REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT

GRANT/CREDIT NUMBER 6138-KE

FOR THE YEAR ENDED

30 JUNE, 2025

TEACHERS SERVICE COMMISSION

PROJECT NAME: SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT

IMPLEMENTING ENTITY: TEACHERS SERVICE COMMISSION

PROJECT GRANT/CREDIT NUMBER: 6138-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

Table Contents Page

1. Acronyms and Definition of Terms

AIE	Authority to Incur Expenditure
CBK	Central Bank of Kenya
CEMASTEA	Centre for Mathematics Science and Technology Education in Africa
CPA(K)	Certified Public Accountant of Kenya
FY	Financial year
GOK	Government of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IFMIS	Integrated Financial Management Information System
IPSAS	International Public Sector Accounting Standards
KSHS	Kenya Shillings
MBA	Master of Business Administration
MDA	Ministry Department and Agencies
PFM	Public Finance Management.
PHD	Doctor of Philosophy
PSASB	Public Sector Accounting Standards Board
SBTSS	School Based Teacher Support System
SEQIP	Secondary Education Quality Education Project
SME	Science Mathematics and English
TPD	Teacher Professional Development
TSC	Teachers Service Commission
UON	University of Nairobi

2. Project Information and Overall Performance

2.1 Name and registered office

Name: Secondary Education Quality Improvement Project

Objective: To improve student learning in secondary education and transition from primary to secondary education in targeted areas.

Address: The project headquarters offices are in Teachers Service Commission, Nairobi County, Kenya.

Contacts: The following are the project contacts

P.O. Box: Private Bag 00100 Nairobi

E-mail: info@tsc.go.ke

Website: www.tsc.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	28 September 2017
Project End Date:	31 December 2024
Project Manager:	Dr. Reuben Nthamburi, F. AFTRA
Project Sponsor:	World Bank

2.3 Project Overview

Line Ministry of the project	The project is under the supervision of the Ministry of Education.
Project number	**P160083**
Strategic goals of the project	i) To improve student learning and transition from upper Primary to secondary education in targeted areas ii) To Improve quality of teaching in targeted areas by Reducing teacher shortage iii) To Improve quality of teaching in targeted areas by Enhancing teacher professional development
Summary of Project Strategies for achievement of strategic goals	The project aims to achieve the Strategic goals through: i) Recruitment of additional teachers ii) Use of alternative modes of Curriculum delivery iii) School Based Teacher Support System (SBTSS) and Teacher Professional Development (TPD)
Other important background information of the project	The project targets the Improvement of quality of teaching in targeted areas with the key objective of addressing the critical supply-side issues such as deficiencies in the quantity of teachers, quality and classroom practices that constrain teaching and learning hence poor learning outcomes. To address these sets of constraints, the Teachers Service Commission will implement Subcomponent 1.1 and Subcomponent 1.2. Subcomponent 1.1 aims at Reducing teacher shortage to alleviate teacher shortages in mathematics, science, and English both in primary and secondary schools, TSC has committed to allocate 10 percent of the annual budgeted new teaching posts for Science, Maths and English (SME) teachers in the project-targeted sub-counties and TSC will regularly monitor teachers' presence on duty. Subcomponent 1.2 aims at Enhancing teacher professional development which aims at improving primary and secondary teachers' competencies through Prescribed Modules Programs' and School Based TPD Programs focusing on Science, Maths and English (SME) teachers in the project-targeted sub-counties

	which will be implemented in a phased approach based on clusters of primary and secondary schools.
Areas that the project was formed to intervene	The project was formed to intervene in the following areas: i) Teacher shortage under Component 1: Subcomponent 1.1 ii) Teacher Professional Development under Component 1: Sub component 1.2
Project duration	The project started on 1st July 2017 and is expected to run until 31st December 2024.

Project Information and Overall Performance (Continued)

2.4 Bankers

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

2.5 Independent Auditor

Auditor-General
Anniversary Towers, University Way
Box 30084 - 00100
Nairobi, Kenya

2.6 Roles and Responsibilities

Names, designation, qualifications and responsibilities of the people who will be working on the project

Names	Title designation	Key qualification	Responsibilities
Dr. Reuben Nthamburi	Director	PHD	Project Manager
Frankline Choge	Deputy Director	MBA, CPA(K)	Finance
Dr. Catherine Warui	Assistant Director	PHD	Project Focal Person
Geoffrey Etyang	Assistant Deputy	Bachelors Degree	Project Technical Team Member
Janet Munene	Senior Supply Chain Management Services officer	Bachelors Degree	Project Procurement Officer
Monica Munyiva	Principal Finance Officer	Bachelors Degree	Project Finance Officer
Kenneth Kinyua	Principal Accountant	Bachelors Degree, CPA(K)	Project Accountant

2.7 Funding summary

The Project was for duration of 6 years from December 2017 to December 2024 with an approved budget of € 20,180,000 equivalent to Kshs. 2,058,360,000 for the sub-components being implemented by Teachers Service Commission:

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date – (30th June 2025)		Undrawn balance to date (30th June 2025)	
	Euro	*Kshs*	*Euro*	*KShs*	*Euro*	*Kshs*
	(A)	*(A')*	*(B)*	(B')	*(A)-(B)*	*(A')-(B')*
Loan						
International Development Association	20,180,000	2,387,511,944	20,180,000	2,387,511,944	-	-
Total	**20,180,000**	**2,387,511,944**	**20,180,000**	**2,387,511,944**	-	-

Exchange rate Kshs.1 = Euro 118.3108 as at 30 June 2017

B. Application of Funds

Application of funds	Amount received to date – 30th June 2025		Cumulative Amount paid to date – 30th June 2025		Unutilized balance to date 30th June 2025	
	Euro	*Kshs*	*Euro*	*Kshs*	*Euro*	*Kshs*
	(A)	*(A')*	(B)	(B')	*(A)-(B)*	*(A')-(B')*
Loan						
International Development Association	20,180,000	2,715,883,144	18,785,315	2,575,458,889	843,865	145,327,736
Total	**20,180,000**	**2,715,883,144**	**18,785,315**	**2,575,458,889**	**843,865**	**145,327,736**

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

Current Period (2024/2025)

Financial Year	Budget	Actual Absorption	Absorption Rate
2024/2025	603,818,000	575,000,524	95%

Cumulative to date (30th June 2025)

Financial Year	Budget	Actual Absorption	Absorption Rate
2017/2018 & 2018/2019	143,000,000	14,802,924	10%
2019/2020	400,000,000	271,065,923	68%
2020/2021	200,000,000	97,300,033	49%
2021/2022	450,000,000	317,841,546	71%
2022/2023	900,000,000	773,032,667	86%
2023/2024	900,000,000	523,345,450	58%
2024/2025	603,818,000	575,000,524	95%
TOTAL	**3,596,818,000**	**2,572,389,067**	**72%**

2.9 Summary of Project Compliance:

The Project is in compliance with statutory and regulatory requirements as spelt out in the Public Finance Management Act, the Public Procurement and Asset Disposal Act and the Project Financing Agreement.

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81(2)(f) /Section 164 (2)(f) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the national government entity's performance against predetermined objectives at the end of each financial year.

The key development objective of the project's agreement/ plan was to:

To improve student learning in secondary education and transition from primary to secondary education, in targeted areas.

Financial year ending 30th June 2025 was the last year of the project implementation.

TSC was implementing sub components 1.1: reducing teacher shortage of Science, Mathematics and English teachers in the targeted areas and sub component 1.2 enhancing teacher professional development.

Progress on the attainment of strategic development objectives

To implement and cascade the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic, and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified to track progress and performance measurement. The indicators for achievement of the objectives were:

i. Number of teachers of Science, Mathematics and English posted in schools in targeted areas
ii. % reduction in teacher performance gaps in Science, Mathematics and English in schools in targeted areas.

Below, we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Secondary Education Quality Improvement Project	To improve student learning in secondary education and transition from primary to secondary education, in targeted areas.	Reduced teacher shortage in Science, Mathematics and English in the targeted areas.	Number of teachers of Science, Mathematics and English posted in schools in targeted areas.	By the end of the project period in 3,734 teachers of Science Mathematics and English were posted to schools in targeted areas and 80% were found to be on duty upon verification by an independent verification agency.
Secondary Education Quality Improvement Project	To improve student learning in secondary education and transition from primary to secondary education, in targeted areas.	Enhanced teacher professional development for teachers of science Mathematics and English in targeted areas.	% reduction in teacher performance gaps in Science, Mathematics and English in schools in targeted areas.	An end-line survey was conducted to establish reduction of teacher performance gaps against the baseline. Results showed 3.3% reduction in teacher performance gaps in Science Mathematics and 3.2% for teachers of English.

4. Environmental and Sustainability Reporting

1. Sustainability strategy and profile

The sustainability of implementation of SEQIP beyond project period is supported by multiple factors; first, government commitment during the design of the project that education is a high priority; second, the government ensured the design process is participatory with consultations with range of internal and external stakeholders. Third, during implementation of SEQIP, the government continued its engagement with internal and external stakeholders on programme status and performance as well as feedback gathering. This continuous engagement is likely to help build wide and deep ownership and consensus. Fourth, substantial system reform support and evaluative work to continually improve processes and inform scale up and policy options will provide a solid foundation for continued implementation of initiatives beyond the project. Finally, the requirements in terms of additional government budgetary resources for SEQIP initiatives will most likely be minimal since initiatives are in line with the government's education agenda and largely seek to improve the effectiveness and efficiency of existing levels of expenditures in primary and secondary education. moreover, SEQIP is not co-financed by any partner.

The reduction of teacher shortage through affirmative action of deliberate targeting of schools in the SEQIP sub counties is sustainable since it does not require additional expenditure during recruitment of teachers. In addition, enhancing teacher professional development for teachers of Science, Mathematics and English is done within the existing framework of TSC and CEMASTEA for teacher professional development. In addition, the training of the field officers and establishment of trained cluster resource teams who are employees of the TSC will largely enable sustainability of the project outcomes. The Cluster Resource Team comprises Curriculum Support Officers and TSC Sub County Directors.

2. Marketplace practices-

The Project put in place the following business practices to ensure good supplier relationship management;

- Timely payments to the Suppliers.
- Effective contract management through monitoring and evaluation to ensure value for money.

Embracing Open Tendering Method to source for goods, services and works being the most competitive method of procurement with the aim of enhancing transparency, fairness and equity.

5. Statement of Project Management Responsibilities

The Commission Secretary for the Teachers Service Commission and the Project Coordinator are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the financial year ended on June 30, 2025.

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 project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the project, (v) Selecting and applying appropriate accounting policies and (v) Making accounting estimates that are reasonable in the circumstances.

The Commission Secretary of Teachers Service Commission and the Project Coordinator accept responsibility for the Project's financial statements, which have been prepared on the accrual basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Commission Secretary of Teachers Service Commission and the Project Coordinator are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2025, and of the Project's financial position as at that date. The Commission Secretary of Teachers Service Commission and the Project Coordinator further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements and the adequacy of the systems of internal financial control.

The Commission Secretary of Teachers Service Commission and the Project Coordinator confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

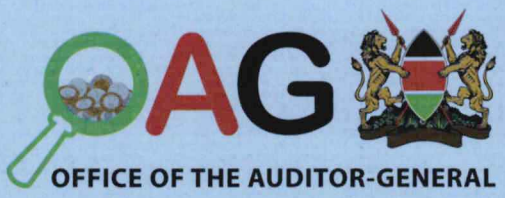
The Project financial statements were approved by the Commission Secretary of Teachers Service Commission and the Project Coordinator on 24th September 2025 and signed by:

E. J. MITEI (MS.)
AG. COMMISSION SECRETARY/ CEO
DATE: 24-09-2025

DR. REUBEN NTHAMBURI F. AFTRA
PROJECT COORDINATOR
DATE: 24-09-2025

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT GRANT/CREDIT NUMBER 6138-KE FOR THE YEAR ENDED 30 JUNE, 2025 - TEACHERS SERVICE COMMISSION

PREAMBLE

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

A. Report on 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 the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,

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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Secondary Education Quality Improvement Project Grant/Credit Number 6138-KE - Teachers Service Commission set out on pages 1 to 18, which comprise the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts

for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Secondary Education Quality Improvement Project Grant/Credit Number 6138-KE - Teachers Service Commission for the year ended 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Financing Agreement No. IDA 6138-KE dated 27 September, 2017 between the International Development Association and the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, 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 Information

Conclusion

The Management is responsible for the Other Information set out on pages iii to xiii which comprise Project Information and Overall Performance, Statement of Performance Against Project's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

Basis for Conclusion

In connection with my audit on the Project's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAIs 3000 and 4000. The Standards require 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 comply 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAIs 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the International Development Association (IDA), I report based on my audit that 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:

i. Information given in the Management report on pages iii to xiii is consistent with the financial statements;

ii. Adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,

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

Basis for Conclusion

The IDA requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.
The Management is responsible for overseeing the Project'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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial

statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 September, 2025

7. Statement of Financial Performance for the Year Ended 30th June 2025

Description	Notes	2024/2025 Kshs
Revenue		
Exchequer Releases	5	494,182,389
Total revenue		**494,182,389**
Expenses		
Use of goods and services	6	506,739,792
Total expenses		**506,739,792**
Transfer of assets	7	(31,264,732)
Surplus/ (deficit)		**(43,822,134)**

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.

E. J. MITEI (MS.)
AG. COMMISSION SECRETARY/ CEO
DATE: 24-09-2025

DR. REUBEN NTHAMBURI F. AFTRA
PROJECT COORDINATOR
DATE: 24-09-2025

KENNETH KINYUA MURIUKI
PROJECT ACCOUNTANT
ICPAK NUMBER: 14437
DATE: 24-09-2025

8. Statement of Financial Position as at 30th June 2025

Description	Notes	2024/2025	Opening Statement 1st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	8	145,327,736	194,746,506
Receivables	9	-	31,456,364
Total Current Assets		**145,327,736**	**226,202,870**
Non-Current Assets			
Property, Plant and Equipment	10	-	-
Total Non- Current Assets			
Total Assets (a)		**145,327,736**	**226,202,870**
Liabilities			
Current Liabilities			
Trade and Other Payables	11	-	37,053,000
Total Current Liabilities		**-**	**37,053,000**
Total Liabilities(b)		**-**	**37,053,000**
Net Assets (a-b)		**145,327,736**	**189,149,870**
Represented By:			
Accumulated Surplus		145,327,736	189,149,870
Total Net Assets		**145,327,736**	**189,149,870**

The financial statements were approved on 24th September 2025 and signed by:

E. J. MITEI (MS.)
AG. COMMISSION SECRETARY/ CEO
DATE: 24-09-2025

DR. REUBEN NTHAMBURI F. AFTRA
PROJECT COORDINATOR
DATE: 24-09-2025

KENNETH KINYUA MURIUKI
PROJECT ACCOUNTANT
ICPAK NUMBER: 14437
DATE: 24-09-2025

9. Statement of Changes in Net Assets

Description	Accumulated Surplus
	Kshs
As at 30th June 2024 (cash basis)	**226,145,870**
Adjustments:	
Recognition of Assets and Liabilities	36,996,000
As at 1st July 2024	**189,149,870**
Surplus/ (deficit) for the period	(43,822,134)
As at 30th June, 2025	**145,327,736**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The financial statements were approved on 24th September 2025 and signed by:

E. J. MITEI (MS.)
AG. COMMISSION SECRETARY/ CEO
DATE: 24-09-2025

DR. REUBEN NTHAMBURI F. AFTRA
PROJECT COORDINATOR
DATE: 24-09-2025

KENNETH KINYUA MURIUKI
PROJECT ACCOUNTANT
ICPAK NUMBER: 14437
DATE: 24-09-2025

10. Statement of Cash flows for the year ended 30th June 2025

Description	Notes	2024/2025 Kshs
Cash flows from operating activities		
Receipts		
Exchequer Releases		494,182,389
Total receipts		**494,182,389**
Payments		
Use of goods and services		506,739,792
Total payments		**506,739,792**
Net cash flows from operating activities	12	**18,841,962**
Cash flows from investing activities		
Acquisition of non-financial assets		(68,260,732)
Proceeds from sale of Assets		-
Acquisition of Intangible assets		-
Net cash flows from investing activities		**(68,260,732)**
Net increase/Decrease in cash and cash equivalents		(49,418,770)
Cash and cash equivalent at 1st July 2024	8	**194,746,506**
Cash and cash equivalent at end of Period 30th June 2025	8	**145,327,736**

11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2025

Description	Original budget	Adjustments	Final budget	Actual on a comparable basis	Budget utilization difference	% of utilization
	A	B	C=a+b	D	E=c-d	F=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
Budget Carry Overs from previous periods	-	-	-	226,145,870	-	
Transfers from Exchequer	200,000,000	403,818,000	603,818,000	494,182,389	109,635,611	82%
Total Receipts	**200,000,000**	**403,818,000**	**603,818,000**	**720,328,259**	**109,635,611**	
Payments						
Use of goods and services				506,739,792		
Acquisition of PPE				68,260,732		
Total Payments	**200,000,000**	**403,818,000**	**603,818,000**	**575,000,524**	**28,817,476**	
Surplus or Deficit	-	-	-	145,327,736	80,818,134	

Budget Reconciliation

No	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	**145,327,736**
1	Operating	-
2	Financing	-
3	Investing	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	**145,327,736**

12. Notes to the Financial Statements

1. General Information

The Teachers Service Commission is established by and derives its authority and accountability from the Constitution of Kenya as an independent Commission. The Commission is wholly owned by the Government of Kenya and is domiciled in Kenya.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

These financial statements were authorized for issue by the accounting officer on 30th July 2025

3. Adoption of New and Revised Standards

i) ***New and amended standards and interpretations in issue effective in the year ended 30 June 2025.***

Standard	Effective date and impact:
IPSAS 43	***Applicable 1st January 2025*** The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

Standard	Effective date and impact:
IPSAS 45- Property Plant and Equipment	***Applicable 1st January 2025*** The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	***Applicable 1st January 2025*** The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025

Standard	Effective date and impact:
IPSAS 47- Revenue	***Applicable 1st January 2026*** This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.

Standard	Effective date and impact:
IPSAS 48-Transfer Expenses	***Applicable 1st January 2026*** The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49-Retirement Benefit Plans	***Applicable 1st January 2026*** The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	***Applicable 1st January 2027*** The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

recorded in the statement of financial position and realized in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

b) Budget information

The original budget for FY 2024/2025 was approved on ***June 2024.*** Subsequent revisions or additional appropriations were made to the approved budget in ***July 2024*** and ***February 2025*** in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. The Commission's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

c) Property, plant and equipment

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

d) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized

development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end.

e) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Teachers Service Commission.

f) Provisions

Provisions are recognized when Teachers Service Commission has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Teachers Service Commission expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

Teachers Service Commission does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

Teachers Service Commission does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Teachers Service Commission in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

g) Changes in accounting policies and estimates

Teachers Service Commission recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

h) Related parties

Teachers Service Commission regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Teachers Service Commission, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

j) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

Notes to the financial statements

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Teachers Service Commission based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of Teachers Service Commission. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Notes to the financial statements

5. Transfers from the Exchequer

Description	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Total transfers 2024/2025
	Kshs	Kshs	Kshs
Unconditional Transfers			
Transfers from the Exchequer	494,182,389	-	494,182,389
Total Unconditional Transfers	**494,182,389**	**-**	**494,182,389**

Details to Revenue Transfers

The National Treasury	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund	Total transfers 2024/2025
	Kshs	Kshs	Kshs	Kshs
Exchequer Releases	494,182,389	-	-	494,182,389
Total	**494,182,389**	**-**	**-**	**494,182,389**

6. Use of Goods and Services

Description	2024/2025
	Kshs
Bank charges	2,770,962
Communication, supplies and services	38,749,917
Domestic travel and subsistence	81,830,045
Fuel and lubricants	4,940,600
Training payments	378,448,268
Total	**506,739,792**

7. Transfer of Assets

Description	2024/2025
	Kshs
Property, plant and equipment	31,264,732
Total	**31,264,732**

Notes to the financial statements

8. Cash and Cash Equivalents

Description	2024/2025	Opening statement 1st July 2024
	Kshs	Kshs
Cash in Bank	145,327,736	194,746,506
Cash on hand	-	-
Total Cash and Cash Equivalents	**145,327,736**	**194,746,506**

Project Bank Accounts

Details	2024/2025	Opening Statement 1st July 2024
	Kshs	Kshs
Local Currency Accounts		
Central Bank of Kenya [A/c No 1000370882]	145,327,736	194,746,506
Total local currency balances	**145,327,736**	**194,746,506**
Total bank account balances	**145,327,736**	**194,746,506**

9. Receivables

Description	2024/2025	Opening statement 1st July 2024
	Kshs	Kshs
Government Imprest	-	59,600
Unutilized County Disbursements	-	31,396,764
Total receivables	**-**	**31,456,364**

Notes to the financial statements

10. Property, Plant and Equipment

	Motor vehicles	Furniture and fittings	Computers & ICT Equipment	Other Assets (specify)	Capital Work in progress	Total
Depreciation Rate	**12.5%**	**12.5%**	**30%**	**12.5%**		
Cost	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**
As at 1st July 2024 (opening balances)	-	-	-	-	-	-
Additions	-	-	31,264,732	-	-	**31,264,732**
Disposals	-	-	-	-	-	-
Transfer/Adjustments	-	-	(31,264,732)	-	-	**(31,264,732)**
As At 30th June 2025	-	-	-	-	-	-
Depreciation And Impairment						
As at 1st July 2024 (opening balances)	-	-	-	-	-	-
Depreciation charge for the period	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-
As At 30th June 2025	-	-	-	-	-	-
Net Book Values						-
Opening Bal as at 1st July 2024	-	-	-	-	-	-
As At 30th June 2025	-	-	-	-	-	-

Notes to the financial statements

11. Trade and Other Payables

Description	2024/2025	Opening Statement 1st July 2024
	Kshs	Kshs
Trade payables	-	36,996,000
Other payables	-	57,000
Total trade and other payables	**-**	**37,053,000**

The amount of Kshs. 36,996,000 relate to pending bills disclosed in 2023/2024 financial statements which were paid in 2024/2025 financial year as detailed below:

Supplier of Goods or Services	Invoice date	Amount (Kshs)	Invoice No
Dignity Traders Limited	27-05-24	30,416,000	955
Dignity Traders Limited	20-06-24	6,580,000	995
	Total	**36,996,000**	

12. Cash Generated from Operations

Description	2024/2025
	Kshs
Surplus for the period before tax	**(43,822,134)**
Adjusted for:	
Transfer of assets	31,264,732
Working capital adjustments	
Increase in receivables	31,456,364
Increase in payables	(57,000)
Net cash flow from operating activities	**18,841,962**

13. Special Deposit Accounts

The balances in the Project's Special Deposit Account as at 30th June 2025 are not included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule, which shows the flow of funds voted in the year.

Description	2024/2025	1st July 2024
	Kshs	Kshs
Central Bank of Kenya [A/c No 1000368397]		
Opening balance	246,485,584	456,014,609
Total amount deposited in the account	253,067,296	607,363,882
Total amount withdrawn (as per Statement of Receipts & Payments)	(494,182,389)	(669,264,931)
Movement due to exchange difference	(5,370,490)	(147,627,977)
Closing balance (*as per SDA bank account reconciliation attached*)	-	**246,485,584**

14. Related Party Disclosures

Government of Kenya

The Government of Kenya is the principal shareholder of Teachers Service Commission, holding 100% of the Commissions equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

15. Events after the Reporting Period

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

16. Ultimate And Holding Entity

The Teachers Service Commission is an Independent Commission under the Constitution of Kenya. Its ultimate parent is the Government of Kenya.

17. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs. 1

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*

E. J. MITEI (MS.)
AG. COMMISSION SECRETARY/ CEO
DATE: 24-09-2025

DR. REUBEN NTHAMBURI F. AFTRA
PROJECT COORDINATOR
DATE: 24-09-2025