

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

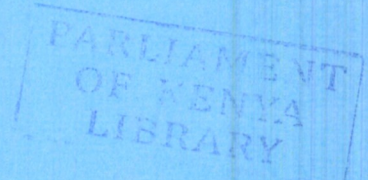
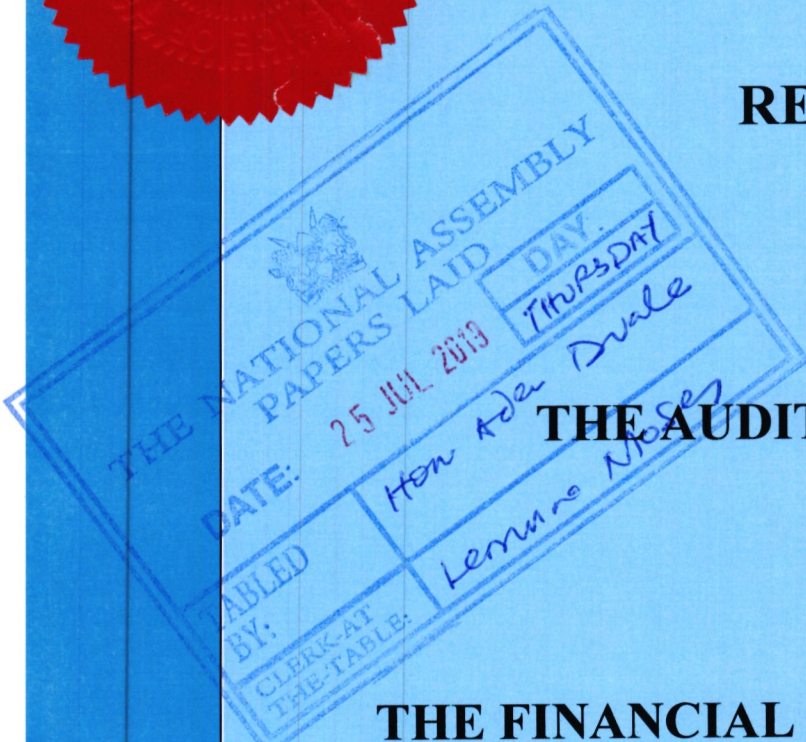
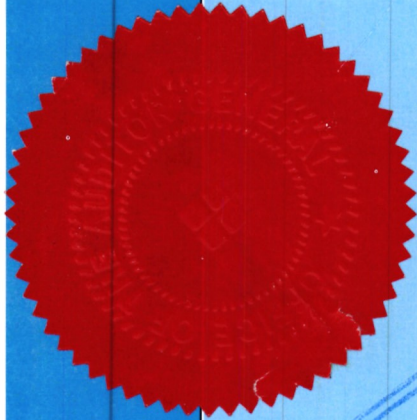
OF

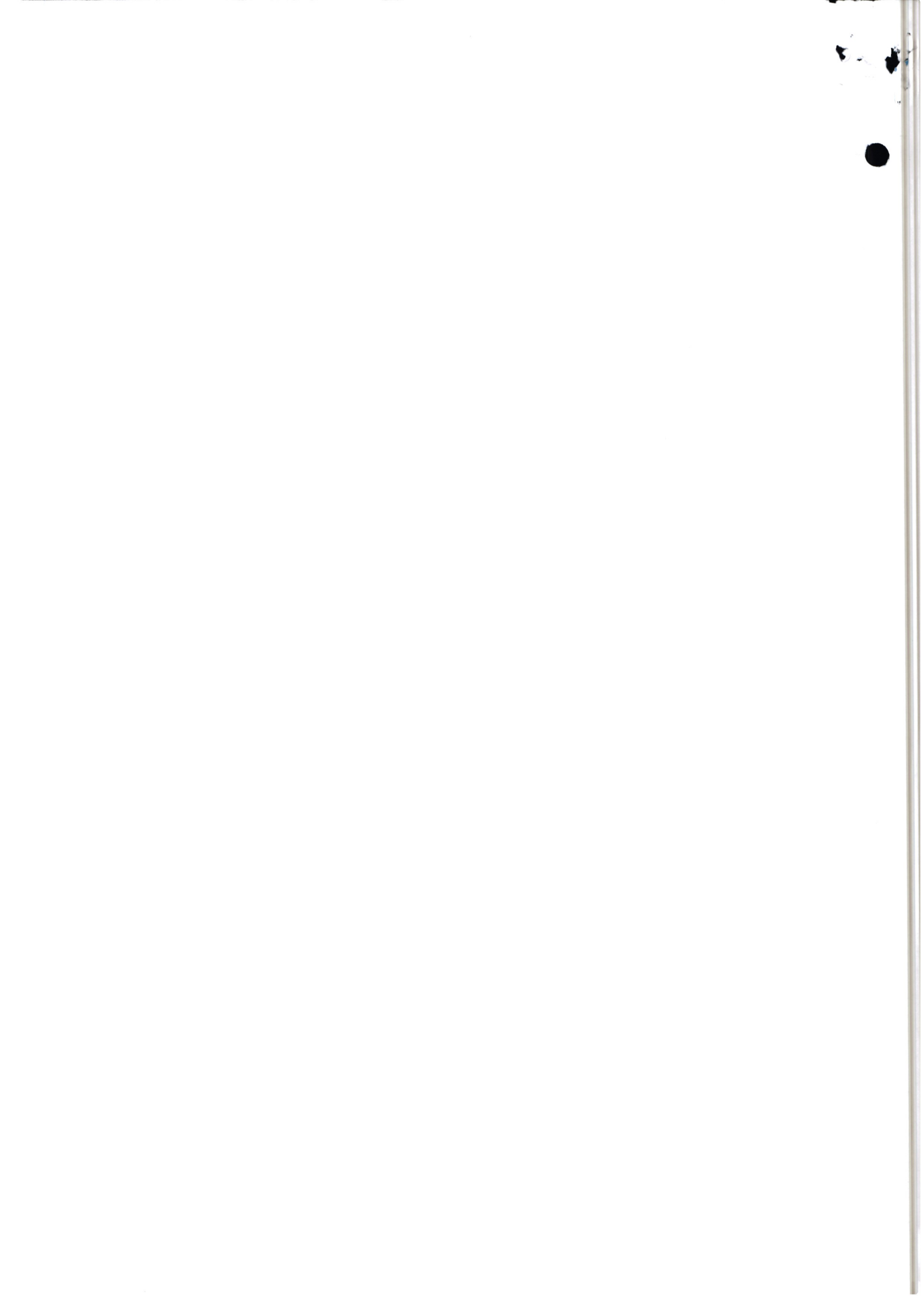
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
PUBLIC SERVICE COMMISSION

FOR THE YEAR ENDED
30 JUNE 2018





REPUBLIC OF KENYA



PUBLIC SERVICE COMMISSION

REPORTS AND FINANCIAL STATEMENTS

FOR THE

FINANCIAL YEAR ENDED JUNE 30, 2018

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

SEPTEMBER, 2018

Public Service Commission
P.O Box 30095, 00100,
Nairobi, Kenya, Harambee
Avenue

Telephone: +254 (020)
2223901-5,
2227471-5

Fax: +254 (020) 2214791
Mobile: +254-724-253807,
+254-735-800282

Website:
www.publicservice.go.ke
psck@publicservice.go.ke
e
Facebook page:
Public Service
Commission
Twitter: @PSCKenya

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018



PUBLIC SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018

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

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

TABLE OF CONTENTS

	Page
LIST OF TABLES	ii
LIST OF FIGURES	iii
I. KEY ENTITY INFORMATION AND MANAGEMENT	1
1.0 Background Information	1
1.1 Members of the Commission	2
1.2 Key Management.....	10
1.3 Fiduciary Management	10
1.4 Fiduciary Oversight Arrangements	11
1.4.1 Commission Board and Committees	11
II. FORWARD BY THE CHAIRPERSON	17
2.0 Introduction	17
2.1 Budget Performance Financial Year 2017//18	17
2.2 Key Achievements.....	22
2.3 Community Social Responsibility	24
2.4 Emerging Issues.....	25
2.5 Key Challenges and Recommended Way Forward.....	26
III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES	27
IV. REPORT OF THE INDEPENDENT AUDITOR’S ON THE ENTITY	29
V. STATEMENT OF RECEIPTS AND PAYMENTS.....	30
VI. STATEMENT OF ASSETS AND LIABILITIES	31
VII. STATEMENT OF CASHFLOWS	32
VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED	33
IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT	34
X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT.....	35
XI: BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES	36
XII: SIGNIFICANT ACCOUNTING POLICIES.....	37
XIII. NOTES TO THE FINANCIAL STATEMENT	42
ANNEXTURES.....	50

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

LIST OF TABLES

Table 1- 1: Key Management Personnel with Direct Fiduciary Responsibilities	10
Table 1-2: Summary Budget Performance 2017/18 Financial Year.....	18
Table 1- 3: Summary Budget Performance 2017/18 FY by Programmes	20
Table 1- 4: Comparative Performance for the Medium Term (2015/16 to 2017/18 FYs).....	21

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

LIST OF FIGURES

Figure 1- 2: Overall Budget Performance Financial Year 2017/18.....	18
Figure 1- 3:: Summary of Expenditure by Economic Classification.....	19
Figure 1- 4: Budget Performance 2016/17 FY by Programmes.....	21
Figure 1- 5: Comparative performance for the Medium Term (2014/15 to 2016/17 FYs)	22

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

I. KEY ENTITY INFORMATION AND MANAGEMENT

1.0 Background Information

The Public Service Commission (PSC) is an Independent Commission established under Article 233 of the Constitution of Kenya. The Commission consists of a chairperson, vice-chairperson and seven other members appointed in accordance with Article 233 of the Constitution. The Commission is assisted by a Secretariat headed by a Secretary who is also the Chief Executive Officer.

The mandate of the Commission as set out under Article 234 include: establish and abolish offices in the public service; appoint persons to hold or act in those offices; exercise disciplinary control over and remove persons holding or acting in those offices; promote the values and principles referred to in Articles 10 and 232 throughout the public service; investigate, monitor and evaluate the organization, administration and personnel practices of the public service; ensure that the public service is efficient and effective; develop human resources in the public service; review and make recommendations to the national government in respect of conditions of service, code of conduct and qualifications of officers in the public service; evaluate and report to the President and Parliament on the extent to which the values and principles mentioned in Articles 10 and 232 are complied with in the public service; and hear and determine appeals in respect of county governments' public service. The Commission additionally performs its mandate under Articles 155 (2) (a), 158 (2) (3) and (4), 171 (2) and 230 (2) (b).

The Public Service Commission Act, 2017 prescribes the manner in which the Commission fulfils its mandate.

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

1.1 Members of the Commission

Stephen K. Kirogo, CBS, Chairperson, Public Service Commission



Mr. Stephen K. Kirogo is a career public servant with solid credentials and a track record of public service spanning over thirty years. His appointment as Chairperson of the Public Service Commission in August 2018 capped an illustrious career that began in 1984 as an Assistant Secretary in the Office of the President.

Prior to his appointment as PSC Chairperson, Mr. Kirogo has served as the Principal Administrative Secretary/Assistant Secretary to the Cabinet in the Presidency and Cabinet Affairs Office since 2012. He rose steadily

through the ranks from Assistant Secretary, District Officer, District Commissioner, Senior Assistant Secretary, Undersecretary, Deputy Secretary/Personal Assistant to Head of the Public Service, Secretary to the State Corporations Advisory Committee (SCAC) and finally to the position of Principal Administrative Secretary/Assistant Secretary to the Cabinet.

Mr Kirogo is a member of the Public Relations Society of Kenya and the Public Service Club among other professional and community organizations. He is passionate about improving productivity in the public service through implementation of a performance management framework that is underpinned by values anchored on Public Service ethics and performance.

Mr Kirogo holds an Executive Masters in Business Administration (EMBA) degree, a Post Graduate Diploma in Business Development, a Bachelor of Arts degree from University of Nairobi and Post Graduate Diploma in Public Relations and Communications from Kenyatta University and has attended other professional courses and trainings.

In recognition of his immense contribution to the country, Mr Kirogo was awarded the Order of the Chief of the Burning Spear (CBS) and the Order of the Elder of the Burning Spear (EBS) by His Excellency the President of the Republic of Kenya.

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

Amb. Peter O. Ole Nkuraiyia, CBS



Ambassador Peter Ole Nkuraiyia is a career diplomat of long standing. He served at various levels in the diplomatic service, rising to the position of Permanent Secretary in the Ministry of Foreign Affairs and the Ministry of East African Cooperation respectively. He was Kenya's High Commissioner to Uganda, Ambassador to the Kingdom of Belgium and the Grand Duchy of Luxembourg and Permanent Representative to the European Union in Brussels. He previously served in Zimbabwe, Sweden and France.

During the Constitution Review process that ushered the new Constitution of Kenya 2010, Amb. Nkuraiyia was the Secretary/Chief Executive Officer of the Commission for the Implementation of the Constitution. He previously served as the Executive Director of the NGOs Coordination Board.

Ambassador Nkuraiyia held the position of Chairperson of the Commission in an acting capacity from January 2018 following the appointment of Prof. Margaret Kobia as Cabinet Secretary until August 2018 when he handed over to the new chairperson, Mr Stephen Kirogo. Besides his substantive position as Vice Chairperson, he also chairs the Finance, Planning and General Purpose Committee of the Commission.

Amb. Nkuraiyia holds an Executive Business Administration (EMBA) degree from Jomo Kenyatta University of Agriculture and Technology (JKUAT), a Bachelor of Arts degree in Political Science and Sociology and a Post Graduate Diploma in International Relations from the University of Nairobi. In recognition of his distinguished service to the nation, Amb. Nkuraiyia was awarded the First Class Order of the Chief of the Burning Spear (CBS) by His Excellency the President of the Republic of Kenya.

Veronica M. Birgen, MBS, Commissioner



Commissioner Veronica Murgor Birgen is an accomplished HR professional with over 25 years comprehensive management experience gained from both public and private sector organizations. She has strong background and knowledge of organizational and human resource development.

She joined the Commission in January 2013 from Tetralink and Taylor Associates (E.A) where she was a Consultant in organizational restructuring in public sector and international NGOs. She began her career as an Assistant Secretary in the Office of the President in 1985 and later served in various government ministries before moving to Kenya Tourism Board where she rose to the position of Head of Human Capital and Administration.

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

Ms Birgen has been a board member of Water Services Regulatory Board, Empowering Lives International and Patron of Kaptagat Eco Development Initiative - a community-based group advocating for conservation and economic empowerment of the community.

Commissioner Birgen chaired the Public Service Excellence Award committee that recognizes public servants for exemplary performance for three consecutive years. She also chaired the panel for selection of Chairperson and Members of the National Gender and Equality Commission. She is a member of the National Council for Nomadic Education in Kenya.

Commissioner Birgen holds a Master of Science degree in Organizational Development from the United States International University, Bachelor of Arts degree from the University of Nairobi and Higher National Diploma in Human Resource Management from the Institute of Human Resource Management. She is a certified executive coach and a member of Kenya Institute of Management.

Commissioner Birgen chairs the Terms and Conditions of Service Committee of the Public Service Commission. She is also the Vice Chair of the Human Resource, Planning, Recruitment and Selection Committee.

In recognition of her distinguished service to the nation, Commissioner Birgen was decorated with the Moran of the Burning Spear (MBS) award by His Excellency the President.

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

Prof. Michael N.I. Lokuruka, PhD, EBS, Commissioner



Prof. Michael Lokuruka joined the Commission in January 2013, having worked for over 23 years as a Researcher, Lecturer and Chairman of the Departments of Dairy and Food Science and Technology at Egerton University and Food Science and Nutrition at Karatina University. He also worked in various technical and management roles in Kenya's food and fisheries industries for over eight years. He provided consultancy and training services for the former Ministry of Northern Kenya and Other Arid Lands, ACT Kenya, the Canadian Food Industry, Turkana and Marsabit County Governments, Turkana North Constituency, and the Centre for Minority Rights and Development.

Professor Lokuruka has published extensively in his area of specialization. He is a technical reviewer for leading regional and international journals and currently sits on the editorial board of the African Journal of Food, Agriculture, Nutrition and Development. He did a six-year stint as Honorary Secretary to the Kenya Institute of Food Science and Technology and was also a member of the Board of Directors of the Kenya Industrial Research and Development Institute.

Prof Lokuruka chairs the Capacity and Capability Development Committee of the Public Service Commission. He is also a member of the Compliance and Quality Assurance Committee of the Commission. He represents the Commission in the Council of Kenya School of Government.

Prof. Lokuruka holds a Doctorate degree (Ph.D.) in Food Science from Cornell University, USA.

Catherine R. Omweno, MBS, Commissioner



Commissioner Catherine Omweno is a Human Resource Specialist with a wealth of experience in Human Resource Management gained from her many years of working in the public, NGO and private sectors. She joined the Commission in January 2013 from Spectre International Limited. She began her career as a Personnel Officer in various government ministries, rising to the level of Chief Personnel Officer and later moved to CARE-KENYA and Jomo Kenyatta Foundation respectively.

Commissioner Omweno also worked as the Group Human Resource Manager at CMC Motors Group for 17 years where she was responsible for the human resource function in the East African region. She is a certified professional trainer and a Certified Secretary. She holds a Master of Business Administration degree from Moi University and a Bachelor of Arts degree from Punjab University in India.

Commissioner Omweno chairs the Human Resource Planning, Recruitment and Selection Committee of the Public Service Commission and is a Trustee of the Defined Contributory Pension Scheme. She currently represents the Commission on the employment and Labour Relations Committee of the Judiciary.

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

Lawrence K. Nyalle, MBS, Commissioner



Commissioner Lawrence Kitti Nyalle is a Certified Public Accountant, CPA(K). He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors. He has wide experience in Management, Finance, Enterprise Resource Planning systems and ICT.

Commissioner Nyalle joined the Commission in January 2013 from the private sector where he was a Business Consultant. He worked for Afrox Limited in South Africa as Senior Audit Manager, Africa Region and later as Human Resource Manager. Between 2004 and 2007, he was the head of audit and risk at BOC Kenya Limited.

Commissioner Nyalle holds a Masters degree in Business Administration (MBA), a Post Graduate Diploma in Computer Science and a Bachelor of Science degree from the University of Nairobi. He is a fellow and Alumni of the University of New Castle, Australia.

Commissioner Nyalle chairs the ICT Committee of the Commission and is a member of the Finance, Planning and General Purpose Committee. He also chairs the Board of Trustees of the PSC Staff Defined Contributory Pension Scheme.

Commissioner Titus M. Ndambuki, CBS, Commissioner



Commissioner Titus M. Ndambuki joined the Public Service Commission in January 2013 after an illustrious career in the civil service where he rose through the ranks to the level of Permanent Secretary in the Ministry of State for Public Service. He had earlier worked as the Programme Director of the Civil Service Reform Secretariat

At the continental level, Commissioner Ndambuki held the position of Vice President of the African Association of Public Administration and Management (AAPAM) responsible for eastern Africa region and AAPAM headquarters since 2006 to 2018. He also served as a member of the board of East and Southern Africa Management Institute (ESAMI) from 2006 to 2013. He is currently a member of the Adhoc EAC Service Commission.

Commissioner Ndambuki holds a Masters degree in Economics from Williams College (USA), a Bachelor of Philosophy degree in Economics and a Bachelor of Science degree in Mathematics and Statistics from the University of Nairobi. In recognition of his contribution to public service, Commissioner Ndambuki received two state honours: Head of State Commendation (HSC) and the Chief of the Burning Spear (CBS).

Commissioner Ndambuki chairs the Establishment and Devolution Matters Committee and the County Appeals Committee of the Commission.

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

Patrick G. Gichohi, CBS, Commissioner



Commissioner Patrick Gichohi joined the Commission in January 2013 after an illustrious 33 years career as a Parliamentary Officer, rising to the position of Clerk of the Kenya National Assembly. He also served as the Chair of the Society of Clerks in the Commonwealth Parliaments.

Commissioner Gichohi was a member of the Society of the Clerks-at-the-Table in the Commonwealth Parliaments and the Association of the Secretary Generals of Parliament of the Inter Parliamentary Union, Geneva, Switzerland. He also served as Honorary Secretary and Treasurer of the Commonwealth Parliamentary Association (Kenya Branch) and the Inter-Parliamentary Union (Kenya Group).

He was the founder secretary of the Constituencies Development Fund, a position he held from 2004 – 2007. He also served as secretary Parliamentary Service Commission from 2008 – 2012.

Commissioner Gichohi is a published author and editor of various books on parliamentary procedures and practices and on governance and devolution. He holds a Bachelor of Education degree from the University of Nairobi and certificates in management and Parliamentary Procedures and Practices.

In recognition of his distinguished service to the nation and humanity, Commissioner Gichohi was awarded the State commendation of Chief of the Burning Spear (CBS) by His Excellency the President of the Republic of Kenya and also a Citation by the State of Wisconsin, United States of America.

Commissioner Gichohi is a member of the PSC statutory Audit Committee, Compliance and Quality Assurance Committee and Devolution and Establishment Matters Committee.

Dr. Judith E. Bwonya, MBS, Commissioner



Commissioner Dr. Judith Emboyi Bwonya joined the Commission in January 2013 after an illustrious career in the public health sector, spanning 30 years. She is a Registered Public Health Specialist with the Medical Practitioners and Dentists Board of Kenya. She began her career in 1983 as a Medical Officer intern at Machakos Hospital.

She worked in various parts of the country as a District Medical Officer of Health and also in the Health Sector Reform Secretariat at the Ministry of Health head office. She headed the ministry's department of Standards and Regulatory Services.

Commissioner Bwonya led the Ministry team that developed the Draft Health Bill under the Constitution of Kenya 2010 and was a member of the Task Force that established the Consortium for National Health Research.

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

Prior to joining the Public Service Commission as a Commissioner, she served at different periods as a member of the Clinical Officers' Council, the Medical Practitioners and Dentists Board, Kenya Medical Research Institute Management Board, NHIF Board, Consortium for National Health Research Board of Management and NSSF Medical Board. She is currently a member of the Kenya Medical Association and Kenya Medical Women's Association

Commissioner Bwonya co-authored an academic paper that was published in the World Health and Population Report, Volume 13, No. 2 of 2011 titled 'Making Non-discrimination and Equal Opportunity a Reality in Kenya's Health Provider Education System: Results of a Gender Analysis'. She is listed in the "Who is Who Among Business and Professional Women" in the world (7th Edition of 2000, page 50).

Commissioner Bwonya holds Bachelors degrees in Medicine and Surgery and Masters degree in Public Health from the University of Nairobi. She chairs the Compliance and Quality Assurance Committee of the Commission.

In recognition of her distinguished service to the nation, Commissioner Bwonya was decorated with the Moran of the Burning Spear (MBS) state award by His Excellency the President.

Dr. Alice A. Otwala (Mrs.), CBS, Commission Secretary/ CEO



Dr. Alice Atieno Otwala is the Secretary/Chief Executive Officer of the Public Service Commission of Kenya. Prior to her appointment as Secretary/CEO, she was the Deputy Commission Secretary.

She has extensive and practical knowledge of Public Administration spanning over 35 years, having risen through the ranks in various Government Ministries from an Assistant Secretary to her current position.

Dr. Otwala is a member of the Kenya Institute of Management and Kenya Association for Public Administration and Management. She is also a Founder and Patron of Hope Citadel Foundation Missioners of Hope – a community-based organization that supports orphans and the girl-child through education, mentorship and coaching.

Dr. Otwala holds an Honorary Doctorate in Public Administration from the Commonwealth University in collaboration with London Graduate School, a Masters degree in Public Administration from Liverpool University (UK) and a Bachelor of Arts Degree from the University of Nairobi. She is an Alumni of Strathmore Business School where she studied Strategic Management. She is also a trained Counselor.

Due to her exemplary public service, Dr. Otwala received two state honours from His Excellency the President of the Republic of Kenya – Moran of the Burning Spear (MBS) and Chief of the Burning Spear (CBS) respectively.

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

1.2 Key Management

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

- a) The Commission Board sets general policy and strategic direction of the Commission and is chaired by the Chairperson of the Commission. The Commission does its business through nine committees each chaired by a Commissioner and draws membership from the Commission and senior Secretariat staff. Each Committee has specific terms of reference dealing with broad areas of the Commission mandate.
- b) The Secretary/Chief Executive Officer is the Secretary to the Commission Board. The Office of the Secretary/CEO is assisted by Director, Board Management Services who oversees secretarial responsibilities and follows up on implementation of the Commission's directives. The administration and corporate affairs of the Commission is directed by the CEO assisted by the Deputy Commission Secretary (Corporate Services). The Office of the Secretary is also assisted by the Chief Commission Counsel who heads the Legal Unit of the Commission and offers legal advisory services to the Commission;
- c) The Management of the Commission is structured into six directorates, headed by directors, namely: Finance and Planning; Corporate Services, Establishment and Management Consultancy Services; Recruitment and Selection; Human Resource Management and Development; and Compliance Audit and Quality Assurance; and
- d) The Commission Chief Internal Auditor, who reports to the Audit Committee of the Commission, advises on internal control systems and fiduciary policy issues.

1.3 Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibilities were:

Table 1- 1: Key Management Personnel with Direct Fiduciary Responsibilities

No.	Designation	Name
1.	Accounting Officer	- Dr. Alice A. Otwala, (Mrs.), CBS
2.	Deputy Commission Secretary (Corporate Services)	- Simon K. Rotich, MBS
3.	Director, Finance and Planning	- CPA Dismas O. Ogot
4.	Deputy Director, Finance	- CPA Ezekiel O. Ohando
5.	Deputy Director, HRM Administration	- Mary A. Maungu
6.	Assistant Director, Accounts	- CPA Elizabeth Irura, (Mrs.)
7.	Ag. Assistant Director Accounts	- Dr. Julius O. Moturi
8.	Principal Supply Chain Management Officer	- Isaac K. Ruchuu
9.	Ag. Principal Supply Chain Management Officer	- Tabitha N. Kariuki

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

1.4 Fiduciary Oversight Arrangements

The Commission's Board provides oversight arrangements through the following organs:

1.4.1 Commission Board and Committees

The Commission does its business through eight (8) standing committees and one (1) statutory committee namely; Finance, Planning and General Purpose; Devolution and Establishment Matters; Human Resource Planning, Recruitment and Selection; Terms and Conditions of Service; Capacity and Capability Development; Compliance and Quality Assurance; Information Communication Technology Governance; and County Appeals and the statutory Audit Committee.

The Committee's resolutions and recommendations are deliberated and decided on at the full Commission Board chaired by the Chairperson of the Commission and the decisions therefrom communicated by the Secretary of the Commission and/or the Chairperson.

During the year under review, the Committees held several meetings to deliberate and make recommendations on policy issues relating to the mandate of the Commission. The recommendations were considered and approved by the Commission during its weekly board meetings. In total, the Commission held thirty eight (38) board meetings while, the nine committees held several weekly meetings.

The committees and the respective terms of reference are as follows:-

a) Finance, Planning and General-Purpose Committee

- ❖ develops proposals on strategic direction of the Commission;
- ❖ monitors implementation of the Commission's strategic plan and performance contract;
- ❖ formulates proposals on re-structuring and staffing of the Commission Secretariat;
- ❖ analyses the budget proposals for the Commission and make recommendations for approval;
- ❖ proposes modalities for collaboration and cooperation between the Commission and other Public Service Commissions in the region and other bodies;
- ❖ oversees the implementation and sustainability of the ISO 2008:9015 certification process; and
- ❖ addresses any other matter related to the function.

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

b) Devolution and Establishment Matters Committee

- ❖ develops and review policy guidelines for secondment, transfer, deployment and other related issues of officers serving in the counties;
- ❖ develops mechanisms for transferring officers to and from the national government and across counties;
- ❖ develops and reviews policy guidelines, norms and standards on handling appeals in respect of county government public service;
- ❖ handles appeals in respect of county government public service;
- ❖ develops a database for all the public officers serving in the counties and national governments; and
- ❖ addresses any other matter related to the function.

c) Human Resource Planning, Recruitment and Selection Committee

- ❖ makes proposals for reviewing the recruitment and selection policy in the public service;
- ❖ analyses and scrutinizes indents submitted by state departments and make appropriate recommendations;
- ❖ analyses requests on appointments and promotions and make appropriate recommendations;
- ❖ proposes criteria for ensuring that all appointments comply with the Constitution;
- ❖ handles appeals on recruitment from the counties; and
- ❖ addresses any other matter related to the function.

d) Terms and Conditions of Service Committee

- ❖ takes stock of the existing terms and conditions of service;
- ❖ develops modalities of receiving and reviewing terms and conditions of service;
- ❖ develops an institutional framework for reviewing terms and conditions of service;
- ❖ develops guidelines on review of terms and conditions of service for release to the service;
- ❖ develops modalities/mechanisms of engaging trade unions in negotiations for improvement of terms and conditions of service;
- ❖ develops proposals on linkages with the Salaries and Remuneration Commission, and other relevant institutions;
- ❖ proposes mechanisms for reviewing qualifications in the public service;
- ❖ recommends for approval schemes of service and other career guidelines for release to the service;

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

- ❖ reviews policy issues related to disciplinary control in the public service; and
- ❖ addresses any other matter related to the function.

e) Capacity and Capability Development Committee

- ❖ aligns the Human Resource Development (HRD) policies to the Constitution and Vision 2030 ;
- ❖ develops modalities of carrying out training impact assessment in the Public Service;
- ❖ analyses training reports from ministries and state departments;
- ❖ develops mechanisms for collaborating with various training institutions on human resource development;
- ❖ addresses all matters relating to the Commission's administered examinations; and
- ❖ addresses any other matter relating to the Human Resource Development function.

f) Compliance and Quality Assurance Committee

- ❖ proposes programmes for promotion of values and principles in Articles 10 and 232 of the Constitution;
- ❖ proposes modalities for monitoring and evaluating the effectiveness of the programmes in promoting the values and principles in the public service;
- ❖ receives and analyses the preliminary reports to the President and Parliament on the extent to which values and principles are complied with in the public service;
- ❖ proposes mechanisms for reviewing codes of conduct in the public service;
- ❖ analyses the wealth declaration reports and make appropriate recommendations;
- ❖ analyses reports on investigation, monitoring and evaluation of the organization, administration and personnel practices in the public service;
- ❖ makes appropriate recommendations emanating from the reports in (vi) above to facilitate decision making;
- ❖ proposes monitoring and evaluation framework for discharge of the Human Resource function;
- ❖ makes proposals on improvement in the discharge of delegated powers;
- ❖ identifies, evaluates and proposes modalities of mitigation of risks in the discharge of human resource functions; and
- ❖ addresses any other matter related to the function.

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

g) Information Communication Technology (ICT) Governance Committee

- ❖ oversees the operations of the ICT steering committee;
- ❖ identifies, evaluates and proposes modalities of mitigation of risks in the discharge of ICT function;
- ❖ oversees implementation of the ICT Risk Management Policy;
- ❖ recommends for approval policy proposal for embracing ICT in the discharge of Commission's mandate;
- ❖ recommends proposals on automating the Commission's operations and activities;
- ❖ recommends for review of ICT audit policy, strategy execution and reporting framework to the Commission; and
- ❖ addresses any other matter relating to the ICT function.

h) County Appeals

- ❖ hears appeals from the counties;
- ❖ ensures procedural fairness; and
- ❖ makes recommendations to the Commission for determination and decision.

i) Audit Committee

The Committee is established in accordance with section 73(5) of the Public Finance Management Act, 2012 and Kenya Gazette notice number 5440 of 2012. This is an advisory committee that assists the Commission and the Secretary/CEO with respect to financial reporting, adequacy and effectiveness of Commission's risk management, internal controls, governance processes, and audit affairs. During the year under review the Committee was reconstituted and The Terms of Reference of the Committee are as follows: -

- ❖ approves the internal audit unit charter;
- ❖ reviews the charter of the internal audit function and recommend to the Commission for approval;
- ❖ reviews the annual audit plan and make recommendations to the Commission for approval;
- ❖ receives and reviews reports from the internal audit/external audit, and make appropriate recommendations to the Commission;
- ❖ evaluates the adequacy of management responses to audit queries;
- ❖ monitors the implementation of audit-based recommendations approved by the Commission;

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

- ❖ reviews audit reports of the Auditor-General that have implications on the Commission and makes recommendations to the Commission;
- ❖ advises the Commission on risk management and ensure that the Commission has in place an institutional risk management policy framework; and
- ❖ initiates special audit/investigation on any allegations, concerns and complaints

j) Internal Oversight Arrangements

The Accounting Officer authorises and approves all activities of the Commission and ensures that all Government regulations and policies are followed in execution of Commission's activities. The Authority to Incur Expenditure (AIE) holder certifies that all the expenditure of the Commission is incurred for authorised purposes and properly charged. Further, the oversight arrangements are undertaken through the following Committees;

- a) Evaluation Committees: The Accounting Officer of the Commission appoints ad-hoc evaluations committees for works, goods or services in accordance to the Procurement and Disposal Act, 2015 and the regulations thereof;
- b) Budget Implementation Committee: Oversees budget implementation process and advises the Accounting Officer on the budget performance of the Commission periodically during the financial year; and
- c) Commission Human Resources Management Advisory Committee: Considers and approves staff development strategies, training needs and projections, and Secretariat's human resource discipline and other terms and conditions of service.

k) External Oversight Arrangements

The National Assembly Departmental Committee on Administration and National Security oversighted the Commission's budget estimates for the Financial Year 2016/17. The activities of the Commission were also oversighted by the Offices of the Controller of Budget by continuously approving Commission's expenditure requests through exchequer approvals. Further, the Office of the Auditor General undertook annual audit of Commission's Financial Statements.

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

(a) Public Service Commission Headquarters

Commission House
Harambee Avenue
P.O. Box 30095 - 00100
NAIROBI, KENYA

Contacts

Telephone: (254) 020 2223901-5, 2227471-5

E-mail: psck@publicservice.go.ke

Website: www.publicservice.go.ke

(b) Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000-00200
NAIROBI, KENYA

(c) Independent Auditors

The Auditor General
Office of the Auditor- General
Anniversary Towers, University Way
P.O. Box 30084-00100
NAIROBI, KENYA

(d) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112-00200
NAIROBI, KENYA

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

II. FORWARD BY THE CHAIRPERSON

2.0 Introduction



The Public Service Commission has a broad mandate which includes establishment and abolition of offices, provision of competent human resource, promotion of good governance and ensuring efficiency and effectiveness in the provision of quality services in the Public Service. To effectively discharge its mandate, the Commission put in place an appropriate strategy, programmes and activities aimed at addressing the expectations of the Kenyan Citizenry in its Strategic Plan 2013/14-2017/18. The implementation of the strategic plan is realized through annual work plans cascaded into performance contracts signed between the Secretariat and the Commission.

On its part, the Commission has endeavoured to facilitate the Management with resources, which, although limited, aims at satisfactorily realizing the Commission's mandate.

2.1 Budget Performance Financial Year 2017//18

2.1.1 Summary of Budget Performance

During the year under review, the Commission implemented its work plans and budget through three programmes namely, general administration, planning and support services; human resource management and development; and governance and national values. The programmes were allocated gross estimates of Kshs.1.37 billion made up of recurrent estimates of Kshs.1.36 billion and development estimates of Kshs.8.9 million. The Commission utilized Kshs.1.352 billion, representing 98.9 per cent budget absorption rate comprising of Kshs1.348 billion or 99.2 per cent and Kshs.4.3 million or 48 per cent for recurrent and development estimates, respectively.

Out of the recurrent expenditure of Kshs.1.348 billion, Kshs.572 million or 42 per cent was used on compensation of employees while Kshs.528 million or 39 percent was used on operations and maintenance. The development sum of Kshs.4.3 million was applied in part payment for resultant cost of replacement of passenger lift in the old Commission House. The summarized budget performance is as shown in Table 1-2, Figures 1-1 and 1-2.

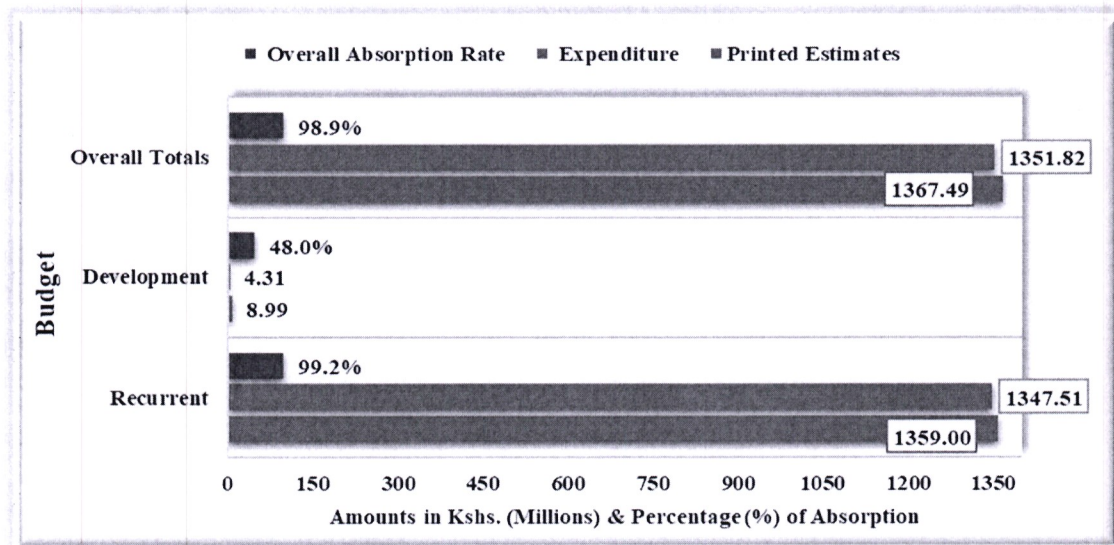
PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

Table 1-2: Summary Budget Performance 2017/18 Financial Year

Title and Details	Printed Estimates 2017/18	Expenditure 2017/18	Overall Absorption Rate
Recurrent	Kshs.	Kshs.	Percentage (%)
Compensation of Employees	573,000,000	572,004,010	99.8
Use of goods and services	528,342,400	523,414,796	99.1
Other grants and transfers	2,000,000	1,482,984	74.1
Social Security Benefits	108,423,600	104,747,613	96.6
Acquisition of Assets	147,234,000	145,863,217	99.1
Gross Recurrent	1,359,000,000	1,347,512,620	99.2
AIA	500,000	-	0
Net Recurrent	1,358,500,000	1,347,512,620	99.2
Development	Kshs.	Kshs.	Percentage (%)
Acquisition of Assets	8,986,779	4,309,380	48
Gross Development	8,986,779	4,309,380	48
TOTAL	1,367,486,779	1,351,822,000	98.9

From Table 1-1 it is noted that the development activities were affected by budget cuts while at the same time the 48 per cent absorption was as a result of underfunding of Exchequer. Figure 1-1 shows the overall budget performance for recurrent and development expenditure while figure 1-2 indicates expenditure by economic classification for the period under review.

Figure 1- 1: Overall Budget Performance Financial Year 2017/18



PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

Figure 1-1 shows that the overall absorption of the Commission's voted funds for 2017/18 fiscal year was at 98.9 per cent not only depicting Commission's commitment to undertaking planned programmes within the set timelines and allocated ceilings.

Figure 1-2: Summary of Expenditure by Economic Classification

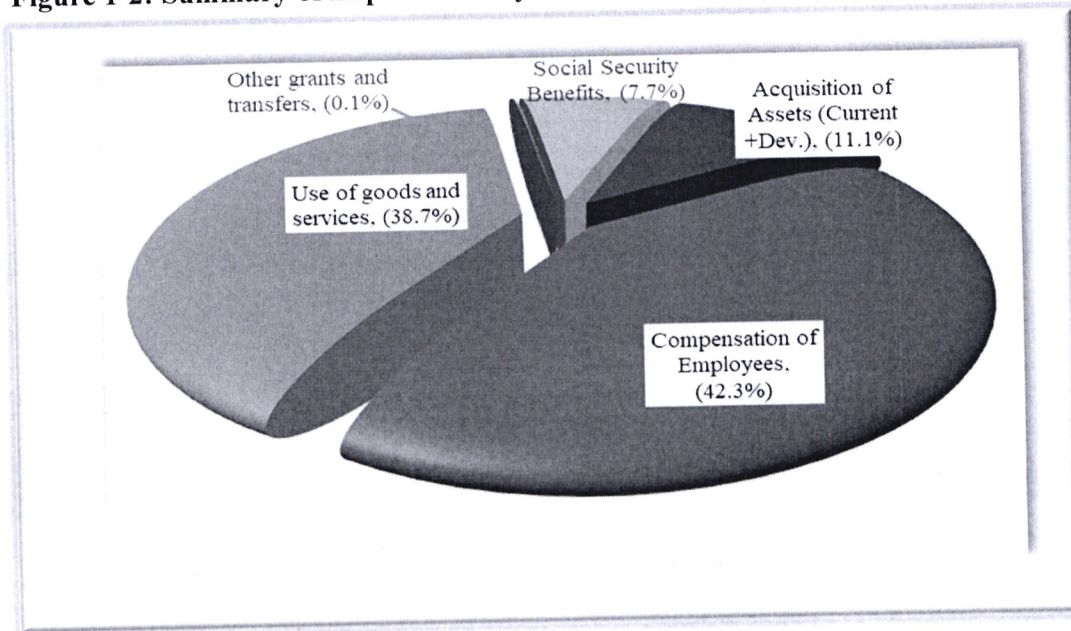


Figure 1-2 shows that compensation to employees consumed the highest percentage, 42.3 per cent of Commission's expenditure for the period under review. This is expected because the Commission sets strategic policy directions on human resource matters in the public service. Hence a sizeable number of staff are policy makers whose compensation is fairly high.

About 39 per cent of the expenditure was on use of goods and services in support of the Commission's mandate programmes. The use of goods and services include Kshs.100 million seed money for staff mortgage and car loan scheme.

The Commission used 11.2 per cent of its voted budgetary provisions on acquisition of assets, which expenditures were mainly applied for the implementation of the Enterprise Resource Planning (ERP) Projects. The ERP is expected to enhance Commission's efficiency in service delivery. It was also applied for the refurbishment the old Commission House to improve work environment for the staff and Commission's customers including candidates attending interviews.

The Commission applied 7.7 per cent of its budget on social security benefits which include Commission's contributions to defined pension contributions and gratuity payments. Last, but

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

not least, the Commission used 0.1 percent of its budgetary provision in settling other grants and transfers to international bodies such as the Commonwealth Association for Public Administration and Management (CAPAM) and African Association for Public Administration and Management (AAPAM), and the African Association of Public Service Commissions (AAPSCOMs). The Commission benefited immensely in participating in the international fora and conferences that the aforementioned bodies mounted during the year, for exchange of ideas, best practices norms and standards.

2.1.2 Budget Performance by Programmes 2017/18 Financial Year

During the period under review, the Commission discharged its functions through three programmes namely: general administration, planning and support services programme; human resource management and development programme; and governance and national values programme. The expenditure trends for the 2017/18 fiscal year is as shown in Table 1-3 and figure 1-4.

Table 1- 3: Summary Budget Performance 2017/18 FY by Programmes

Programmed/Sub-programme	Approved Estimates	Actual Expenditure	Budget utilization difference
	2017/18	2017/18	2017/18
	Kshs	Kshs	Kshs
Programme 1: General Administration, Planning and Support Services	1,026,130,418	1,011,759,283	14,371,135
Programme 2: Human Resource Management and Development	202,189,957	201,280,791	909,166
Programme 3: Governance and National Values	139,666,404	138,781,922	884,482

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

Figure 1- 3: Budget Performance 2016/17 Financial Year by Programmes

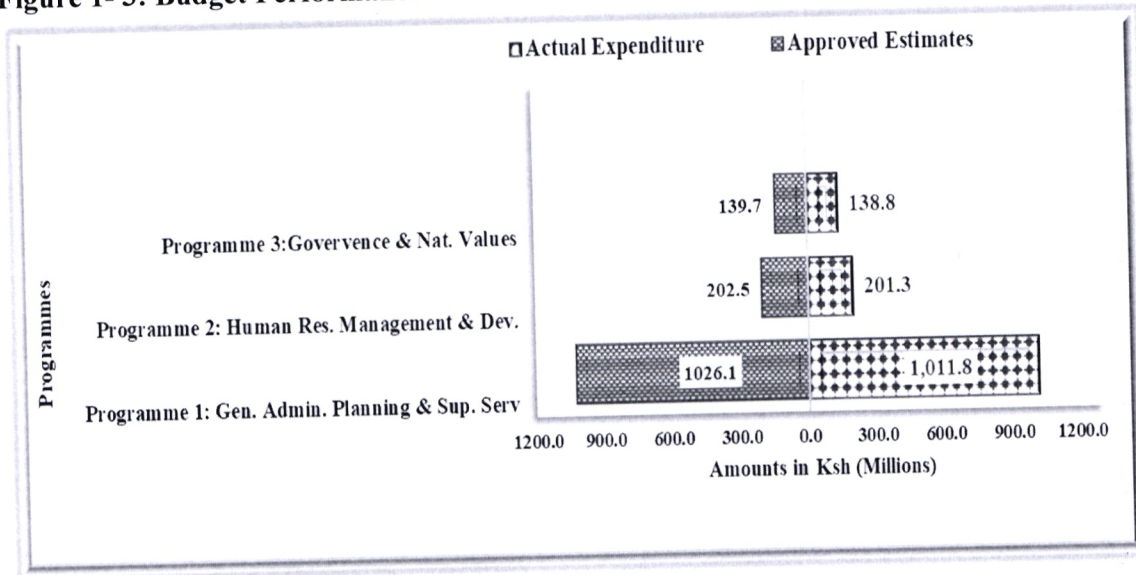


Table 1-3 and Figure 1-4 show that the general administration, planning and support programme was allocated a higher percentage of the Commission’s budgetary allocation compared to the other two programmes of human resource management and development, and governance and national values. This is because general administration, planning and support services programme consolidates shared services that support the Commission in the delivery of the core Commission’s mandate. The areas include staff pension, gratuity, medical insurance, mortgage and car loan scheme, fuel and vehicles maintenance, maintenance of buildings and conducive work environment and implementation of Integrated Management Information Systems (IMIS), among others.

2.1.3 Comparative performance for the Medium Term (2015/16 -2017/18 Financial Years)

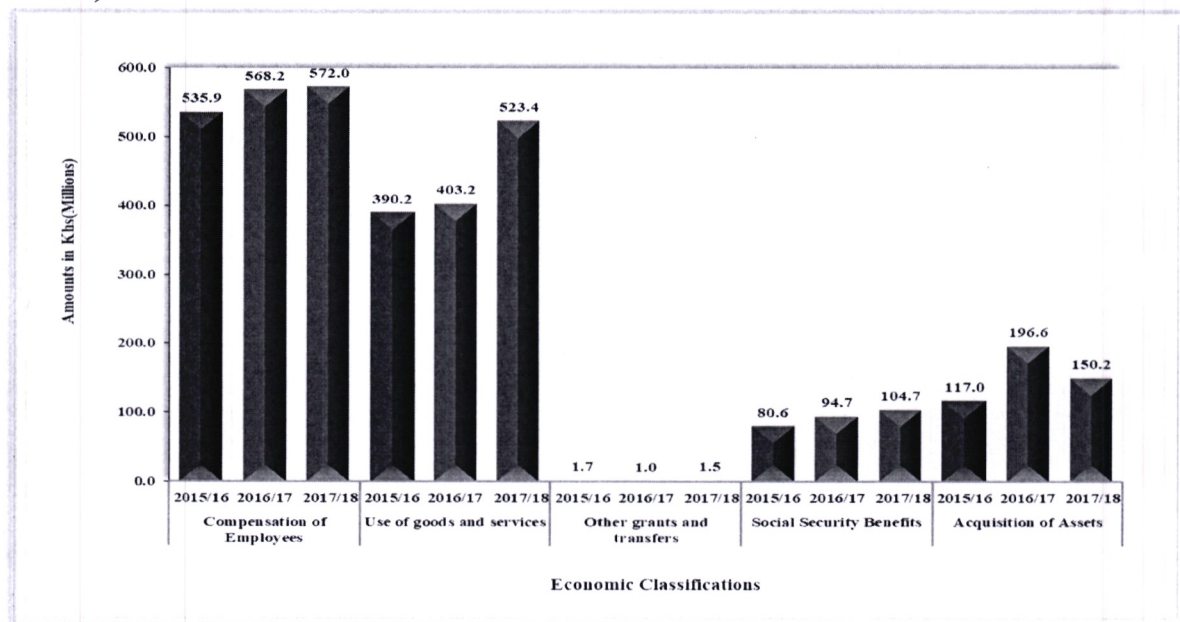
Table 1- 4: Comparative Performance for the Medium Term Financial Years (2015/16 -2017/18)

Title and Details	Expenditure 2015/16	Expenditure 2016/17	Expenditure 2017/18
	Kshs.	Kshs.	Kshs.
Compensation of Employees	535,869,971	568,152,986	572,004,010
Use of goods and services	390,248,430	403,222,917	523,414,796
Other grants and transfers	1,741,485	1,000,000	1,482,984
Social Security Benefits	80,626,909	94,658,221	104,747,613
Acquisition of Assets	117,038,914	196,638,465	150,172,597
Total Net Expenditure	1,125,525,709	1,263,672,589	1,351,822,000

**PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018**

Table 1-4 and Figure 1-5 shows the budget performance in terms of expenditure absorption by economic classifications for the last three fiscal years.

Figure 1- 4: Comparative performance for the Medium Term Financial Years (2014/15 - 2016/17)



The Table 1-4 and Figure 1-5 indicate that the budgetary expenditure for the last three years for the compensation of employees and social benefits recorded marginal growth over the medium term period resulting from about 3 per cent annual salary increments. The growth in the budgetary provision for use of goods and services in 2017/18 Financial Year resulted from seed fund allocation for mortgage and car loan scheme for the Commission’s staff.

The growth in acquisition of assets was mainly driven by the allocation of funds for implementation of Enterprise Resource Planning (ERP).

2.2 Key Achievements

During the year, the Commission undertook various activities in an effort to meeting stakeholder expectations. These included establishment of offices, review of organizational structures, development, review and issue of policies and guidelines, provision of competent human resource, automation of appraisal system, capacity building, introduction of a framework for uniform norms and standards in human resource management and implementation of a framework for promotion and evaluation of values and principles, among others.

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

The Commission continued to support devolution through provision of technical and advisory services to county public service boards and county assemblies service boards in areas of human resource management. These measures enabled the Commission to enhance efficiency and effectiveness of the public service.

In addition, the Commission continued to strengthen its fiduciary Oversight and Management of fiscal resources. This was actualized by the receipt of unqualified Auditor General's opinion on the Financial Statements and other reports of the Commission for the Fiscal Year 2016/17.

During the 16th edition of the Financial Reporting (FiRe) Award ceremony held in November 2017, the Commission was awarded Second Runners-up position for the Financial Year 2015/2016 financial statements, in the Independent Offices and Constitutional Commissions category. The awards are an indication of the Commission's commitment to sound and prudent management of financial resources.

In order to boost staff morale and productivity, the Commission operationalized a new staff mortgage and car loan facility; provided medical insurance cover, including work injury benefit and group personal accident covers for all staff, a health and fitness gymnasium as part of staff welfare, healthy lifestyle and work-life balance; introduced a contributory pension and gratuity scheme and leveraged on intergovernmental sponsorships through shared funding for staff and leadership of the Commission for capacity building aimed at enhancement of the Commission's performance.

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018



Dr. Alice Otwala, CEO Public Service Commission Receiving FiRe Award from Paul Muthaura, Chief Executive Officer Capital Markets Authority

2.3 Community Social Responsibility

For Kenya to attain rapid socioeconomic growth, there is need to empower the youth and women. The Commission recognizes that youth empowerment is an important ingredient in the development of communities and the entire nation. During the 2017/18 financial year, the Commission organized outreach programmes and partnered with County Government of Marsabit between 9th and 14th April, 2018. The outreach programme activities included free medical camps, empowerment camps and evangelism which covered the expansive and semi-arid county, reaching out to Maikona, Turbi, Bubisa, Sagante, Karare and Marsabit Town.

During the outreach, the County Government of Marsabit was urged to inject more capital, mentorship, training, peace and partnerships programmes in order to empower and prepare the youth and women to participate in a globally competitive environment. While noting the significant economic disparities amongst citizens, high number of unemployed youths, drugs and substance abuse nationally, the Commission Chief Executive Officer observed that the negative trend was a growing concern for the Government that had resulted in the establishment of interventions such as youth mentorship and affirmative funds including Uwezo Fund, Youth Enterprise Development Fund and the Women Enterprise Fund.

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

Further, the County Government was advised to take into account the youth by incorporating them in the project planning processes. The youth were challenged to form groups and take advantage of the available funding opportunities.



PSC CEO Dr. Alice Otwala addresses Marsabit residents at an outreach forum organized by the Public Service Commission. She was accompanied by Marsabit Deputy Governor Mr. Solomon Gubo (in dark suit left), County Commissioner Gilbert Kitiyo (in jacket) and Conservator of forests Joseph Maina (right).

2.4 Emerging Issues

The Commission has identified the following emerging issues that may affect the implementation of its programmes:

- i) **Increase in the number of discipline and appeal cases:*** In the recent past, the Commission has recorded an upsurge in the number of court cases challenging its discipline-related decisions. Due to the urgency of such cases and given that the office of the Attorney General and Department of Justice has also been experiencing shortage of litigation counsels, there is an urgent need to support the Commission with additional budgetary provision to meet the resultant legal costs of hiring private lawyers.
- ii) **Public Service Productivity and Citizen Service Delivery Standards:*** It is evident now than never before, that public service institutions need to be accountable for the delivery of quality, timely and responsive services to the public. Government productivity, services delivery, norms and standards require uniform platform if service delivery is to be enhanced. Hence the need for the Commission to scale up productivity and performance

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

management audit while at the same time developing Citizen Service Delivery Standards to guide institutions in delivering services to the public.

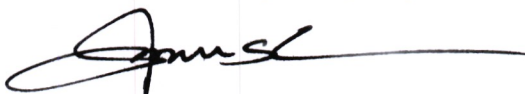
iii) Norms and Standards in Management of Human Resource at the County Level: The norms and standards which guide management of human resource recruitment, remuneration, discipline and other human resource issues at the County level are inadequate. This has resulted to among other things, irregular recruitment, inconsistent remuneration, unclear disciplinary processes, upsurge of appeal cases and high expenditure in related litigation. Thus, the Commission needs to develop a Human Resource Management & Development Master Plan to provide a comprehensive integrated framework for human resource management and development in the public service.

2.5 Key Challenges and Recommended Way Forward

The Commission encountered some challenges, key among them being budget cuts, inadequate funding, inadequate exchequer issue for development and programmes, recruitment freeze on some entry level cadres that affected succession management and service delivery across Ministries, Departments and Agencies (MDA's), weak enforcement mechanism to ensure county governments implement the Commission's decisions and timely submission of reports.

Going forward, the Commission, will enhance optimal utilization of resources to eliminate wastage while at the same time engaging relevant government stakeholders in seeking adequate budgetary provision to the Commission for optimal implementation of the Commission's mandate. The Commission will continue to engage relevant government agencies to support necessary recruitment to promote productivity, performance and succession management in the public service. The Commission will also continue to mount capacity building programmes for county public service boards to achieve uniform norms and standards and to enhance implementation of Commission's decisions.

Finally I wish to reiterate the Commission's commitment to efficient and effective public service productivity and quality service delivery to the public.



STEPHEN KIROGO, CBS
CHAIRPERSON
PUBLIC SERVICE COMMISSION

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the Public Service Commission is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the of the entity for and as at the end of the financial year (period) ended on June 30, 2018. 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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the Public Service Commission accepts responsibility for the entity'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 *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2018, and of the entity's financial position as at that date. The Accounting Officer charge of the Public Service Commission further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

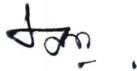
The Accounting Officer in charge of the Public Service Commission confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

accounted for. Further the Accounting Officer confirms that the entity'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 *entity's* financial statements were approved and signed by the Accounting Officer on 30/09/ 2018.



Simon K. Rotich, EBS
Ag. Secretary/Ceo
Public Service Commission



Ag. Head Of Accounting Unit
Dr. Julius Ongera Moturi
ICPAK Member Number: 5458

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON PUBLIC SERVICE COMMISSION FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Public Service Commission set out on pages 30 to 48, which comprise the statement of financial assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and 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 Public Service Commission as at 30 June 2018, 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 Public Service Commission Act, 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Public Service Commission in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about

whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (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 governance.

In preparing the financial statements, management is responsible for assessing the Commission's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the basis of accounting unless the either intends to liquidate the Public Service Commission or to cease operations, or have no realistic alternative but to do so.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are

in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

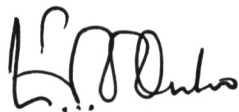
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern or 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 as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

16 May 2019

Report of the Auditor-General on the Financial Statements of the Public Service Commission for the year ended 30 June 2018

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017-2018	2016-2017
		Kshs	Kshs
RECEIPTS			
Exchequer releases	1	1,349,822,285	1,263,100,000
Proceeds from Sale of Assets	2	311,750	748,668
Other Receipts	3	535,231	535,231
TOTAL RECEIPTS		1,350,669,266	1,264,383,899
PAYMENTS			
Compensation of Employees	4	572,004,010	568,152,985
Use of goods and services	5	523,414,796	403,971,585
Subsidies			
Transfers to Other Government Units			
Other grants and transfers	6	1,482,984	1,000,000
Social Security Benefits	7	104,747,613	94,658,221
Acquisition of Assets	8	150,172,596	178,380,065
Other Payments	9	0	7,033,232
TOTAL PAYMENTS		1,351,821,999	1,253,196,088
SURPLUS/DEFICIT	18	(1,152,733)	11,187,811

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 30/09/ 2018 and signed by:



Simon K. Rotich, EBS
 Ag. Secretary/CEO
Public Service Commission



Ag. Head of Accounting Unit
 Dr. Julius Ongera Moturi
ICPAK Member Number: 5458

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2017-2018	2016-2017
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	10	13,933,431	18,356,383
Cash Balances	11	106,933	39,563
Total Cash and cash equivalent		<u>14,040,364</u>	<u>18,395,946</u>
Accounts receivables – Outstanding Imprests	12	585,655	277,733
TOTAL FINANCIAL ASSETS		14,626,019	18,673,679
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	13	9,261,262	9,650,857
NET FINANCIAL ASSETS		5,364,756	9,022,822
REPRESENTED BY			
Fund balance b/fwd	14	9,022,822	4,868,242
Prior year adjustment	15	(2,505,333)	-7,033,232
Surplus/Deficit for the year	18	(1,152,733)	11,187,811
NET FINANCIAL POSITION		5,364,756	9,022,821

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 30/09/ 2018 and signed by:



Simon K. Rotich, EBS
 Ag. Secretary/CEO
Public Service Commission



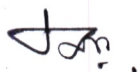
Ag. Head of Accounting Unit
 Dr. Julius Ongera Moturi
ICPAK Member Number: 5458

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

VII. STATEMENT OF CASHFLOWS

		2017-2018	2016-2017
		Kshs	Kshs
Receipts for operating income			
Exchequer Releases	1	1,349,822,285	1,263,100,000
Other Revenues	3	535,231	535,231
Payments for operating expenses			
Compensation of Employees	4	572,004,010	568,152,985
Use of goods and services	5	523,414,796	403,971,585
Other grants and transfers	6	1,482,984	1,000,000
Social Security Benefits	7	104,747,613	94,658,221
Other Expenses	9	-	7,033,232
		1,201,649,403	1,074,816,023
Adjusted for:			
Changes in receivables		(307,922)	(185,666)
Changes in payables		(389,595)	(7,223,285)
Adjustments during the year			
Prior Year Adjustments	15	-2,505,333	-7,033,232
Net cash flow from operating activities		145,505,264	174,377,025
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	311,750	748,668
Acquisition of Assets	8	(150,172,596)	(178,380,065)
Net cash flows from Investing Activities		(149,860,846)	(177,631,397)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings			
Proceeds from Foreign Borrowings			
Repayment of principal on Domestic and Foreign borrowing			
Net cash flow from financing activities			
		(4,355,582)	(3,254,372)
NET INCREASE IN CASH AND CASH EQUIVALENT			
Cash and cash equivalent at BEGINNING of the year		18,395,946	21,650,317
Cash and cash equivalent at END of the year		14,040,364	18,395,945

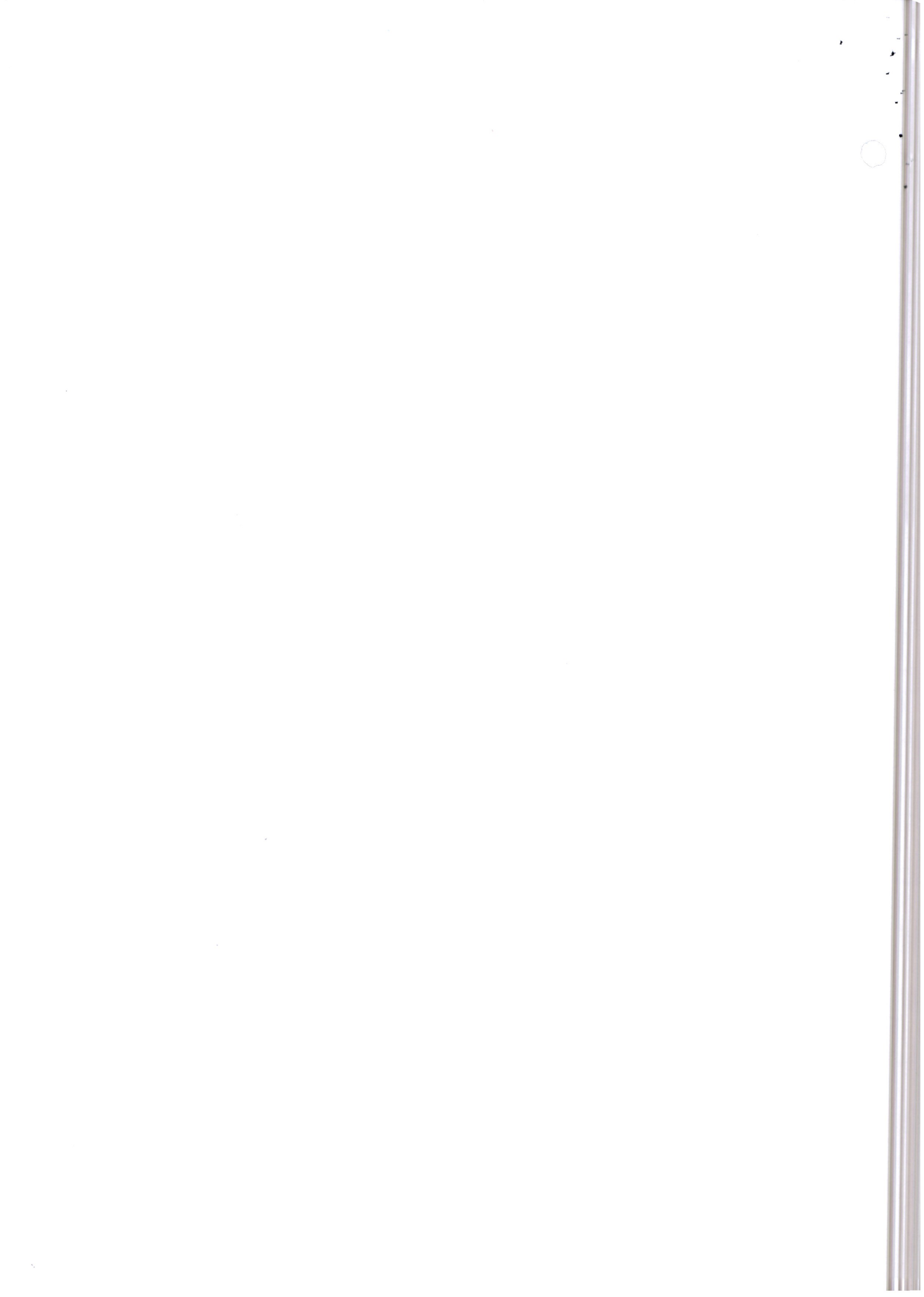
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/09/ 2018 and signed by:



Simon K. Rotich, EBS
 Ag. Secretary/CEO
 Public Service Commission



Ag. Head of Accounting Unit
 Dr. Julius Ongera Moturi
 CPAK Member Number: 5458



PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis D	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Exchequer releases	1,418,500,000	(51,013,221)	1,367,486,779	1,349,822,285	17,664,494	99
Proceeds from sale of non-financial Assets (A-1-A)	500,000	-	500,000	311,750	188,250	62
Other Receipts – Training Levy				535,231	(535,231)	
TOTAL RECEIPTS	1,419,000,000	(51,013,221)	1,367,986,779	1,350,669,266	17,317,513	99
PAYMENTS						
Compensation of Employees	573,000,000	-	573,000,000	572,004,010	995,990	99.8
Use of goods and services	513,342,400	15,000,000	528,342,400	523,414,796	4,927,604	99.0
Other grants and transfers	2,000,000	-	2,000,000	1,482,984	517,016	74.1
Social Security Benefits	108,423,600	-	108,423,600	104,747,613	3,675,987	96.6
Acquisition of Assets	222,234,000	(66,013,221)	156,220,779	150,172,597	6,048,182	96
Other Payments						
TOTAL PAYMENTS	1,419,000,000	(51,013,221)	1,367,986,779	1,351,822,000	16,164,779	99
Surplus/ Deficit				(1,152,734)	1,152,734	

1. Proceeds from A-1-A was realized at 62 per cent as the disposal process for boarded items for 2017/18 Financial year was completed late in end of financial year thus the receipts from the sale will be realized in 2018/19 FY
2. The absorption of the Commission's allocated budget in the Other grants and transfers depicted underutilization at 74.1 per cent. This budget line is used to pay subscription to international bodies which the Commission is a member and the expenditure was as per the invoices received as at the end of 30th June 2018.

The changes between the original and final budget of the Commission was as a result of reallocations within the budget for recurrent budget and due to budget reduction by the National Treasury for development budget.

The entity financial statements were approved on 30/09/2018 and signed by:



Simon K. Rotich, EBS
 Ag. Secretary/CEO
 Public Service Commission



Ag. Head of Accounting Unit
 Dr. Julius Ongera Moturi
 ICPAK Member Number: 5458

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT


Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchange releases	1,358,500,000	-	1,358,500,000	1,344,822,285	13,677,715	99.0
Proceeds from Sale of Assets	500,000	-	500,000	311,750	188,250	62
Other Receipts				535,231	(535,231)	
TOTAL RECEIPTS	1,359,000,000	-	1,359,000,000	1,345,669,266	13,330,734	99%
PAYMENTS						
Compensation of Employees	573,000,000	-	573,000,000	572,004,010	995,990	99.8
Use of goods and services	513,342,400	15,000,000	528,342,400	523,414,796	4,927,604	99.0
Other grants and transfers	2,000,000	-	2,000,000	1,482,984	517,016	74.1
Social Security Benefits	108,423,600	-	108,423,600	104,747,613	3,675,987	96.6
Acquisition of Assets	162,234,000	(15,000,000)	147,234,000	145,863,217	1,370,783	99
Other Payments	-	-	-	-	-	-
TOTAL PAYMENTS	1,359,000,000	-	1,359,000,000	1,347,512,620	11,487,380	99
Surplus/Deficit	-	-	-	(1,843,354)	1,843,354	-


Notes

1. Proceeds from A-1-A was realized at 62 per cent as the disposal process for boarded items for 2017/18 Financial year was completed late in end of financial year thus the receipts from the sale will be realized in 2018/19 FY
2. The absorption of the Commission's allocated budget in the Other grants and transfers depicted underutilization at 74.1 per cent. This budget line is used to pay subscription to international bodies which the Commission is a member and the expenditure was as per the invoices received as at the end of 30th June 2018.

The changes between the original and final budget of the Commission was as a result of reallocations within the budget for recurrent budget.

The entry financial statements were approved on 30/09/2018 and sig


 Simon K. Rotich, EBS
 Ag. Secretary/CEO
 Public Service Commission


 Ag. Head of Accounting Unit
 Dr. Julius Ongera Moturi
 ICPAK Member Number: 5458

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	60,000,000	(51,013,221)	8,986,779	5,000,000	3,986,779	55.6
Proceeds from Sale of Assets						
Other Receipts						
TOTAL RECEIPTS	60,000,000	(51,013,221)	8,986,779	5,000,000	3,986,779	55.6
PAYMENTS						
Compensation of Employees						
Use of goods and services						
Other grants and transfers						
Social Security Benefits						
Acquisition of Assets	60,000,000	(51,013,221)	8,986,779	4,309,380	4,677,399	48
Other Payments						
TOTAL PAYMENTS	60,000,000	(51,013,221)	8,986,779	4,309,380	4,677,399	48
Surplus/Deficit				690,620	(690,620)	

The development budget on acquisition of assets had significant underutilization. This was as a result of exchequer under issue in relation to a lift that was installed to replace a dysfunctional one in the old Commission House thus the Commission realized pending bills on it.

The entity financial statements were approved on 30/09/2018 and signed by:



Simon K. Rotich, EBS
 Ag. Secretary/CEO
Public Service Commission



Ag. Head of Accounting Unit
 Dr. Julius Ongera Moturi
ICPAK Member Number: 5458

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

XI. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget		Adjustments		Final Budget		Actual on comparable basis	Budget utilization difference
	2018	Kshs	Kshs	2018	Kshs	June 30, 2018		
Programme 1: General Administration, Planning and Support Services	1,062,143,639		(36,013,221)		1,026,130,418	1,011,759,283	14,371,135	
Sub-programme 1: Administration	1,019,344,265		(36,013,221)		983,331,044	969,015,206	14,315,838	
Sub-programme 2: Board Management Services	42,799,374		-		42,799,374	42,744,077	55,297	
Programme 2: Human Resource Management and Development	202,189,957		0		202,189,957	201,280,791	909,166	
Sub-programme 1: Establishment and Management Consultancy Services	77,245,443		-		77,245,443	76,772,566	472,877	
Sub-programme 2: Human Resource Management	63,769,611		-		63,769,611	63,739,841	29,770	
Sub-programme 3: Human Resource Development	61,174,903		-		61,174,903	60,768,384	406,519	
Programme 3: Governance and National Values	154,666,404		(15,000,000)		139,666,404	138,781,922	884,482	
Sub-programme 1: Compliance and Quality Assurance	110,648,455		(15,000,000)		95,648,455	95,020,480	627,975	
Sub-programme 2: Ethics Governance and National Values	44,017,949		-		44,017,949	43,761,442	256,507	

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

XII: 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 Public Service Commission. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012.

3. Reporting Currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

4. Significant Accounting Policies

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

a) Recognition of Receipts

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

❖ **Tax Receipts**

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received. (Check if this policy is applicable to entity)

❖ **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 receiving entity.

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

❖ **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 recipient entity or by the beneficiary.

In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment. During the year ended 30th June 2018, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

❖ **Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from 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 Entity recognises all payments when the event occurs and the related cash has actually been paid out by the Entity.

❖ **Compensation of Employees**

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

❖ **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.

❖ **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

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained by each public entity 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 Entity 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 Entity 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. Third Party Payments

Included in the receipts and payments, are payments made on its behalf to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties in the statement of receipts and payments as proceeds from foreign borrowings.

7. 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.

Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2018, this amounted to Kshs.9,261,262 compared to Kshs.9,650,857 in prior period as indicated on note 13.

There were no other restrictions on cash during the year.

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

8. 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. Other accounts receivables are disclosed in the financial statements.

9. 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. Other liabilities including pending bills are disclosed in the financial statements.

10. 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.

11. 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 in June 2017 for the period 1st July 2017 to 30th June 2018 as required by Law 0 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.

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

12. Comparative Figures

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

13. 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 2018.

14. 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.

During the year, errors that have been corrected are disclosed under note 26 explaining the nature and amounts.

15. 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.

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

XIII. NOTES TO THE FINANCIAL STATEMENT

1. EXCHEQUER RELEASES

Description	2017-2018	2016-2017
	Kshs	Kshs
Total Exchequer Releases for quarter 1	221,543,968	292,000,000
Total Exchequer Releases for quarter 2	390,023,817	322,000,000
Total Exchequer Releases for quarter 3	329,055,000	318,000,000
Total Exchequer Releases for quarter 4	409,199,500	331,100,000
Total	1,349,822,285	1,263,100,000

2. PROCEEDS FROM SALE OF ASSETS

	2017-2018	2016-2017
	Kshs	Kshs
Receipts from the Sale of Inventories, Stocks and Commodities	311,750	748,668
Total	311,750	748,668

3. OTHER REVENUES

Description	2017-2018	2016-2017
	Kshs	Kshs
Receipts from Administrative Fees and Charges	535,231	535,231
Total	535,231	535,231

4. COMPENSATION OF EMPLOYEES

	2017-2018	2016-2017
	Kshs	Kshs
Basic salaries of permanent employees	572,004,010	568,152,985
Total	572,004,010	568,152,985

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

5. USE OF GOODS AND SERVICES

	2017-2018	2016-2017
	Kshs	Kshs
Utilities, supplies and services	11,671,933	10,943,648
Communication, supplies and services	19,434,360	18,685,412
Domestic travel and subsistence	75,519,523	63,465,883
Foreign travel and subsistence	40,083,286	15,924,034
Printing, advertising and information supplies & services	38,568,890	34,830,132
Rentals of produced assets	8,011,827	7,586,790
Training expenses	49,682,973	31,177,519
Hospitality supplies and services	60,068,885	54,757,787
Insurance costs	74,999,998	73,436,466
Specialized materials and services	33,004,435	20,095,731
Office and general supplies and services	16,334,407	12,808,737
Fuel Oil and Lubricants	6,464,998	5,550,017
Other operating expenses	71,400,783	42,320,472
Routine maintenance – vehicles and other transport equipment	4,918,158	4,677,834
Routine maintenance – other assets	13,250,339	7,711,123
Exchange Rate Losses		
Total	523,414,796	403,971,585

6. OTHER GRANTS AND TRANSFERS

Explanation	2017-2018	2016-2017
	Kshs	Kshs
Membership dues and subscriptions to international organizations	1,482,984	1,000,000
Total	1,482,984	1,000,000

These related to subscription payment to Commonwealth Association for Public Administration and Management (CAPAM), African Association of Public Service Commission's (AAPSCOMS) and African Association for Public Administration and Management(CAPAM).

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

7. SOCIAL SECURITY BENEFITS

Explanation	2017 -2018	2016 -2017
	Kshs	Kshs
Government pension and retirement benefits	104,747,613	94,658,221
Total	104,747,613	94,658,221

The Commission has a contributory pension scheme for the staff where the staff contributes 10 per cent and the Commission contributes 20 per cent of basic salary. The scheme is administered by Enwealth Financial Services.

8. ACQUISITION OF ASSETS

	2017-2018	2016-2017
	Kshs	Kshs
<u>Non-Financial Assets</u>		
Purchase of Buildings		
Construction of Buildings	-	29,811,989
Refurbishment of Buildings	1,572,380	12,322,464
Construction of Roads		
Construction and Civil Works	4,309,380	8,527,411
Overhaul and Refurbishment of Construction and Civil Works		
Purchase of Vehicles and Other Transport Equipment		
Overhaul of Vehicles and Other Transport Equipment	600,000	495,200
Purchase of Furniture and Institutional Equipment	749,505	585,203
Purchase of Office Furniture and General Equipment	2,732,995	2,066,407
Purchase of ICT Equipment, Software and Other ICT Assets		
Purchase of Specialized Plant, Equipment and Machinery	39,508,337	124,571,391
Rehabilitation and Renovation of Plant, Machinery and Equip.	700,000	
Purchase of Certified Seeds, Breeding Stock and Live Animals		
Research, Studies, Project Preparation, Design & Supervision		
Rehabilitation of Civil Works		
Acquisition of Strategic Stocks and commodities		
Acquisition of Land		
Acquisition of Intangible Assets		
Sub-total	50,172,596	178,380,065

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

	2017-2018	2016-2017
Financial Assets		
Domestic Lending and On-Lending	100,000,000	
Other Foreign Enterprises		
Foreign Payables - From Previous Years		
Sub-total	100,000,000	
Total	150,172,596	178,380,065

The amount of Kshs 100 million under domestic lending relates to allocation for the Commission for Mortgage and car loan scheme for the staff. The fund is administered by Kenya Commercial bank.

9. OTHER EXPENSES

	2017-2018	2016-2017
	Kshs	Kshs
Budget Reserves		
Civil Contingency Reserves		
Other expenses not classified elsewhere		7,033,232
Totals		7,033,232

10. Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	Exc rate (if in foreign currency)	2017-2018	2016-2017
				Kshs	Kshs
Central Bank of Kenya Rec A/c no. 1000181297				954,501	5,678,479
Central Bank of Kenya Dev A/c no. 10000182199				3,717,668	3,027,047
Central Bank of Kenya Dep A/c no. 1000182113				9,261,262	9,650,857
Total				13,933,431	18,356,383

11. CASH IN HAND

	2017-2018	2016-2017
	Kshs	Kshs

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

Cash in Hand – Held in domestic currency	106,933	39,563
Total	106,933	39,563

12. ACCOUNTS RECEIVABLE –SALARY ADVANCES

Description	2017-2018	2016-2017
	Kshs	Kshs
Government Imprests		
Salary advances	585,655	383,481
Suspense		-105,748
Clearance accounts		
Total	585,655	277,733

Name of Officer or Institution	Date Salary Advance Taken	Amount Taken	Amount Surrendered	Balance
		Kshs	Kshs	Kshs
Mr. Victor Owino Achola	18-Mar	224,711	105,379	119,332
Mr. Daniel Kabue Maina	17-Sep	146,822	122,352	24,470
Miss Anne Muneo Titus	17-Dec	384,791	224,461	160,330
Mrs. Yusta Ndinda Wambua	18-Feb	193,597	80,666	112,932
Miss. Beatrice Ondijo Achieng	18-May	183,917	15,326	168,590
Total			548,184	585,655

13. ACCOUNTS PAYABLE

Description	2017-2018	2016-2017
	Kshs	Kshs
Deposits	9,261,262	9,650,857
Total	9,261,262	9,650,857

14. FUND BALANCE BROUGHT FORWARD

Description	2017-2018	2016-2017
	Kshs	Kshs
Bank accounts	18,356,383	21,146,657
Cash in hand	39,563	503,660
Accounts Receivables	277,733	92,067
Accounts Payables	(9,650,857)	(16,874,142)

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

Total	9,022,822	4,868,242
--------------	------------------	------------------

15. PRIOR YEAR ADJUSTMENTS

Description of the error	2017-2018	2016-2017
	Kshs	Kshs
Adjustments on bank account balances		
Adjustments on cash in hand		
Adjustments on payables		
Adjustments on receivables		
Others (<i>specify</i>)	(2,505,333)	7,033,232
TOTAL	(2,505,333)	7,033,232

16. RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the Public Service Commission

Key management personnel that include the Cabinet Secretaries and Accounting Officers

Related party transactions:

	2017- 2018	2016- 2017
	Kshs	Kshs
Key Management Compensation	70,870,416	68,751,276
Total Transfers to related parties	70,870,416	68,751,276

17. OTHER IMPORTANT DISCLOSURES

17.1 PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2017-2018	2016-2017
	Kshs	Kshs
Construction of buildings		
Construction of civil works	7,906,818	7,340,339
Supply of goods		10,968,499
Supply of services		
TOTAL	7,906,818	18,308,838

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

18. Reconciliation of the Surplus/Deficit

Opening Balance: Recurrent in year 2017/2018	KSH.
Bank Balance	5,678,479
Cash in Hand	39,563
Development in year 2017/2018	3,027,047
Total	8,745,089
LESS: Surplus/Deficit as per the Receipts and Payments	(1,152,733)
NET SURPLUS FOR THE YEAR	7,592,356

18 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

There were no issues raised by the external auditor



Simon K. Rotich, EBS
 Ag. Secretary/CEO
Public Service Commission



Ag. Head of Accounting Unit
 Dr. Julius Ongera Moturi
ICPAK Member Number: 5458

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

ANNEXTURES

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2018	Outstanding Balance 2018	Comments
	A	B	c	d=a-c		
Construction of civil works						
1. Schindler Limited	7,906,818				7,906,818	Not yet cleared
2.						
3.						
Sub-Total	7,906,818				7,906,818	
Supply of goods						
4. Ontime Technics and Supplies	150,000				150,000	Not yet cleared
5. Astute Printers and General Supplies	222,000				222,000	Not yet cleared
6. Ideal Stocks Investments Limited	380,000				380,000	Not yet cleared
7. Teresy General Supplies	74,250				74,250	Not yet cleared
Sub-Total	826,250				826,250	
Supply of services						
8. Institute of Human Resource Management	164,500				164,500	Not yet cleared
9. Epha General Agency	84,750				84,750	Not yet cleared
10. Jubilee Insurance Co. of Kenya	532,707	26/01/2018			532,707	Not yet cleared
11. The Standard Limited	928,000	15/12/2017			928,000	Not yet cleared
12. Conference Caterers	1,765,988	30/04/2018			1,765,988	Not yet cleared
13. Conference Caterers	1,073,859	30/05/2018			1,073,859	Not yet cleared
14. Conference Caterers	572,890	1/07/2018			572,890	Not yet cleared
15. Intercontinental	217,500	20/06/2018			217,500	Not yet cleared
16. Chriso Auto Garage	680,500	21/06/2018		544,000	136,500	Not yet cleared
17.						
18.						
Sub-Total	6,020,694			544,000	5,476,694	
Grand Total	14,753,762			544,000	14,209,762	

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2018

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2016/2017	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2017/2018
Land				
Buildings and structures	336,179,557.10			336,179,557.10
Transport equipment	197,493,813.00		135,000.00	197,358,813.00
Office equipment, furniture and fittings	46,048,161.00	2,732,995.00	21,000.00	48,760,156.00
ICT Equipment, Software and Other ICT Assets	128,745,578.15	39,508,337.00	70,400.00	168,183,515.15
Other Machinery and Equipment				
Heritage and cultural assets				
Intangible assets				
Total	708,467,109.25	42,241,332.00	226,400.00	750,482,041.25