and applying appropriate accounting policies.
- vi) Making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the Teachers Service Commission accepts responsibility for the Commission's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Commission's financial statements give a true and fair view of the state of entity's transactions during the financial year

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

ended June 30, 2021, and of the Commission's financial position as at that date. The Accounting Officer in charge of the Teachers Service Commission further confirms the completeness of the

accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the Teachers Service Commission confirms that the Commission has complied fully with applicable Government Regulations and the terms of external financing covenants and that the Commission's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the Commission's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The Commission's financial statements were approved and signed by the Accounting Officer on 24th September, 2021.



**DR. NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY**

Date: 24-09-2021



**CPA. CHEPTUMO AYABEI
DIRECTOR (FINANCE AND ACCOUNTS)**

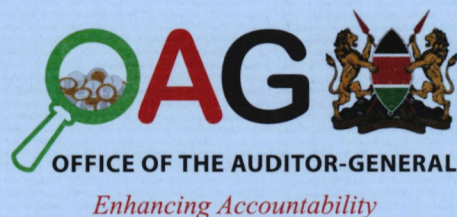
ICPAK MEMBER NUMBER: 8372

Date: 24-09-2021



REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON TEACHERS SERVICE COMMISSION FOR THE YEAR ENDED 30 JUNE, 2021

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, gazetted 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 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 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

Qualified Opinion

I have audited the accompanying financial statements of Teachers Service Commission set out on pages 23 to 48, which comprise of the statement of assets and liabilities as at

30 June, 2021, statement of receipts and payments, statement of cash flows and the summary statement of appropriation: recurrent and development combined for the year then ended, and a summary of significant accounting policies, notes to the financial statements and other important disclosures 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 effect of the matters 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 Teachers Service Commission as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Teachers Service Commission Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Accounts Receivables - Cash Losses

The statement of assets and liabilities reflects an accounts receivables balance of Kshs.867,537,156 which includes cash losses amounting to Kshs.2,928,398. As previously reported the cash losses occurred between the years 1988 and 2000 and the matter was investigated whereby the Director of Public Prosecutions directed the suspect be charged with the offence of stealing by servant contrary to Section 280 of the Penal Code. Review of the matter during the year under review indicates that all teachers are paid by electronic funds transfers through their respective bank accounts and the Commission has reported that there are no longer cash losses reported. However, the lost cash had not been recovered.

In the circumstances, the recoverability of cash loss amounting to Kshs.2,928,398 could not be confirmed.

2. Property, Plant and Equipment Schedule

As disclosed in Annex XV - other important disclosures to the financial statements, property, plant and equipment balance of Kshs.4,764,948,850 as at 30 June, 2021 includes a balance of Kshs.88,096 being the residual value of one (1) motor vehicle procured in 2004 at a cost of Kshs.2,085,869. A review of the matter in January, 2018 had revealed that the vehicle had earlier been auctioned by auctioneers after obtaining a duplicate log book No.20063490279 from Kenya Revenue Authority. Although the Commission repossessed the vehicle, the case is still pending in court.

In the circumstances, it has not been possible to confirm whether property, plant and equipment balance of Kshs.4,764,948,850 is fairly stated.

3. Unauthorized Expenditure on Insurance Costs

As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects use of goods and services balance amounting to Kshs.763,764,040. The amount includes insurance costs of Kshs.47,793,308 which further includes payments amounting

to Kshs.7,005,775 in respect of compensation under the Work Injury Benefits Act (WIBA), 2007. However, the paid claims were approved for payment by the Chief Executive Officer in 2018 and 2019, but the claims had not been included as pending bills in the financial year 2019/2020. Further, no documentation was provided to show the approved budget reallocation to support the payment.

Consequently, the validity of the insurance costs of Kshs.7,005,775 could not be ascertained.

4. Unsupported Accounts Payables

As disclosed in Note 10 to the financial statements, the statement of assets and liabilities as at 30 June, 2021 reflects accounts payables balance of Kshs.459,795,093 which includes a clearance account balance of Kshs.405,647,139. The balance constitutes unexplained sundry creditors balance of Kshs.46,013,489, unsupported returned salaries of Kshs.25,958,415, returned EFT payments of Kshs.36,765,251, and unsupported stale cheques amounting to Kshs.4,509,310 which have been supported by listings showing outstanding transactions, dating back to financial year 2015/2016 and earlier. The clearance accounts of Kshs.405,647,139 has minimal movement over the last twelve months and no explanation was provided for the same.

Further, the balance of Kshs.459,795,093 includes an Inter-Ministerial Agency Accounts balance of Kshs.45,738,914. However, the reported amounts differs with the corresponding amounts in the State Department for Early Learning and Basic Education's financial statements balance of Kshs.9,537,963 leading to an unreconciled variance of Kshs.36,200,951.

In the circumstances, the accuracy of the accounts payable balance of Kshs.459,795,093 could not be confirmed.

5. Accounts Receivables

5.1 Long Outstanding Salary Advances

As disclosed in Note 9 to the financial statements, the statement of assets and liabilities reflects accounts receivables balance of Kshs.867,537,156 which includes an amount of Kshs.10,531,874 in respect of salary advances. However, the salary advances balance includes an amount of Kshs.2,125,414 described as undefined recoveries whose composition and support documents were not provided for audit review. Further, an amount of Kshs.4,264,665 in respect of one hundred and forty-five (145) staff had no movement over the last twelve months. It was noted that some of the staff with outstanding balances had received additional salary advances during the year under review. Management did not give any reason for non-recovery of the salary advances.

5.2 County Disbursements

Further, the accounts receivables balance of Kshs.867,537,156 includes a balance of Kshs.475,068,169 in respect of disbursements to Counties. However, the breakdown of the amounts owed by each county was not provided for audit review. Available records revealed that the reconciled county and regional bank balances totalled to

Kshs.34,575,199 representing un-surrendered AIEs issued to the counties. The amount has however not been reconciled to the outstanding county disbursement balance of Kshs.475,068,169.

5.3 Other Receivables

In addition, the account receivables balance of Kshs.867,537,156 includes an amount of Kshs.370,924,085 in respect of other receivables which further includes an amount of Kshs.352,853,152 relating to salary overpayments. However, the origin and the build-up of the salary overpayments have not been explained.

The balance also includes receivables totalling to Kshs.10,416,781 which had no recoveries or repayments in the last twenty-four months casting doubts on the recovery or realization of the amount.

In the circumstances, the accuracy and completeness of the accounts receivables balance of Kshs.867,537,156 reflected in the statement of assets and liabilities as at 30 June, 2021 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Teachers Service Commission 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. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The summary statement of appropriation: development reflects final receipts budget and actual on comparable basis of Kshs.240,000,000 and Kshs.40,000,000 respectively resulting to an under-funding of Kshs.200,000,000 or 83% of the budget. Further, the statement reflects final expenditure budget and actual on comparable basis of Kshs.240,000,000 and Kshs.117,677,710 respectively resulting to an under-expenditure of Kshs.122,322,290 or 51% of the budget.

The under-funding and under-expenditure affected the planned activities of the Commission and may have impacted negatively on service delivery to the public.

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. Failure to Deduct and Remit Pay-As-You-Earn (PAYE) from Employees

During the year under review, Management did not deduct Pay As You Earn (PAYE) tax due from five thousand and twelve (5412) Commission's staffs and twenty-five (25) Secretariat's staffs with a gross pay amounting to Kshs.2,194,204,398 and Kshs.12,608,086 respectively.

Review of the Commission's payrolls revealed that employees with special needs, as prescribed under Section 11(3) of the Persons with Disabilities Act, 2003 are denoted by codes 2-9 under the special needs field in the Integrated Payroll and Personnel Database (IPPD), but the above referenced employees code was zero (0), denoting that they are not people with special needs and had not been exempted from paying income tax by the Kenya Revenue Authority. Failure to deduct and remit Pay As You Earn (PAYE) tax is contrary to the Income Tax Act CAP 470.

Consequently, Management was in breach of the law.

2. Non-Compliance with Public Finance Management Act, 2012

During the year under review, Management granted a rent waiver of Kshs.621,622 to one of the Commission's tenants due to COVID-19 challenges which had affected its business. The tenant was supposed to pay an annual rent of Kshs.1,896,060 as per the lease agreement but this was reduced to Kshs.1,274,438. The Commission did not provide any evidence of seeking authority from The National Treasury. This is contrary to Section 77 of the Public Finance Management Act, 2012 which requires an entity to seek authority from The National Treasury for any waiver or write-off for any amount owing.

Consequently, Management was in breach of the law.

3. Irregular Issuance of Imprest

The statement of assets and liabilities reflects accounts receivables balance of Kshs.867,537,156 which as disclosed in Note 9 to the financial statements includes outstanding imprests balance of Kshs.11,013,028 out of which a balance of Kshs.1,255,655 was owed by eight officers who had more than one imprest. This contravenes Regulation 93(4)(b) of the Public Finance Management (National

Government) Regulations, 2015 which requires the accounting officer to ensure that the applicant has no outstanding imprests before issuing additional imprests.

Consequently, 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

Recovery of Salary Overpayments

Review of the detailed analysis of the payroll provided for the financial year 2020/2021 revealed that, thirty-two (32) teachers had an outstanding 'salary overpayment' balance amounting to Kshs.33,780,614. However, the repayment period for the recovery of the outstanding amounts is beyond the retirement age of the respective teachers. The recoverability of the balance is therefore doubtful as detailed in **Appendix I**.

In the circumstances, the existence of an effective internal control to safeguard loss of public resources could be confirmed

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 Commissioners

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash 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 Commission'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 terminate the Commission or 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 Commissioners are responsible for overseeing the Commission's financial reporting process, reviewing the effectiveness of how 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 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 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 Commission's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Commission 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 Commission to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

22 April, 2022



Appendix I: OUTSTANDING OVERPAYMENT

| Payroll No. | Name | ED-Code | Monthly Recoveries Kshs. | Outstanding Balance as at 30 June, 2021 Kshs. |
|--------------|----------------------------------|---------|--------------------------|---|
| 362258 | Mr Kiptoo Mark Kemboi | 990 | 9,065.00 | 4,816,513.70 |
| 286543 | Mr Mwakale Goodwell Samuel | 990 | 8,220.65 | 3,350,497.85 |
| 252211 | Mr Omwai Saphan Ochieng | 990 | 7,101.35 | 2,267,010.85 |
| 188220 | Mrs Nyakora Rosebellah Nyanchoka | 990 | 8,643.00 | 2,469,457.00 |
| 215745 | Mr Makau Peter Maundu | 990 | 8,221.00 | 2,270,759.00 |
| 332861 | Mr Kamau Peter Kariuki | 990 | 11,740.80 | 2,045,745.20 |
| 285638 | Mr Gichunji Gidraph Mwangi | 990 | 13,609.65 | 1,880,419.20 |
| 208861 | Mr Tuva Edison Konde | 990 | 8,083.35 | 1,128,157.40 |
| 201619 | Mrs Muoki Esther Mumbua | 990 | 8,220.65 | 1,034,872.45 |
| 234765 | Mrs Makori Agnes Nyambane | 990 | 19,924.00 | 2,093,643.00 |
| 265346 | Mr Mutwa Daniel Ngala | 990 | 9,065.00 | 928,893.00 |
| 216760 | Mrs Mogire Jane Kerubo | 990 | 8,220.65 | 724,760.30 |
| 298065 | Mr Ontomwa Henry Tinga | 990 | 9,586.80 | 785,592.70 |
| 271057 | Mr Kamemia Samson Maruki | 990 | 3,548.00 | 203,548.00 |
| 288240 | Miss Kiruka Dorothy Wanjiku | 990 | 3,000.00 | 310,464.00 |
| 204595 | Mr Muthiani Donald Wambua | 990 | 8,221.00 | 136,350.00 |
| 220422 | Mr Olaka Henry Oduor | 990 | 3,448.35 | 224,993.15 |
| 269467 | Mrs Kivuva Beatrice Kanini Ndavi | 990 | 3,448.00 | 217,623.00 |
| 286407 | Mr Kariuki James Irungu | 990 | 7,101.30 | 274,278.80 |
| 380010 | Mr Matiri Silas Mbayah | 990 | 15,000.00 | 2,471,470.65 |
| 298715 | Mr M'lingera Joachim Mungathia | 990 | 20,757.35 | 666,205.00 |
| 288243 | Mrs Moriasi Alice Bosibori | 990 | 10,135.00 | 542,335.20 |
| 285541 | Mr Rintari Stephen Nteere | 990 | 3,800.00 | 145,198.00 |
| 187759 | Mr Musyoka Paul Mutemi | 990 | 15,874.65 | 409,069.20 |
| 210047 | Mr Yator David Changwony | 990 | 8,083.35 | 167,892.35 |
| 225403 | Mr Muthoka Titus Muasya | 990 | 9,585.00 | 311,364.00 |
| 227730 | Mr Mwatu Samson Mutuku | 990 | 10,717.00 | 192,140.00 |
| 187294 | Mr Galana Omar Hiribae | 990 | 20,204.30 | 326,480.85 |
| 224712 | Mr Mulle Rolland Mativo V | 990 | 8,643.00 | 307,532.35 |
| 316909 | Mr M'noti Gideon Muriiki | 990 | 12,551.35 | 732,893.85 |
| 269877 | Mrs Shioso Beatrice Khasoha | 990 | 3,448.35 | 199,704.45 |
| 215191 | Mr Mutua Peter Kioko | 990 | 15,000.00 | 144,749.15 |
| Total | | | | 33,780,613.65 |


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TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021


VIII. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2020/2021 Kshs | 2019/2020 Kshs |
|----------------------------------|------|-------------------------------|-------------------------------|
| RECEIPTS | | | |
| Exchequer Releases (Recurrent) | 1A | 274,402,784,137 | 255,340,525,927 |
| Exchequer Releases (Development) | 1B | - | 347,526,267 |
| Proceeds from Sale of Assets | 2 | 400,000 | - |
| Other Revenues | 3 | 646,154,688 | 634,097,140 |
| TOTAL REVENUES | | <u>275,049,338,825</u> | <u>256,322,149,334</u> |
| PAYMENTS | | | |
| Compensation of Employees | 4 | 274,201,344,412 | 254,450,751,830 |
| Use of goods and services | 5 | 763,764,040 | 844,115,248 |
| SEQIP Expenses | 6 | 97,300,033 | 271,065,923 |
| Acquisition of Assets | 7 | 199,465,484 | 366,407,822 |
| TOTAL PAYMENTS | | <u>275,261,873,969</u> | <u>255,932,340,823</u> |
| DEFICIT/SURPLUS | | <u>(212,535,144)</u> | <u>389,808,511</u> |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 24th September, 2021 and signed by:



DR NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY/CEO
Date: 24-09-2021




CPA CHEPTUMO AYABEI
DIRECTOR (FINANCE & ACCOUNTS)
ICPAK NUMBER: 8372
Date: 24-09-2021


TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

IX. STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2021

| | Note | 2020/2021 Kshs | 2019/2020 Kshs |
|--|------|-----------------------------|-----------------------------|
| FINANCIAL ASSETS | | | |
| Cash and Cash Equivalents | | | |
| Bank Balances | 8A | 1,302,670,081 | 1,543,695,633 |
| Cash Balances | 8B | 1,551 | 23,451 |
| Total Cash And Cash Equivalents | | 1,302,671,631 | 1,543,719,084 |
| Accounts Receivables | 9 | 867,537,156 | 847,227,280 |
| TOTAL FINANCIAL ASSETS | | 2,170,208,787 | 2,390,946,364 |
| LESS: FINANCIAL LIABILITIES | | | |
| Accounts Payables | 10 | 459,795,093 | 457,530,008 |
| NET FINANCIAL ASSETS | | <u>1,710,413,694</u> | <u>1,933,416,356</u> |
| REPRESENTED BY | | | |
| Fund balance b/fwd | 11 | 1,933,416,357 | 1,543,607,845 |
| Deficit/Surplus for the year | | (212,535,144) | 389,808,511 |
| Prior year adjustments | 13 | (10,467,519) | - |
| NET FINANCIAL POSSITION | | <u>1,710,413,694</u> | <u>1,933,416,356</u> |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 24th September, 2021 and signed by:


DR NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY/CEO
Date: 24-09-2021



CPA CHEPTUMO AYABEI
DIRECTOR (FINANCE & ACCOUNTS)
ICPAK NUMBER: 8372
Date: 24-09-2021

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

X. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2020/2021 Kshs | 2019/2020 Kshs |
|--|------|-------------------------------|-------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Receipts for operating income | | | |
| Exchequer Releases (Recurrent) | 1A | 274,402,784,137 | 255,340,525,927 |
| Exchequer Releases (Development) | 1B | - | 347,526,267 |
| Other Revenues | 3 | 646,154,688 | 634,097,140 |
| | | <u>275,048,938,825</u> | <u>256,322,149,334</u> |
| Payments for operating expenses | | | |
| Compensation of Employees | 4 | 274,201,344,412 | 254,450,751,830 |
| Use of goods and services | 5 | 763,764,040 | 844,115,248 |
| SEQIP Expenses | 6 | 97,300,033 | 271,065,923 |
| | | <u>275,062,408,485</u> | <u>255,565,933,001</u> |
| Adjusted for: | | | |
| Decrease/(Increase) in Accounts Receivable | 14 | (20,309,877) | (470,541,328) |
| Increase/(Decrease) in Accounts Payable | 15 | 2,265,087 | 61,510,178 |
| Prior Year Adjustments | 13 | (10,467,519) | - |
| Net cash flows from operating activities | | (41,981,969) | 347,185,183 |
| CASHFLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from Sale of Assets | 2 | 400,000 | - |
| Acquisition of Assets | 7 | (199,465,484) | (366,407,822) |
| Net cash flows from Investing Activities | | (199,065,484) | (366,407,822) |
| NET DECREASE/INCREASE IN CASH AND CASH EQUIVALENT | | (241,047,453) | (19,222,639) |
| Cash and cash equivalent at BEGINNING of the year | | 1,543,719,084 | 1,562,941,723 |
| Cash and cash equivalent at END of the year | | <u>1,302,671,631</u> | <u>1,543,719,084</u> |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 24th September, 2021 and signed by:


DR NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY/CEO

Date: 24-09-2021


CPA CHEPTUMO AYABEI
DIRECTOR (FINANCE & ACCOUNTS)

ICPAK NUMBER: 8372

Date: 24-09-2021

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

XI. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

| Revenue/Expense Item | Original Budget a Kshs | Adjustments b Kshs | Final Budget c=a+b Kshs | Actual on Comparable Basis d Kshs | Budget Utilization Difference e=c-d Kshs | % of Utilization Difference to Final Budget f=d/c % |
|----------------------------------|-------------------------------|-----------------------------|-------------------------------|---|--|--|
| RECEIPTS | | | | | | |
| Exchequer Releases (Recurrent) | 264,975,584,137 | 9,427,200,000 | 274,402,784,137 | 274,402,784,137 | - | 100% |
| Exchequer Releases (Development) | 600,000,000 | (400,000,000) | 200,000,000 | - | 200,000,000 | 0% |
| Receipts Collected as AIA | 517,000,000 | 70,000,000 | 587,000,000 | 646,554,688 | (59,554,688) | 110% |
| Total Receipts | <u>266,092,584,137</u> | <u>9,097,200,000</u> | <u>275,189,784,137</u> | <u>275,049,338,825</u> | <u>140,445,312</u> | 100% |
| Payments | | | | | | |
| Compensation of Employees | 263,624,839,000 | 9,500,000,000 | 273,124,839,000 | 274,201,344,412 | (1,076,505,412) | 100% |
| Use of goods and services | 1,530,745,137 | (72,800,000) | 1,457,945,137 | 763,764,040 | 694,181,097 | 52% |
| SEQIP Expenditure | 600,000,000 | (400,000,000) | 200,000,000 | 97,300,033 | 102,699,967 | 50% |
| Acquisition of Assets | 337,000,000 | 70,000,000 | 407,000,000 | 199,465,484 | 207,534,516 | 49% |
| Grand Total | <u>266,092,584,137</u> | <u>9,097,200,000</u> | <u>275,189,784,137</u> | <u>275,261,873,969</u> | <u>(72,089,832)</u> | 100% |

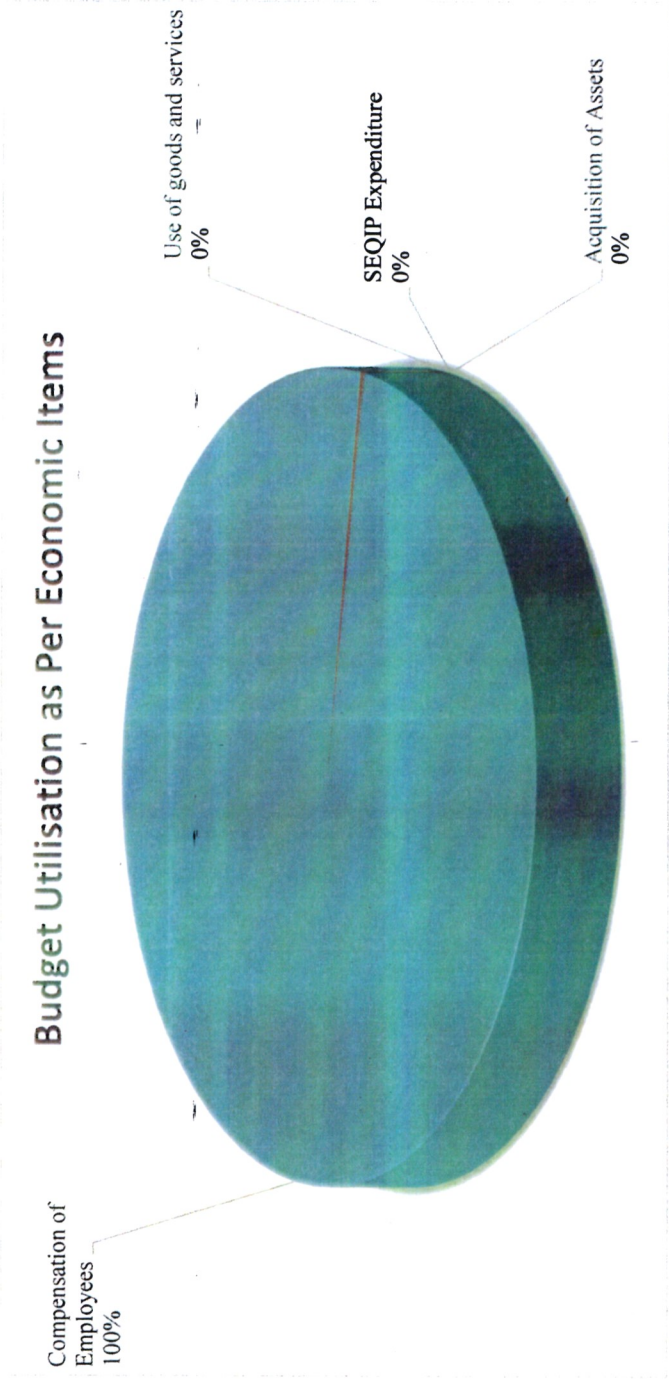
Commentary on significant under-utilization/over-utilization

- i. The under absorption at 52% of the budget for operations and maintenance was due reduced operations as a result of the COVID – 19 pandemic.
- ii. The under absorption at 49% of Acquisition of the fixed assets budget was as a result of the rigorous procurement processes and effects of the COVID – 19 pandemic.
- iii. The under-utilization at 50% for SEQIP was as a result of reduced project activities due to COVID – 19 pandemic.

**TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

BUDGET UTILIZATION AS PER ECONOMIC ITEMS

| ECONOMIC ITEMS | Actual Payments Kshs |
|---------------------------|---------------------------------|
| Compensation of Employees | 274,201,344,412 |
| Use of goods and services | 763,764,040 |
| SEQIP Expenditure | 97,300,033 |
| Acquisition of Assets | 199,465,484 |
| Total Payments | 275,261,873,969 |



XII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

| Revenue/Expense Item | Original Budget a Kshs | Adjustments b Kshs | Final Budget c=a+b Kshs | Actual on Comparable Basis d Kshs | Budget Utilization Difference e=d-c Kshs | % of Utilization Difference to Final Budget f=d/c % |
|---------------------------|-------------------------------|-----------------------------|-------------------------------|---|--|--|
| RECEIPTS | | | | | | |
| Exchequer releases | 264,975,584,137 | 9,427,200,000 | 274,402,784,137 | 274,402,784,137 | - | 100% |
| Receipts Collected as AIA | 517,000,000 | 30,000,000 | 547,000,000 | 606,554,688 | (59,554,688) | 111% |
| Total Receipts | <u>265,492,584,137</u> | <u>9,457,200,000</u> | <u>274,949,784,137</u> | <u>275,009,338,825</u> | <u>(59,554,688)</u> | 100% |
| PAYMENTS | | | | | | |
| Compensation of Employees | 263,624,839,000 | 9,500,000,000 | 273,124,839,000 | 274,201,344,412 | (1,076,505,412) | 100% |
| Use of goods and services | 1,530,745,137 | (72,800,000) | 1,457,945,137 | 763,764,040 | 694,181,097 | 52% |
| Acquisition of Assets | 337,000,000 | 30,000,000 | 367,000,000 | 179,087,807 | 187,912,193 | 49% |
| Grand Total | <u>265,492,584,137</u> | <u>9,457,200,000</u> | <u>274,949,784,137</u> | <u>275,144,196,259</u> | <u>(194,412,122)</u> | 100% |

Commentary on significant under-utilization/over-utilization

- i. The under absorption at 52% of the budget for operations and maintenance was due reduced operations as a result of the COVID – 19 pandemic.
- ii. The under absorption at 49% of Acquisition of the fixed assets budget was as a result of the rigorous procurement processes and effects of the COVID – 19 pandemic.

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

XIII. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

| Revenue/Expense Item | Original Budget a Kshs | Adjustments b Kshs | Final Budget c=a+b Kshs | Actual on Comparable Basis d Kshs | Budget Utilization Difference e=c-d Kshs | % of Utilization Difference f=d/c % |
|---------------------------|------------------------------|-----------------------------|-------------------------------|---|--|--|
| RECEIPTS | | | | | | |
| Exchequer releases | 600,000,000 | (400,000,000) | 200,000,000 | - | 200,000,000 | 0% |
| Receipts Collected as AIA | - | 40,000,000 | 40,000,000 | 40,000,000 | - | 100% |
| Total Receipts | <u>600,000,000</u> | <u>(360,000,000)</u> | <u>240,000,000</u> | <u>40,000,000</u> | <u>200,000,000</u> | 17% |
| Payments | | | | | | |
| SEQIP Expenditure | 600,000,000 | (400,000,000) | 200,000,000 | 97,300,033 | 102,699,967 | 49% |
| Acquisition of Assets | - | 40,000,000 | 40,000,000 | 20,377,677 | 19,622,323 | 51% |
| Grand Total | <u>600,000,000</u> | <u>(360,000,000)</u> | <u>240,000,000</u> | <u>117,677,710</u> | <u>122,322,290</u> | 49% |

Commentary on significant under-utilization/over-utilization

- i. The under absorption at 51% of Acquisition of the fixed assets budget was as a result of the COVID – 19 pandemic which delayed the construction of the Bomet County office.
- ii. The under-utilization at 49% for SEQIP was as a result of reduced project activities as a result of the COVID – 19 pandemic.

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

XIV. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

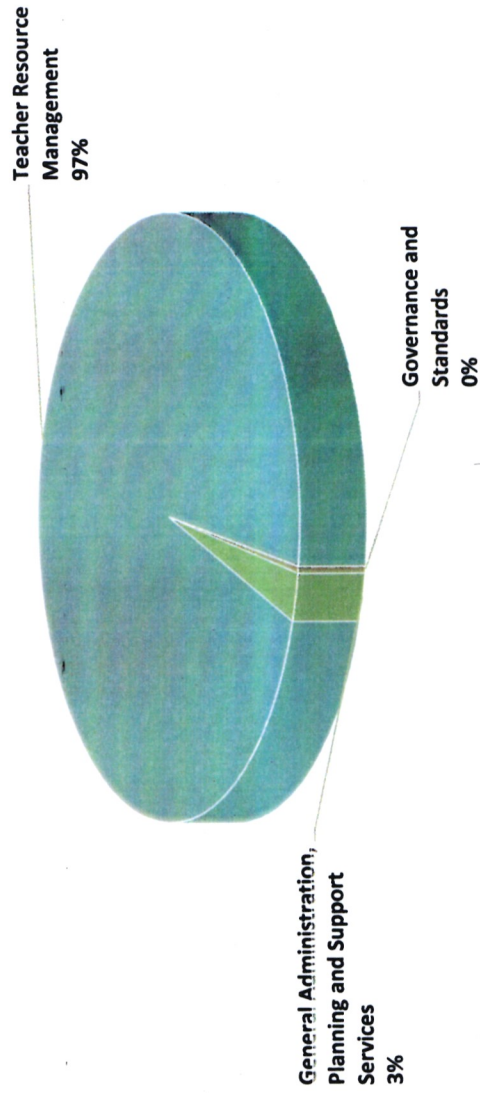
| Programme/Sub-programme | Original Budget Kshs | Adjustments Kshs | Final Budget Kshs | Actual on comparable basis Kshs | Budget utilization difference Kshs |
|---|-------------------------------|-----------------------------|-------------------------------|--|---|
| Teacher Resource Management | 257,973,381,918 | 9,086,288,849 | 267,059,670,767 | 268,030,315,283 | (970,644,516) |
| Teacher Management- Primary | 165,543,176,334 | 5,595,288,293 | 171,138,464,627 | 172,211,813,114 | (1,073,348,487) |
| Teacher Management- Secondary | 88,740,779,964 | 3,491,000,556 | 92,231,780,520 | 92,129,080,551 | 102,699,969 |
| Teacher Management- Tertiary | 3,689,425,620 | - | 3,689,425,620 | 3,689,421,618 | 4,002 |
| Governance and Standards | 1,005,169,877 | (1,934,620) | 1,003,235,257 | 449,920,891 | 553,314,366 |
| Quality assurance and standards | 2,375,049.00 | (836,084.00) | 1,538,965.00 | 521,872.00 | 1,017,093 |
| Teacher professional development | 1,744,664 | (509,564) | 1,235,100 | 373,200 | 861,900 |
| Teacher capacity development | 1,001,050,164 | (588,972) | 1,000,461,192 | 449,025,819 | 551,435,373 |
| General Admin, Planning and Support Services | 7,114,032,342 | 12,845,771 | 7,126,878,113 | 6,781,637,795 | 345,240,318 |
| Policy, Planning and Support Service | 6,613,210,381 | 36,334,496 | 6,649,544,877 | 6,517,072,657 | 132,472,220 |
| Field Services | 198,235,431 | (22,893,855) | 175,341,576 | 97,108,218 | 78,233,358 |
| Automation of TSC Operations | 302,586,530 | (594,870) | 301,991,660 | 167,456,920 | 134,534,740 |
| TOTAL | <u>266,092,584,137</u> | <u>9,097,200,000</u> | <u>275,189,784,137</u> | <u>275,261,873,969</u> | <u>(72,089,832)</u> |

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

BUDGET ALLOCATION BY PROGRAMMES

| Programmes | Approved Budget Allocation KShs | Actual Payments KShs | Variance KShs |
|---|---------------------------------------|-------------------------------|----------------------------|
| Teacher Resource Management | 267,059,670,767 | 268,030,315,283 | (970,644,516) |
| Governance and Standards | 1,003,235,257 | 449,920,891 | 553,314,366 |
| General Administration, Planning and Support Services | 7,126,878,113 | 6,781,637,795 | 345,240,318 |
| | <u>275,189,784,137</u> | <u>275,261,873,969</u> | <u>(72,089,832)</u> |

BUDGET ALLOCATION BY PROGRAMMES



TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

XV. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

2. Reporting Entity

The financial statements are for the Teachers Service Commission. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

- i) Kenya Secondary Education Quality Improvement Project (SEQIP) - Component 1: Subcomponents 1.1 and 1.2*
- ii) Kenya Primary Education Development (PRIEDE) project - Component 2: Sub component 2.2*

3. Reporting Currency

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Commission and all values are rounded to the nearest one thousand Kenya Shillings.

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Commission for all the years presented.

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

XIV. SIGNIFICANT ACCOUNTING POLICIES Cont'd

a) Recognition of Receipts

The Commission recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Commission.

i) Transfers from the Exchequer

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the Commission.

ii) External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners.

Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the Commission.

During the year ended 30th June 2021, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

iii) Other receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from Commission on 3rd parties, rental income, disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

b) Recognition of payments

The Commission recognises all payments when the event occurs and the related cash has actually been paid out by the Commission.

i) Compensation of Employees

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

ii) Use of Goods and Services

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

XIV. SIGNIFICANT ACCOUNTING POLICIES Cont'd

iii) Acquisition of Fixed Assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by the Commission and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

5. In-kind contributions

In-kind contributions are donations that are made to the Commission in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Commission includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

6. Cash and Cash Equivalentents

Cash and cash equivalentents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Central Bank of Kenya and at National Bank of Kenya as at the end of the financial year.

7. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. The financial statements have been modified to include historical balances that were outstanding when the commission was reporting using IPSAS Accrual. Other accounts receivables are disclosed in the financial statements.

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

XIV. SIGNIFICANT ACCOUNTING POLICIES Cont'd

8. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. The financial statements have been modified to include historical balances that were outstanding when the commission was reporting using IPSAS Accrual. Other liabilities including pending bills are disclosed in the financial statements.

9. Pending Bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Entity at the end of the year. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made.

10. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2020 for the period 1st July 2020 to 30th June 2021 as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

11. Comparative Figures

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

12. 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 30th June 2021.

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

XIV. SIGNIFICANT ACCOUNTING POLICIES Cont'd

13. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

14. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

XVI. NOTES TO THE FINANCIAL STATEMENTS

1A EXCHEQUER RELEASES - RECURRENT

| Description | 2020/2021 Kshs | 2019/2020 Kshs |
|--|-------------------------------|-------------------------------|
| Total Exchequer Releases for quarter 1 | 67,452,943,707 | 62,643,529,043 |
| Total Exchequer Releases for quarter 2 | 65,143,302,017 | 63,101,453,963 |
| Total Exchequer Releases for quarter 3 | 65,269,649,802 | 61,807,333,758 |
| Total Exchequer Releases for quarter 4 | 76,536,888,611 | 67,788,209,163 |
| TOTAL | <u>274,402,784,137</u> | <u>255,340,525,927</u> |

1B EXCHEQUER RELEASES - DEVELOPMENT

| | | |
|--|----------|---------------------------|
| Total Exchequer Releases for quarter 1 | - | - |
| Total Exchequer Releases for quarter 2 | - | - |
| Total Exchequer Releases for quarter 3 | - | 347,526,267 |
| Total Exchequer Releases for quarter 4 | - | - |
| TOTAL | = | <u>347,526,267</u> |

2 PROCEEDS FROM SALE OF ASSETS

| | | |
|------------------------------------|-----------------------|----------|
| Receipts from the Sale of Vehicles | 400,000 | - |
| TOTAL | <u>400,000</u> | = |

3 OTHER REVENUES

| | | |
|--|---------------------------|---------------------------|
| Interest Received | 9,295,044 | 9,139,670 |
| Rental Income - Collected as AIA | 4,998,152 | 6,947,616 |
| Commission on Third Parties - Collected as AIA | 587,246,060 | 609,979,734 |
| Other Receipts - Collected as AIA | 44,615,432 | 8,030,120 |
| TOTAL | <u>646,154,688</u> | <u>634,097,140</u> |

4 COMPENSATION OF EMPLOYEES

| | | |
|---|-------------------------------|-------------------------------|
| Basic salaries of permanent employees | 176,492,231,020 | 164,718,732,879 |
| Basic wages of Contractual employees | 2,416,413,998 | 1,215,413,998 |
| Personal allowances paid as part of salary | 80,489,502,561 | 78,192,344,978 |
| Personal allowances paid as reimbursements | 96,042,901 | 99,999,999 |
| Employer Contributions to Staff Pension Schemes | 880,282,869 | 849,999,999 |
| Employer Contributions national social security schemes | 10,259,992 | 8,259,992 |
| Employer Contributions to Medical insurance schemes | 13,816,611,071 | 9,365,999,985 |
| TOTAL | <u>274,201,344,412</u> | <u>254,450,751,830</u> |

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

XV. NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 USE OF GOODS AND SERVICES

| Description | 2020/2021 Kshs | 2019/2020 Kshs |
|--|---------------------------|---------------------------|
| Utilities, supplies and services | 22,032,545 | 36,347,962 |
| Communication, supplies and services | 17,353,294 | 22,352,920 |
| Domestic travel and subsistence | 65,694,981 | 41,764,437 |
| Foreign travel and subsistence | - | 8,292,119 |
| Printing, advertising and information supplies & services | 6,782,010 | 4,045,281 |
| Rent Expenses (County Offices) | 33,500,421 | 29,316,051 |
| Training expenses | 419,677,670 | 425,346,858 |
| Hospitality supplies and services | 20,001,504 | 30,897,608 |
| Insurance costs | 47,793,308 | 91,839,685 |
| Specialized materials and services | 6,028,288 | 1,962,022 |
| Office and general supplies and services | 4,509,962 | 5,696,713 |
| Fuel Oil and Lubricants | 25,894,943 | 32,361,257 |
| Other operating expenses | 56,573,381 | 59,542,321 |
| Routine maintenance – vehicles and other transport equipment | 23,833,593 | 33,181,581 |
| Routine maintenance – other assets | 14,088,140 | 21,168,433 |
| TOTAL | <u>763,764,040</u> | <u>844,115,248</u> |

6 SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT (SEQIP)

| | | |
|--|--------------------------|---------------------------|
| Domestic travel and subsistence | 13,729,150 | 19,171,759 |
| Communication, supplies and services | 23,805,474 | 1,767,315 |
| Training expenses | 54,474,500 | 245,790,835 |
| Routine maintenance – vehicles and other transport equipment | 5,500 | - |
| Fuel Oil and Lubricants | 393,164 | - |
| Office and general supplies and services | 3,912,990 | 2,296,000 |
| Other operating expenses | 979,255 | 2,040,013 |
| TOTAL | <u>99,300,033</u> | <u>271,065,923</u> |

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

XV. NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 ACQUISITION OF ASSETS

| Description | 2020/2021 Kshs | 2019/2020 Kshs |
|--|---------------------------|---------------------------|
| Construction of Buildings | 20,377,677 | - |
| Refurbishment of Buildings | 19,831,975 | 9,458,865 |
| Purchase of Vehicles and Other Transport Equipment | - | 189,386,675 |
| Purchase of Office Furniture and General Equipment | 35,160,944 | 28,044,507 |
| Purchase of ICT Equipment, Software and Other ICT Assets | 124,094,888 | 139,517,775 |
| TOTAL | <u>199,465,484</u> | <u>366,407,822</u> |

8A Bank Accounts

| Name of Bank, Account No. & currency | Type of Account | 2020/2021 Kshs | 2019/2020 Kshs |
|--|------------------------|-----------------------------|-----------------------------|
| National Bank of Kenya- Secretariat A/C No.01001005707400 ,KShs | Recurrent | 15,778,723 | 15,779,773 |
| National Bank of Kenya- Teachers A/C No.01001000905000 ,KShs | Recurrent | 394,723,030 | 858,192,879 |
| Central Bank of Kenya, 1000181117,KShs | Recurrent | 249,513 | 13,270,924 |
| Central Bank of Kenya-PRIEDE A/C No. 1000291133,KShs | Project | 3,393,670 | 8,720,207 |
| Central Bank of Kenya-SEQIP A/C No. 1000370882,KShs | Project | 73,520,235 | 100,964,534 |
| Central Bank of Kenya-TSC-KENYA GPE COVID 19 Project A/C No. 1000469797,KShs | Project | 8,942,550 | - |
| National Bank of Kenya- Fixed Deposit A/C No.01300083109300 ,KShs | Fixed Deposit | 806,062,361 | 546,767,316 |
| National Bank of Kenya- Teachers Registration Fees A/C No.0100100050001 ,KShs | Revenue | - | - |
| Total | | <u>1,302,670,081</u> | <u>1,543,695,633</u> |

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

XV. NOTES TO THE FINANCIAL STATEMENTS (Continued)

8B Cash in hand

| | 2020/2021 | 2019/2020 |
|---|---------------------|----------------------|
| Location and Currency | Kshs | Kshs |
| Teachers Service Commission HQS – Held in domestic currency | 1,551 | 23,451 |
| TOTAL | <u>1,551</u> | <u>23,451</u> |

9 Accounts Receivables

| | | |
|----------------------|---------------------------|---------------------------|
| Government Imprests | 11,013,028 | 14,920,238 |
| Salary advances | 10,531,874 | 8,210,390 |
| County Disbursements | 475,068,169 | 291,979,799 |
| Other receivables | 370,924,085 | 532,116,853 |
| TOTAL | <u>867,537,156</u> | <u>847,227,280</u> |

10 Accounts Payables

| | 2020/2021 | 2019/2020 |
|-----------------------------------|---------------------------|---------------------------|
| Description | Kshs | Kshs |
| AP Liabilities | 8,409,042 | 10,734,330.90 |
| Clearance accounts | 405,647,139 | 405,121,295 |
| Inter-Ministerial Agency Accounts | 45,738,914 | 41,674,381 |
| TOTAL | <u>459,795,095</u> | <u>457,530,007</u> |

Included in the figure of Kshs. 45,738,914 under Inter-Ministerial Agency Accounts is Kshs 33,685,957 relating to CBC funds from MOE, Kshs. 3,143,207 relating to PRIEDE project and Kshs. 8,909,750 TSC-KENYA GPE COVID 19 project.

11 BALANCES BROUGHT FORWARD

| | | |
|----------------------|-----------------------------|-----------------------------|
| Bank accounts | 1,543,695,633 | 1,562,924,388 |
| Cash in hand | 23,451 | 17,335 |
| Accounts Receivables | 847,227,280 | 376,685,951 |
| Accounts Payables | 457,530,007 | 396,019,829 |
| TOTAL | <u>1,933,416,357</u> | <u>1,543,607,845</u> |

12 RELATED PARTY DISCLOSURES

| | | |
|---|---------------------------|--------------------------|
| Transfers from Ministry of Education (PRIEDE Project) | 99,868,709 | 28,786,590 |
| Transfers from Ministry of Education (TSC Kenya GPE COVID 19 project) | 200,000,000 | - |
| TOTAL | <u>299,868,709</u> | <u>28,786,590</u> |

**TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

XV. NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PRIOR YEAR ADJUSTMENTS

| Description of the error | Balance b/f FY 2019/2020 as per audited financial statements Kshs | Adjustments during the year relating to prior periods Kshs | Adjusted Balance b/f FY 2019/2020 Kshs |
|--------------------------|--|---|--|
| Bank account Balances | 1,543,695,633 | - | 1,543,695,633 |
| Cash in hand | 23,451 | - | 23,451 |
| Accounts Payables | 457,530,008 | - | 457,530,008 |
| Receivables | 847,227,279 | 10,467,519 | 836,759,760 |
| TOTAL | <u>2,848,476,371</u> | <u>10,467,519</u> | <u>2,838,008,852</u> |

The prior year adjustment relate to loss of CISCO switches in 2012/2013 financial year. The National Treasury vide letter Ref: AG/3/14/Vol.1 (66) dated 19th March, 2021 grated the Commission authority to write off the loss of Kshs. 10,467,519 which reduced the Commission's accumulated fund.

14 (INCREASE)/ DECREASE IN RECEIVABLE

| | 2020-2021 KShs | 2019-2020 KShs |
|--|----------------------------|-----------------------------|
| Receivables as at 1 st July | 847,227,279 | 376,685,951 |
| Receivables as at 30 th June | 867,537,156 | 847,227,279 |
| (Increase)/ Decrease in Receivables | <u>(20,309,877)</u> | <u>(470,541,328)</u> |

15 INCREASE/ (DECREASE) IN ACCOUNTS PAYABLE

| | 2020-2021 Kshs | 2019-2020 Kshs |
|---|-------------------------|--------------------------|
| Payables as at 1 st July | 457,530,008 | 396,019,829 |
| Payables as at 30 th June | 459,795,095 | 457,530,008 |
| Increase/ (Decrease) in payables | <u>2,265,087</u> | <u>61,510,179</u> |

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

XV. OTHER IMPORTANT DISCLOSURES

1. PROPERTY PLANTS AND EQUIPMENTS (PPE) SCHEDULE 2020/2021

| Asset class | Historical Cost b/f (Kshs) | Additions during the year (Kshs) | Disposals during the year (Kshs) | Historical Cost c/f (Kshs) |
|--|----------------------------------|---|---|----------------------------------|
| | 2019/2020 | 2020/2021 | 2020/2021 | 2020/2021 |
| land | 1,000,000,000 | | | 1,000,000,000 |
| Construction of Buildings | 1,208,895,070 | 20,377,677 | | 1,229,272,747 |
| Refurbishment of Buildings | 80,398,882 | 19,831,975 | | 100,230,857 |
| Purchase of Vehicles and Other Transport Equipment | 965,217,522 | - | 2,520,102 | 962,697,420 |
| Purchase of Office Furniture and General Equipment | 467,474,589 | 35,160,944 | | 502,635,533 |
| Purchase of ICT Equipment, Software and Other ICT Assets | 846,017,405 | 124,094,888 | | 970,112,293 |
| Total | <u>4,568,003,468</u> | <u>199,465,484</u> | <u>2,520,102</u> | <u>4,764,948,850</u> |

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XVI. PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS

The following is the summary of issues raised by the external auditor in their letter and the management comment. Focal persons have been nominated to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| Ref No. on external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue | Status | Time frame |
|--|--|--|---|----------|---------------|
| 1 | <p>Stores and Cash Losses</p> <p>Note 9 to the financial statements reflect accounts receivables balance of Kshs. 847,227,279 as at 30 June 2020. The figure of Ksh. 847,227,279 includes unrecoverable losses of stores and cash losses amounting to Kshs. 10,487,516 and Kshs. 2,928,398 respectively, which as previously reported occurred between the years 1988 and 2000. The matter was investigated and the Director of Public Prosecutions directed the suspect to be charged with the offence of stealing by person employed in the Public Service contrary to Section 280 of the penal code. A review of the matter during the year under review indicates that the court ruling on 12 March 2019 determined that the accused had no case to answer and that the</p> | <p>Loss of Stores Ksh. 10,487,516</p> <p>These were losses occasioned by theft of stores which the Commission followed up and the suspect was charged at the Kibera Law Courts vide O.B. NO.46/3/6/2013 with the offense of stealing by person employed in public service contrary to section 280 of the penal code. Though the Commission did not have control over the progress of the case, our legal officer followed up the matter and has been able to ascertain from the court records that;</p> <p>a) On diverse dates all prosecution's witnesses and the defense rendered their respective submissions before Court, and;</p> <p>b) On 6/3/2020, the judgment was delivered where the Court exonerated the accused from all the charges. The accused was therefore acquitted and the copy of judgment is hereby attached.</p> | Director Legal | Resolved | |

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| Ref No. on external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue | Status | Time frame |
|--|---|---|--|-------------|---------------|
| | <p>next defense hearing date was set for 12 June, 2019 which was adjourned to 23 December, 2019 and later to January 2020.</p> <p>The Management has however indicated that on 6 March, 2020 the judgement was delivered where the court exonerated the accused from all the charges.</p> <p>It is therefore not possible to confirm the recoverability of Kshs. 10,487,516 and Kshs 2,928,398 being the value of stores and cash losses respectively.</p> <p>Consequently, the accuracy of the accounts receivable balance of Kshs. 847,227,279 reflected in the statement of assets and liabilities as at 30 June, 2020 and could not be confirmed.</p> | <p>c) The Commission sought authority for write off of the loss from the National Treasury vide letter Ref: TSC/FIN/60/VOL.V/68 dated 18th February, 2021.</p> <p>d) The National Treasury vide letter Ref: AG/3/14/Vol.1 (66) dated 19th March, 2021 granted the Commission authority to write off the loss.</p> <p>Cash Losses Ksh. 2,928,398</p> <p>i) These were cash losses which occurred in the period 1988-2000 and the Commission followed up the matter in the Courts over several years culminating with the Investigating Officer's letter Ref: CID/IB/SEC/4/3/1/A/VOL.III/64 dated 5/9/2014 indicating the insurmountable challenges in charging the culprits. The Commission, during the Commissioners meeting held on 24/9/2015 decided it was uneconomical to continue with the cases, recommended a write-off and sought for the National Treasury's approval before recognizing the write-off in our books.</p> <p>ii) After several correspondences between the Commission and the National</p> | <ul style="list-style-type: none"> • Director Finance • Director Legal | In Progress | |

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| Ref No. on external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue | Status | Time frame |
|--|--------------------------------------|--|---|--------|---------------|
| | | <p>Treasury in respect of the request for approval of a write-off, the National Treasury vide letter Ref: AG/3/149/Vol.1/(54) dated 13th February, 2019 gave guidelines the Commission needed to follow in order to conclude the matter. The Commission followed the guidelines, re-submitted the request vide letter Ref: TSC/FIN/60/VOL.V/20 dated 5th March, 2019 and as also guided, sought the Attorney General's legal opinion on the matter.</p> <p>iii) The Attorney General vide letter Ref: AG/CONF/9/29 Vol II (43) dated 10th May, 2019 advised on a waiver if all reasonable steps have been taken to recover the loss and if it would be uneconomical to continue to pursue the recovery. This is similar to what the Commissioner's had recommended during their above cited meeting.</p> <p>(iv) The Commission vide letter Ref:TSC/FIN/60/VOL.V/68 dated 18th February, 2021 resubmitted a request to the National Treasury for authority to write off the loss since the Commission during a meeting held on 24/09/2015 had determined that reasonable steps had been taken to recover</p> | | | |

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| Ref No. on external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue | Status | Time frame |
|--|--|---|---|------------------------|---------------|
| 2 | <p>Property, Plant & Equipment</p> <p>As reported in the previous years, the property, plant and equipment schedule balance of Kshs. 4,556,808,968 under Annexure XVI, other important disclosures as at 30 June 2020 includes kshs. 88,096 being the residual value of one (1) motor vehicle procured in 2004 at a total cost of Kshs. 2,085,869. A review</p> | <p>the loss and it would be un economical to continue with the cases.</p> <p>(v) The National Treasury vide letter Ref: AG/3/14/Vol.1 (66) dated 19th March, 2021 advised the Commission to pursue further efforts as had been advised by the Attorney General. The Commission has initiated the process of follow up on the Cash losses of Kshs. 2,928,398</p> <p>(vi) The Commission has since introduced a policy which requires that teachers' monthly salary be paid through bank accounts and currently there are no cash losses since all teachers are paid by Electronic Funds Transfer through their respective bank accounts.</p> <p>Motor vehicle Net Book Value of Ksh. 88,096</p> <p>The Motor Vehicle Registration No. KAR 246L - Nissan Urvan whose residual value is Ksh. 88,096.00 was repossessed from auctioneers. The original log book was submitted to KRA on 30/6/2011 to verify the rightful owner upon their request vide letter ref: KRA/RTD/TRANS-DUP/10027/0-11 dated 13/6/2011.</p> <p>The case has been ongoing and</p> | <p>• Director Legal</p> | <p>In Progress</p> | |

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| Ref No. on external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue | Status | Time frame |
|--|---|--|---|--------|---------------|
| | <p>of the matter in January 2018 revealed that the vehicle had earlier been taken and auctioned by the auctioneers after obtaining a duplicate log book No. 20063490279 from Kenya Revenue Authority.</p> <p>Although the Commission repossessed the vehicle, a case is pending before a court of law. A review of the matter in 2018/2019 indicate that, the Commission (defendant) prepared an application to dismiss the suit for want of prosecution which was heard on 22 November, 2018. According to the management, the plaintiff objected on the ground that the failure for the matter to proceed was due to the file missing from the registry. The case was not dismissed but set for hearing on 3 October, 2019. The case was later adjourned to 20 February, 2020. On 15 September, 2020 the court ruled that the motor vehicle be released to the plaintiff but the Commission appealed the ruling on 20 November, 2020. No further updates on the case had been presented for audit review as at the date</p> | <p>after court hearings on diverse dates judgment was finally delivered on 15th September, 2020, where the court ruled that the motor vehicle registration No. KAR 246L be released to the plaintiff. A copy of the judgment is hereby attached. The Commission has appealed the ruling vide the Memorandum of Appeal dated 20th November, 2020.</p> | | | |

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| Ref No. on external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue | Status | Time frame |
|--|--|---------------------|---|--------|---------------|
| | <p>of this report.</p> <p>In the circumstances, it has not been possible to confirm that the property plant and equipment schedule balance of Kshs. 4,556,808,968 as at 30 June 2020 is fairly stated.</p> | | | | |



DR. NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY
DATE: 24-09-2021



CPA. CHEPTUMO AYABEI
DIRECTOR (FINANCE AND ACCOUNTS)
ICPAK MEMBER NUMBER: 8372
Date: 24-09-2021

