

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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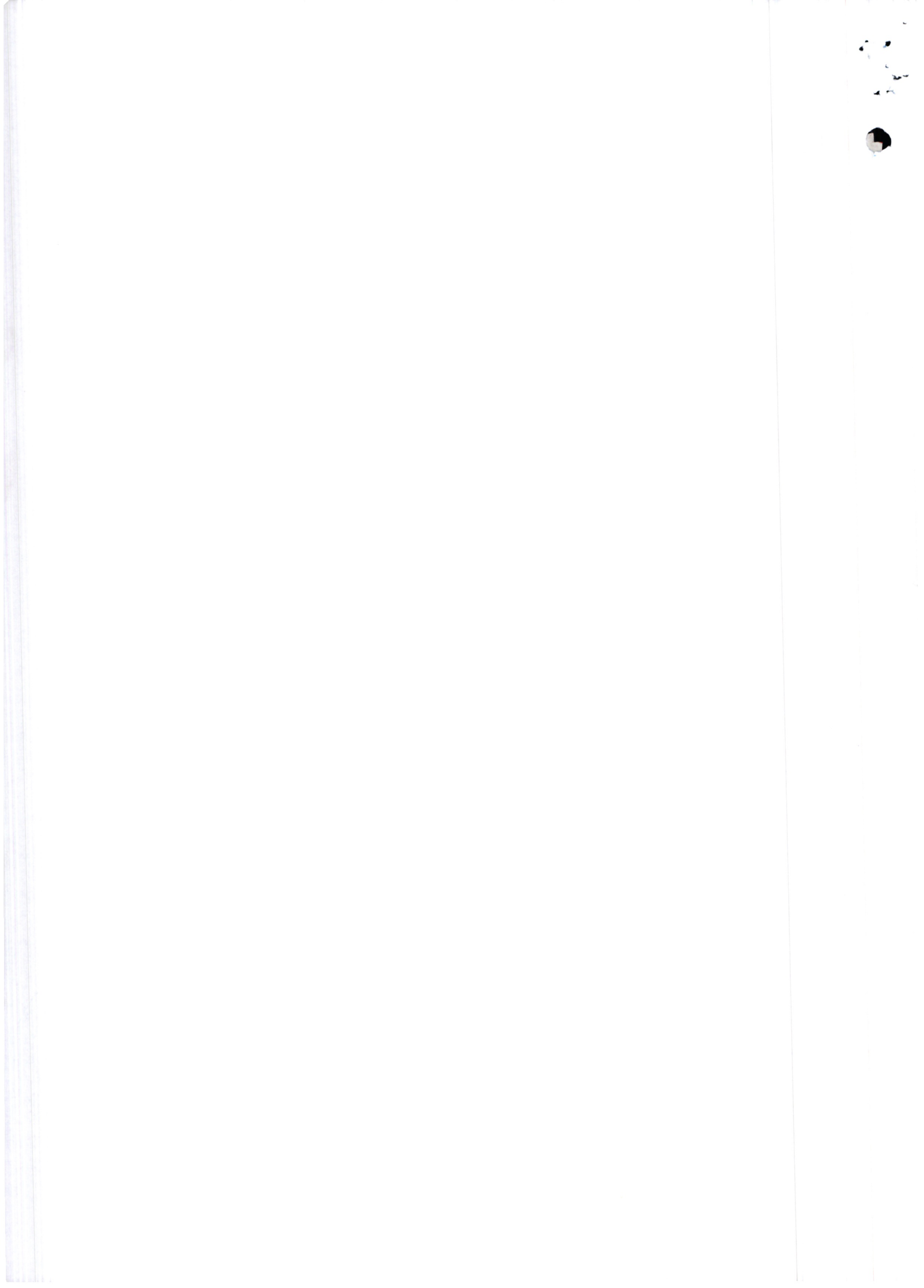
THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
THE TEACHERS SERVICE COMMISSION
VOTE 1064**

**FOR THE YEAR ENDED
30 JUNE 2018**





TEACHERS SERVICE COMMISSION



ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2018**

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

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I. KEY COMMISSION INFORMATION AND MANAGEMENT

(a) Background information

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

Vision

To be a transformative teaching service for quality education.

Mission

To professionalize the teaching service for quality education and development.

The Commission's corporate vision is to be a transformative teaching service for quality education.

The mission is to professionalise the teaching service for quality education and development.

(b) Key Oversight Team

The overall governance of the Commission rests with the Chairperson, the Deputy Chairperson and seven other members who oversee the execution of the programs of the Commission. The Commission has established the following five governance committees with specific Terms of Reference to assist in the execution of its mandate. These are Audit Committee, Human Resource Committee, Field Services Committee, Strategy and Innovation Committee and Finance Committee.

(c) Key Management Directorates

The Commission's operations were carried out under the following Directorates during the period under review:

- Administration
- Accounts
- Finance
- Human Resource Management and Development
- Teacher Management
- Internal Audit
- Information Communication Technology

(d) Fiduciary Management

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

Designation	Name
1. Secretary/CEO	Dr Nancy Njeri Macharia
2. Deputy Secretary/CEO	Mr. S.M.Kavisi, OGW
3. Director -Finance	Mr. Cheptumo Ayabei
4. Director -HRM & D	Mrs. Josephine M. Maundu
5. Ag. Director -Teacher Management	Mrs. Mary Rotich
6. Ag. Director -Administration	Mr. Ibrahim Mumin Gedi, OGW
7. Ag. Director -Accounts	Ms. Grace W. Ngure
8. Ag. Director -Internal Audit	Mr. Charles Mahugu
9. Ag. Director -ICT	Mr. Benjamin Magira

(e) Fiduciary Oversight Arrangements

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

(f) Headquarters

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

(g) Contacts

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

(h) Bankers

1. Central Bank of Kenya

Haile Selassie Avenue
Box 60000 - 00200
Nairobi, Kenya

2. National Bank of Kenya

National Bank of Kenya Building
Harambee Avenue
Box 41862 - 00200
Nairobi, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
Box 40112 - 00200
Nairobi, Kenya

II. MEMBERS OF THE COMMISSION

Dr. Lydia N. Nzomo, CBS

Commission Chairperson



Dr. Lydia N. Nzomo is the chairperson of the Commission. She took the oath of office as the Chairperson on 9th December, 2014. She holds a PhD in educational psychology from Kenyatta University, Masters of Arts Degree in Counselling psychology from United States International University (USIU) and a Bachelors of Arts degree with a Diploma in Education option from University of Nairobi. In addition, she has undertaken several courses in Education Management and Administration both locally and internationally.

Before joining the Commission, she served as the Director/CEO Kenya Institute of Curriculum Development. She had previously served as Senior Deputy Secretary and as the CS/CEO in acting capacity at TSC. She has a wealth of experience in Administration Management, Education and Curriculum development and implementation.

Dr Nzomo is a fellow of the Africa Federation of Teaching Regulatory Authority (AFTRA) and Chairperson of the Forum for Chairpersons of the Constitutional Commissions and Independent Offices.

Vice Chairperson

Cleopas Tirop, OGW



Commissioner Cleopas Tirop is the Vice Chair of the Commission from 10th December, 2014. He was appointed a member of the Teachers Service Commission on 14th April, 2013.

He holds a Master of Education (Education Administration and Planning) from University of Nairobi and a Bachelor's Degree in Education (B.Ed.) from Kenyatta University.

He has a wealth of experience in education having been a school Principal at Kapsabet Boys' and Nairobi School among others. He was also the National Chairman of Kenya Secondary Schools Heads Association (KSSHA). Commissioner Tirop is a fellow of the Africa federation of Teaching Regulatory Authority (AFTRA).

He oversees implementation of the Collective Bargaining Agreement between the Commission and the teachers' Unions as well as job Evaluation by Salaries and Remuneration Commission (SRC) for members of the Secretariat staff. He also coordinates research activities of the Commission.

Commissioner Dr Salome Gichura, OGW



Dr. Gichura was Ag. Chairperson of the Commission from 12th August 2013 to 9th December 2014. She was appointed a member of the Teachers Service Commission on 6th August, 2013. Dr. Gichura is the Chair of the Human Resource Committee, and a member of the Strategic and Innovations Committee of the Commission. She oversees the implementation of the Management Study for Secretariat Staff.

She holds a PhD in Education management (UK), Master's Degree in Education Administration (Kenyatta University), Bachelor of Education Degree (University of Nairobi), Post graduate Diploma in Education Planning and Administration (IIEP, UNESCO, Paris) in addition to various professional certificates.

She previously served as the Director of Higher Education in the Ministry of Education, Science and Technology. She also served as the education attaché for Kenya in the UK accredited to the Commonwealth Secretariat on all matters related to Education.

Commissioner Saadia Abdi Kontoma, OGW



Commissioner Kontoma was appointed a member of the Teachers Service Commission on 6th August, 2013. She oversees the formulation and the review of the Commission's policies. She is a member of the Field Services and Strategy and Innovations Committees of the commission

She holds a Masters of Education (E.C.E.) from University of Nairobi, Bachelor's Degree in Education (E.C.E) from Kenyatta University

She has a wealth of experience in teaching service for over 20 years. She taught in various public and private Kenyan Universities. She previously served in various Non-Governmental Organizations in Education Sector including Forum of African Women Education Kenya Chapter (FAWEK).

Commissioner Albert Fred Ekirapa



Commissioner Ekirapa was appointed member of the Teachers Service Commission on 20th March 2015. He oversees the Commission's Statutory Mandate of ensuring compliance with the teaching standards. In addition, he is a member of both the Audit Committee and Human Resource Committee.

At the time of appointment he was Senior Deputy Director of Education (Directorate of Secondary and Tertiary Education) in the Ministry of Education, Science and Technology.

He holds a masters Degree in Education Administration from the University of Nairobi and a Bachelor's Degree in Education from Kenyatta University.

He joined the Public Service Commission in 2001 as an assistant Director of Education. He also served for 15 years as a teacher in various schools where he rose through the ranks to the position of Principal.

Commissioner Beatrice Marenbo Adu



Commissioner Adu was appointed member of the Teachers Service Commission on 20th March, 2015. She is the Chairperson of the Finance Committee and a member of the Human Resource Committee of the Commission. In addition, she represents the Commission in the Superannuation and coordinates Commissioners welfare.

She previously served under the Public Service Commission in various capacities, including: Education Officer, Senior Education Officer, and Provincial Director of Education in Kisumu County. She holds a Bachelor's of Arts Degree from University of Nairobi and has undertaken various professional courses. She initially worked for the Teachers Service Commission for eight years as a teacher, where she served in various schools.

Commissioner Kinoti Imanyara



Commissioner Imanyara was appointed member of the Teachers Service Commission on 20th March, 2015. He is the Chairman of the Field Services Committee. He is also a member of the Human Resource Committee of the Commission. He oversees the Commission's mandate in regards to the Disciplinary control over teachers and Secretariat Staff, ensuring optimal utilization of human resources in the teaching service.

At the time of his appointment, he was the TSC County Director Nyeri County and National Chairman of the TSC County Directors.

He holds a Bachelor's Degree in Education from University of Nairobi and a Diploma in Pharmaceutical Technology from Penn Foster Career School in USA. He has also undergone training at Strathmore University on the Art of leadership in Educational Institutions.

He began his career at Karaba Secondary School and later taught in various institutions, and rose through the ranks to the position of Chief Principal at Egoji Teachers Training College.

Commissioner Mbarak Twahir, FKIM



Commissioner Twahir was appointed member of the Teachers Service Commission on 20th March, 2015. He is the Chairman of Strategy and Innovation Committee and member of the Finance Committee of the Commission. He oversees the implementation of Performance Contracting and Performance Appraisal for teachers and Secretariat staff.

At the time of his appointment, he was the Director of Performance management in the Ministry of Devolution and Planning.

He holds a Masters of Education degree (Science Education) from University of Leeds and a Bachelor's of Education Degree (B.Ed. Science) from the University of Nairobi. He also holds an advance Diploma in Education Studies from University of Leeds and a Diploma in Special Education from the County of Copenhagen in Denmark

He started his teaching career at Aga Khan Secondary in Mombasa. He also served as a Municipal Education Officer, Mombasa County, Provincial Director of Education in charge of Nairobi, Senior Deputy Director – Department of Basic Education and Director of Field Services Ministry of Education.

Commissioner Tache Bansa Golo



He was appointed member of the Teachers Service Commission on 20th March, 2015. He is a member of both the Finance Committee and Field Services Committee of the Commission; he also oversees the Commission's authority on legal issues.

At the time of his appointment he was a member of National Executive Committee of Kenya Red Cross Society. Prior to this he was the Vice Chairperson National gender & Equality Commission. He has also served as the Chairman Board of Directors, Ewaso Nyiro Development Authority. A teacher by profession, he has taught in various schools and rose through the ranks to the position of school principal. He holds a Bachelor's Degree from catholic University of Eastern Africa and has undergone training on corporate governance, Administration and management of schools.

III. THE SECRETARY TO THE COMMISSION



**Dr Nancy Njeri Macharia, CBS
Secretary/Chief Executive Officer**

She was appointed to the position on 1 July 2015. She holds a Master of Education (M.Ed.) degree from the University of Bristol (UK) and Bachelor of Education degree (B. Ed) from Kenyatta University.

She has undergone training both locally and internationally in Corporate Governance, Public Procurement, Policy Formulation, Information and Communication Technology (ICT), Proactive Management and Business Excellence models. She is a member of Public Administration Management (KAPAM) and the Institute of Directors. She has worked in the Education sector for more than 29 years.

IV. MANAGEMENT TEAM



**Dr Nancy Njeri Macharia, CBS
Secretary/Chief Executive Officer**

She was appointed to the position on 1 July 2015. She holds a Master of Education (M.Ed.) degree from the University of Bristol (UK) and Bachelor of Education degree (B. Ed) from Kenyatta University.

She has undergone training both locally and internationally in Corporate Governance, Public Procurement, Policy Formulation, Information and Communication Technology (ICT), Proactive Management and Business Excellence models. She is a member of Public Administration Management (KAPAM) and the Institute of Directors. She has worked in the Education sector for more than 29 years.



**Mr S.M. Kavisi, OGW
Ag. Deputy Secretary/ Chief Executive Officer**

He holds a Bachelor of Education degree from the University of Nairobi and Executive Masters of Business Administration from ESAMI in Collaboration with Maastricht School of Management (Netherlands).

He has served in the field as a Deputy Head Teacher and Head Teacher of large secondary schools. He has also served as a secretariat staff in the rank of Senior Staffing Officer, Chief Staffing Officer, Principal Coordinator Post Primary, Senior Deputy Secretary (Teacher Management), Director of Administration Services and now Acting Deputy Commission Secretary.



**CPA Cheptumo Ayabei
Director (Finance)**

He holds a Master of Science degree in Finance and Banking, University of Stirling United Kingdom, Bachelor of Education degree from Kenyatta University, Certified Public Accountant of Kenya (CPAK), Certificate in Public Finance and Accounts from University of Connecticut and Stratclyde University Scotland UK and is a member of Institute of Certified Public Accountants of Kenya (ICPAK).

He worked at the Ministry of Education as Assistant Secretary – Finance for 9 years before joining the Commission in 1999 as a Finance Officer.



Mrs Josephine M. Maundu
Director (Human Resource Management and Development)

She holds a Masters of Business Administration degree in Human Resource Management from Kenyatta University, Bachelor of Arts Degree from University of Nairobi and Post-graduate Diploma in Human Resource from institute of Human Resource Management.

She was employed as Human Resource Officer in 1986 and progressed in her career up to the current position of Director Human Resource Management and Development.

She is a member of Institute of Human Resource Management {IHRM}.



Mr Ibrahim Mumin Gedi, OGW
Director (Administration)

Mr. Mumin holds a Master of Education (M.Ed.) degree in Education Management and Policy Studies from University of Bristol and a Bachelor of Education from the University of Sterling (UK). He has attended various management courses both locally and abroad that include; Strategic Planning and Management at the University of Witwatersrand (South Africa), a programme on Developing Strategic Skills for Organizational Development (London), an Advanced Training Programme in Educational Planning and Management (UNESCO- Paris), Strategic Development Programme (Kenya Institute Of Administration) and Pro-Active Business Excellent Models (Eastern and Southern Management Institute).

He joined the Commission in 1983 and served as a teacher in various schools before appointment as an Education Officer and later as District Inspector of Schools. He joined the TSC Secretariat in 1999 and was later appointed to head Human Resource Development Division. Prior to his current appointment, he was the Senior Deputy Director in charge of Administration and now Director (Administration Services)



Mary C. Rotich (Mrs)
Director (Field Services)

Mrs. Rotich holds Master of Education (M.Ed.) in Management and Policy Studies from The University of Bristol (UK), Bachelor of Education (B.Ed.) from Kenyatta University, Professional Development Certificate in African Leadership in ICT (ALICT).

She joined the Commission 28 years ago as a graduate teacher of Geography and Economics. She was later deployed to the secretariat as a staffing officer rose through the ranks to the current position of Director (Field Services).



CPA Grace W. Ngure
Ag. Director (Accounts)

She holds a Masters in Business Administration (MBA) in Finance and Banking degree from Moi University Eldoret. She is a Certified Public Accountant (CPAK) and is a member of Institute of Certified Public Accountants of Kenya (ICPAK) and Association of Women Accountants of Kenya (AWAK). She served in Salaries Division for 15 years before deployment to Accounts Division as Assistant deputy Director in 2007. She was appointed to head the Accounts Directorate in 2012. She worked in the private sector for 3 years before joining the Commission in 1991.



Mr. Charles G. Mahugu
Ag. Director (Internal Audit)

Mr. Mahugu holds a Bachelor of Commerce in Financial Accounting and Auditing from Bombay University (India) and also a Member of Institute of Internal Auditors (IIA) (Kenya Chapter).

He joined the Commission 25 years ago from the level of Auditor 1 and has risen through the ranks to the current position of Ag. Director (Internal Audit).

Has attended various Management courses among them: - Fraud and Investigations Prevention - (Kenya Institute of Administration), Business Excellent Module (Eastern & Southern Africa Management Institute), Strategic Planning & Development (Eastern & Southern Africa Management Institute) & Development of Institutional Risk Management (ARC) Njoro.



Mr. Benjamin Magira
Ag. Director (ICT)

Mr. Magira holds a Bachelor of Science (BSc) Degree in Information Technology from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Higher Diploma and Diploma from the Institute for the Management of Information Systems (UK).

He has attended various local and international work-related management courses and seminars. He was appointed to the current position in 2018.

He joined the Commission in December 1999 and has risen through the ranks of ICT Officer, Senior ICT Officer and Chief ICT Officer. He has been involved in implementation of various projects within the Commissions ICT Directorate.

V. CHAIRPERSON'S STATEMENT



I am delighted to present the Annual Report and the Financial Statement of the Teachers Service Commission for the period 2017-2018. The preparation and presentation of the report is in line with Article 254 of the Kenya Constitution.

The Commission successfully implemented the first phase of the Collective Bargaining Agreement (CBA) (2017-2021) with the teachers' trade unions with effect from 1st July 2017 where all teachers benefitted from the revised salary award at a cost of Ksh.15.74billions. In line with that, a Career Progression Guidelines for the teaching service was also developed and put into operation with effect from 8th November, 2017. The guidelines replaced the existing schemes of service for non-graduate, graduate, technical teachers and lecturers.

During the period, the Commission launched the Teacher Professional Development (TPD) Policy Framework. TPD is linked to career progression and will require teachers to take up a teaching certificate periodically to ensure their skills and competencies are kept relevant and current.

It is worth to note that the Commission continued to comply with all statutory obligations. In compliance with the Government Circular No.3/2009 from the National Treasury and the Mwongozo Code of Governance for State Corporations, an Institutional Risk Management Policy and Framework was developed and implemented.

I am pleased to announce that the Commission initiated the process of delocalization of principals and primary school head teachers. Delocalization is aimed at achieving national cohesion and integration in the teaching service. During the year, 3,000 primary school head teachers, 59 heads of special institutions and 1,174 Post Primary principals were transferred to institutions outside their home counties. This is in addition to all newly recruited primary school teachers being posted outside their county of birth.

In order to improve service delivery of decentralized functions, the Commission continued to strengthen its operations. We were able to allocate 212 laptops to the Counties and Sub-County offices. Further, 26 motor vehicles and 248 motorcycles were allocated to facilitate movement and monitoring of school activities in the field. The Commission also acquired land to construct offices in Kwale, Machakos, Tana River, Kitui and Kiambu Counties. The decentralization of hearing of discipline cases in the counties has drastically reduced the number of pending discipline cases. During the 2017/2018 contract period, a total 804 discipline cases were registered, out of which 499 cases were finalized within an average period of 2-3 months, translating to 61.3%.

I sincerely wish to register our appreciation to the Government, various state and non-state institutions, partners and stakeholders for the invaluable support throughout this period.

I wish to state the Commission's commitment to executing its mandate in line with our mission and vision.

My profound gratitude go out to the Commissioners, the Management and staff of the Teachers Service Commission for their dedication and great effort to achieve all this during the year.



DR LYDIA NZOMO, CBS

CHAIRPERSON

Date: 27.09.2018

VI. REPORT OF THE CHIEF EXECUTIVE OFFICER



I am honoured to present the Teachers Service Commission Annual Report and Financial Statements for the period 1st July 2017 to 30th June 2018. The report highlights the overall performance and the strides made in fulfilling the Commission's mandate during the period.

The Commission's approved budget was Kshs.218,378,457,400 with Kshs.216,999,000,000 being compensation to employees and Kshs,1,236,457,400 for operations and maintenance. This was financed by the exchequer at Kshs.217, 861,457,400 and

Appropriation in Aid of Kshs.517, 000,000.

Key accomplishments achieved during the period include; registration of 39,102 teachers, recruitment of 17,709 teachers who included 8,700 recruited to facilitate 100 per cent transition from primary to secondary schools and promotion of 17,762 teachers to various grades.

The Commission successfully implemented the first phase of the Collective Bargaining Agreement (CBA) (2017-2021) with effect from 1st July 2017. All teachers benefitted from the revised salary award which was done at a cost of Ksh.15.74billions. In line with that, Career Progression Guidelines for the teaching service was also developed and put into operation with effect from 8th November, 2017. The guidelines replaced the existing schemes of service for non-graduate, graduate, technical teachers and lecturers.

It is worth to note that the Commission continued to play a key role in the implementation of Secondary Education Quality Improvement Project (SEQIP). The project aims at reducing teacher shortage in science subjects, Mathematics and English in targeted Sub-counties by allocating 10 percent of the annual teacher recruitment to schools in the targeted areas and ensuring their retention. During the year, 500 teachers were recruited and posted to project schools in 30 Counties.

Although the Commission realised these achievements, some emerging issues affected the optimal attainment of its mandate. Key among them was the 75 per cent reduction in some of the budget items in the Operation and Maintenance budget. Despite the challenges, the Commission was able to accomplish a fair share of its performance contract targets and programmes.

Finally, I wish to thank the Chairperson and the Commissioners for their strategic leadership and direction and the Secretariat Staff for their commitment and hard work that made it possible for the Commission to effectively deliver on its mandate.


DR NANCY NJERI MACHARIA, CBS
SECRETARY/CHIEF EXECUTIVE

Date: 27.09.2018

VII. CORPORATE GOVERNANCE STATEMENT

The Members and Management of Teachers Service Commission are committed to maintaining and demonstrating the highest standards of corporate governance in order to achieve long term value to our primary and key stakeholders while taking into account the interest of other parties. The Commission has continued to abide with the laws and statutory regulations in its endeavour to offer effective service delivery

The employees of the Commission are guided by the Code of Conduct approved by the Commission and policies that are formulated from time to time.

The Commission

The Commission comprises of a Chairperson, Vice Chairperson and seven other members appointed in accordance with the constitution and the Teachers Service Commission Act, 2012. They possess qualification and a wide range of expertise and experience that enable them to effectively contribute in their respective capacities as members. They are appointed by the President through a competitive process.

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

Duties of the Members

The Members provide strategic direction, leadership and oversight to the Secretariat ensuring policies and practices are in place to implement governance and effective control over the Commission's assets and operations.

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

In this regard, the Commission has established the following governance committees with special mandates to assist in the execution of its programmes.

Audit Committee Membership

- | | |
|------------------------------|----------------------------|
| 1. Rogers Kinoti M'Ariba | Chairperson |
| 2. Kenneth M. Juma | Member |
| 3. Comm. Albert Fred Ekirapa | Member |
| 4. Patrick W. Owiti | Member (National Treasury) |
| 5. Charles G. Mahugu | Secretary |

Human Resource Committee Membership

- | | |
|----------------------------------|-------------|
| 1. Comm. Dr. Salome Gichura, OGW | Chairperson |
| 2. Comm. Kinoti Imanyara | Member |
| 3. Comm. Beatrice Adu | Member |
| 4. Comm. A. F. Ekirapa | Member |
| 5. Dr Nancy Njeri Macharia | Secretary |
| 6. Ibrahim Mumin Gedi, OGW | Member |
| 7. J.M. Maundu | Member |
| 8. CPA Cheptumo Ayabei | Member |
| 9. Mary Rotich | Member |
| 10. Benjamin Magira | Member |

Field Services Committee Membership

- | | |
|-----------------------------------|-----------|
| 1. Comm. Kinoti Imanyara | Chairman |
| 2. Comm. Saadia Abdi Kontoma, OGW | Member |
| 3. Comm. Tache Bansa Gollo | Member |
| 4. Dr Nancy Njeri Macharia | Secretary |
| 5. S.M. Kavisi, OGW | Member |
| 6. J.M. Maundu | Member |
| 7. Mary Rotich | Member |
| 8. Ibrahim Mumin Gedi, OGW | Member |
| 9. Alex Cheruiyot | Member |

Finance Committee Membership

1. Comm. Beatrice Adu	Chairperson
2. Comm. Tache G. Bansa	Member
3. Comm. Mbarak Twahir, FKIM	Member
4. Dr Nancy Njeri Macharia	Secretary
5. J.M. Maundu	Member
6. CPA Cheptumo Ayabei	Member
7. Mary Rotich	Member
8. CPA Grace W. Ngure	Member
9. Ibrahim Mumin Gedi, OGW	Member
10. Benjamin Magira	Member

Strategy and Innovation Committee Membership

1. Comm. Mbarak Twahir, FKIM	Chairman
2. Comm. Dr Salome Gichura, OGW	Member
3. Comm. Saadia Abdi Kontoma, OGW	Member
4. Dr Nancy Njeri Macharia	Secretary
5. S.M. Kavisi, OGW	Member
6. J.M. Maundu	Member
7. Mary Rotich	Member
8. Ibrahim Mumin Gedi, OGW	Member
9. Benjamin Magira	Member

Committee on Terms and Conditions of Service for Teachers

The Committee was appointed in 2012 to serve for a three-year term. Its term expired in 2015. However, the Commission has a four years running CBA with teachers that is currently operational (2017-2021).

Ad hoc Committees

The Committees are constituted as and when need arises.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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

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

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

TSC Corporate Social Responsibility (2017-2018)

In 2017/2018 the Commission participated in charitable activities to support less privileged members of the community as a way of giving back to the society. Specifically, the Commission donated Kshs.1 million to Moi Girls Nairobi following the fire tragedy that burned one of the dormitories on 1st September, 2017.

During the year 2017/2018 the Commission sponsored the following activities;

Health and fitness club

In November 2017 the Health and Fitness Club participated in Standard Chartered Marathon whereby the Commission sponsored the club with Ksh. 80,000. In May 2018 the Commission also donated Kshs. 493,000 to the Mater Heart Run which was a national event.

Muslim Association & Christian Union

During the month of Ramadhan in 2018 the Muslim Association paid a visit and donated food stuff to Good Hope Markazil Banatil Islamic Center (children's home) at Kariobangi South as a way of supporting the less privileged.

Netball club

Netball club is one of the clubs in TSC-Mwalimu Welfare Association. The clubs' objective is to promote physical fitness and enhance team spirit among TSC Secretariat staff. In the month of June 2018 the club participated fully in the national Ushirika day celebration which was held at Railways Club Nairobi.

IX. REPORT OF THE COMMISSIONERS

The Chairperson and members of the Commission wish to submit their report together with the un-audited financial statements for the year ended 30 June 2018 which show the state of the Commission's affairs.

Principal activities

The principal activities of the Commission

- (a) To register trained teachers;
- (b) To recruit and employ registered teachers;
- (c) To assign teachers employed by the Commission for service in any public school or Institution;
- (d) To promote and transfer teachers;
- (e) To exercise disciplinary control over teachers;
- (f) To terminate the employment of teacher;
- (g) Review the standards of education and training of persons entering the teaching service;
- (h) Review the demand for and the supply of teachers; and
- (i) Advise the national government on matters relating to the teaching profession.

Results

The results of the entity for the year ended 30 June 2018 are set out on page 26.

Commissioners

The Commissioners who served during the year are shown on page 5.

Auditors

The Auditor-General is responsible for the statutory audit of the Commission.

By Order of the Commission.



DR NANCY NJERI MACHARIA, CBS
SECRETARY/CHIEF EXECUTIVE

Date: 27.09.2018

X. STATEMENT OF COMMISSIONERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 40 of the Teachers Service Commission Act, 2012 require the Commissioners to prepare financial statements in respect of the Commission, which give a true and fair view of the state of affairs at the end of the financial year and the operating results for that year. The Commissioners are also required to ensure that the Commission keeps proper accounting records which disclose with reasonable accuracy the financial position of the Commission. They are also responsible for safeguarding the assets of the Commission.

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

The Commissioners accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the TSC Act, 2012. The Commissioners are of the opinion that the financial statements give a true and fair view of the state of Commission's transactions during the financial year ended 30 June 2018, and of the financial position as at that date. The Commissioners further confirm the completeness of the accounting records maintained, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Commissioners to indicate that the Teachers Service Commission will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements were approved by the Commission on 27.09.2018 and signed on its behalf by;



**DR NANCY NJERI MACHARIA, CBS
SECRETARY/ CHIEF EXECUTIVE**

Date: 27.09.2018



**DR LYDIA N. NZOMO, CBS
CHAIRPERSON**

Date: 27.09.2018

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE TEACHERS SERVICE COMMISSION VOTE 1064 FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Teachers Service Commission set out on pages 26 to 47 which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Teachers 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 the Teachers Service Commission Act, 2012

Basis for Qualified Opinion

1. Stores and Cash Losses

Note 9 to the financial statements reflects accounts receivables balance of Kshs.271,058,723 as at 30 June 2018. The figure of Kshs.271,058,723 includes unrecoverable losses of stores and cash losses amounting to Kshs.10,487,516 and Kshs.2,928,398 respectively, which as previously reported occurred between the years 1988 and 2000. The matter was investigated and the Director of Public Prosecutions directed the suspect to be charged with the offence of stealing by person employed in the Public Service contrary to Section 280 of the penal code. A review of the matter during the year under review indicates that the suspect was charged and the case is pending and that although the case was set for hearing on 19 March 2018, it was adjourned to 25 July 2018. The management has however, indicated that their legal officer is following up on the matter to ensure that it is finalized as soon as possible

In addition, included in the receivables balance of Kshs.271,058,723 is a long outstanding Pay As You Earn (PAYE) amount of Kshs.68,802,494 still outstanding which was paid to

Report of the Auditor-General on the Financial Statements of Teachers Service Commission Vote 1064 for the year ended 30 June 2018

Kenya Revenue Authority (KRA) on account of former teachers who deserted their jobs and their salaries were returned to the Commission. Available information indicate that KRA carried out an audit on the PAYE amount and as a result adjusted the figure downwards from Kshs.128,392,939 to Kshs.46,060,915 as at 30 June 2017. A review of the matter in February 2018 revealed that the Commission had received a refund of Kshs.46,057,935 from KRA on 23 February 2018 and that it has sought authority to write-off the un-recoverable balance of Kshs.68,802,494 from the National Treasury on 10 April 2017 and a reminder on 30 January 2018. A review of the matter in 2017/2018 indicates that the balance of Kshs.68,802,494 is still outstanding. The National Treasury responded to the letters from the Commission on 6 March 2018 and advised on the procedures to be followed when writing off losses. The Commission wrote back on 11 July 2018 to the Principal Secretary, National Treasury requesting for authority to write-off the un-recoverable balance with the outlined procedure and additional evidence. However, no response from Treasury was availed for audit review as at the date of this report in the month of December 2018.

In the circumstances, it has not been possible to confirm the full recoverability of the accounts receivables balance of Kshs.271,058,723 for the year ended 30 June, 2018.

2. Property, Plant and Equipment Schedule

As reported in the previous years, the property, plant and equipment schedule balance of Kshs.3,662,965,318 under Annexure XX as at 30 June 2018 includes Kshs.88,096 being the residual value of one (1) motor vehicle procured in 2004 at a cost of Kshs.2,085,869. A review of the matter in January 2018 revealed that the vehicle had earlier been taken and auctioned by the auctioneers after obtaining a duplicate log book No.20063490279 from KRA. Although the commission repossessed the vehicle, a case is pending before a court of law. A review of the matter in 2017/18 indicate that, to date the plaintiff has yet to set down the suit for hearing hence the Commission has prepared an application to dismiss the suit for want of prosecution. However, no outcome of the case has been presented for audit review as at the date of this report in the month of December 2018.

In the circumstances, it has not been possible to confirm that the property plant and equipment schedule balance of Kshs.3,662,965,318 under Annexure XX as at 30 June 2018 is fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Teachers 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. Except for the matters described in

the Basis for Qualified Opinion section, I have determined that there are no Key Audit Matters to communicate in my report.

Other Matter

1. Budgetary Control and Performance

The Commission had a total budget of Kshs.218,378,458 comprising of Kshs.143,000,000 for development and Kshs.218,235,458,000 for recurrent votes respectively. The budget absorption in the Commission was as follows: -

ITEM	Budget 2017-2018	Actual Expenditure 2017/2018	Under Absorption	% Absorption
	Kshs'000'	Kshs '000'	Kshs'000'	
Recurrent	218,235,458	217,086,880	1,148,578	99%
Development	143,000	5,013	137,987	4%
Grand Total	218,378,458	217,091,893	1,286,565	99%

From the above analysis, the Commission underutilized the budget on development funds by 96%. The management has however, explained that the development funds were provided in the 4th quarter of 2017/18 financial year through a supplementary budget. The disbursement was credited into the TSC main development account on 14 May 2018 and transferred to the SEQIP project account on 11 June 2018. Therefore, the under absorption of development funds was caused by lack of a budget line from the beginning of the financial year 2017/2018 which hindered the carrying out of the project activities as per financial year 2017/2018 approved budget and work plans.

1.1 Recurrent Vote

The Commission had an annual recurrent budget of Kshs.235,235,458 against actual expenditure of Kshs.217,086,880 in the statement of comparative budget and actual amounts for the financial year ended 30 June 2018 indicating an absorption of 99% as detailed below:

ITEM	Budget 2017-2018	Actuals 2017-2018	Under Absorption	% Absorption
	Kshs '000'	Kshs'000'	Kshs'000'	
Compensation of employees	216,999,000,	216,088,554	910,446	100%
Use of goods and services	717,450	657,027	60,423	92%
Acquisition of Assets	519,008	341,299	177,709	66%
Grand Total	218,235,458	217,086,880	1,148,578	99%

From the above analysis, the Commission underutilized the budget on acquisition of assets by 34%. The under absorption of the approved budget is an indication of activities not implemented by the Commission which implies non delivery of goods and services to the Kenya citizens for the year ended 30 June 2018. Therefore, the stakeholders did not obtain full value for their resources.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Qualified Opinion section of my report, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

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

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 ability to continue to sustain services disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends 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 review is planned and performed to express a conclusion with limited assurance as to 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 in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness

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

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


24 December 2018


XII. STATEMENT OF RECEIPTS AND PAYMENTS

**TEACHERS SERVICE COMMISSION
STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2017/2018 Kshs '000'	2016/2017 Kshs '000'
RECEIPTS			
Transfers from National Treasury	1	216,910,063	190,544,600
Proceeds from Sale of Assets	2	934	410
Other Revenues	3	515,725	491,520
TOTAL REVENUES		217,426,722	191,036,530
PAYMENTS			
Compensation of Employees	4	216,088,554	189,761,656
Use of goods and services	5	657,027	863,609
SEQIP Project Expenses	6	5,013	-
Acquisition of Assets	7	341,299	261,443
TOTAL PAYMENTS		217,091,893	190,886,709
SURPLUS/DEFICIT		334,829	149,820

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 27 September 2018 and signed by:


DR NANCY NJERI MACHARIA
COMMISSION SECRETARY/CEO
Date: 27.09.2018



CPA CHEPTUMO AYABEI
DIRECTOR (FINANCE)
ICPAK NUMBER: 8372
Date: 27.09.2018


XIII. STATEMENT OF FINANCIAL POSITION

**TEACHERS SERVICE COMMISSION
STATEMENT OF ASSETS & LIABILITIES
AS AT 30 JUNE 2018**

	Note	2017/2018 Kshs '000'	2016/2017 Kshs '000'
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8A	2,032,184	1,838,941
Cash Balances	8B	51	-
Total Cash And Cash Equivalents		2,032,235	1,838,941
Accounts Receivables	9	271,059	2,217,700
TOTAL FINANCIAL ASSETS		2,303,294	4,056,642
LESS: FINANCIAL LIABILITIES			
Accounts Payables	10	790,017	2,878,194
NET FINANCIAL ASSETS		1,513,277	1,178,448
REPRESENTED BY			
Fund balance b/fwd	11	1,178,448	1,028,628
Surplus/Deficit for the year		334,829	149,820
NET FINANCIAL POSITION		1,513,277	1,178,448

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 27 September 2018 and signed by:


DR NANCY NJERI MACHARIA
COMMISSION SECRETARY/CEO
Date: 27.09.2018


CPA CHEPTUMO AYABEI
DIRECTOR (FINANCE)
ICPAK NUMBER: 8372
Date: 27.09.2018

XIV. STATEMENT OF CASH FLOWS

**TEACHERS SERVICE COMMISSION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2017/2018 Kshs '000'	2016/2017 Kshs '000'
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Transfers from National Treasury	1	216,910,063	190,544,600
Other Revenues	2	515,725	491,520
		217,425,788	191,036,120
Payments for operating expenses			
Compensation of Employees	4	216,088,554	189,761,656
Use of goods and services	5	657,027	863,609
Transfers to Other Government Units	6	5,013	-
		216,750,594	190,625,266
Adjusted for:			
Changes in receivables		1,946,642	7,034,056
Changes in payables		(2,088,177)	(6,495,845)
Net cash flow from operating activities		533,659	949,065
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	3	934	410
Acquisition of Assets	7	(341,299)	(261,443)
Net cash flows from Investing Activities		(340,365)	(261,033)
NET INCREASE IN CASH AND CASH EQUIVALENT		193,294	688,032
Cash and cash equivalent at BEGINNING of the year		1,838,941	1,150,910
Cash and cash equivalent at END of the year		2,032,235	1,838,941

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 27 September 2018 and signed by:



DR NANCY NJERI MACHARIA
COMMISSION SECRETARY/CEO

Date: 27.09.2018



CPA CHEPTUMO AYABEI
DIRECTOR (FINANCE)

ICPAK NUMBER: 8372

Date: 27.09.2018

XV. BUDGET EXECUTION - RECURRENT

Budget execution - Recurrent - FY 2017/18

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=d/c %
	Ksh.'000'	Ksh.'000'	Ksh.'000'	Ksh.'000'	Ksh.'000'	
RECEIPTS						
Exchequer releases	201,418,458	16,300,000	217,718,458	216,767,780	950,678	100%
Proceeds from Sale of Assets	475,000	42,000	517,000	516,659	341	100%
Total Receipts	201,893,458	16,342,000	218,235,458	217,284,439	951,019	100%
PAYMENTS						
Compensation of Employees	200,699,000	16,300,000	216,999,000	216,088,554	910,446	100%
Use of goods and services	626,450	91,000	717,450	657,027	60,423	92%
Acquisition of Assets	568,008	(49,000)	519,008	341,299	177,709	66%
Grand Total	201,893,458	16,342,000	218,235,458	217,086,880	1,148,578	99%
Surplus/Deficit	-	-	-	197,559	(197,559)	


DR NANCY NJERI MACHARIA
COMMISSION SECRETARY/CEO

Date: 27.09.2018


CPA CHEPTUMO AYABEI

DIRECTOR (FINANCE)

ICPAK NUMBER: 8372

Date: 27.09.2018


XVI. BUDGET EXECUTION - DEVELOPMENT

Budget execution - Development - FY 2017/18

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
	Ksh.'000'	Ksh.'000'	Ksh.'000'	Ksh.'000'	Ksh.'000'	
RECEIPTS						
Exchequer releases - Development	118,000	(118,000)	-	-	-	
Exchequer releases - SEQIP	-	143,000	143,000	142,283	717	99%
Total Receipts	118,000	25,000	143,000	142,283	717	99%
Payments						
SEQIP Project Expenses	-	143,000	143,000	5,013	137,987	4%
Acquisition of Assets	118,000	(118,000)	-	-	-	-
Grand Total	118,000	25,000	143,000	5,013	137,987	4%
Surplus/Deficit	-	-	-	137,270	(137,270)	


DR NANCY NJERI MACHARIA
COMMISSION SECRETARY/CEO

Date: 27.09.2018


CPA CHEPTUMO AYABEI
DIRECTOR (FINANCE)

ICPAK NUMBER: 8372

Date: 27.09.2018


XVII. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Budget execution - Recurrent & Development Combined - FY 2017/18

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=c-d	f=d/c %
	Ksh.'000'	Ksh.'000'	Ksh.'000'	Ksh.'000'	Ksh.'000'	
RECEIPTS						
Exchequer releases	201,536,458	16,325,000	217,861,458	216,910,063	951,395	100%
Proceeds from Sale of Assets	475,000	42,000	517,000	516,659	341	100%
Total Receipts	202,011,458	16,367,000	218,378,458	217,426,722	951,736	100%
Payments						
Compensation of Employees	200,699,000	16,300,000	216,999,000	216,088,554	910,446	100%
Use of goods and services	626,450	91,000	717,450	657,027	60,423	92%
SEQIP Project Expenses	-	143,000	143,000	5,013	137,987	4%
Acquisition of Assets	568,008	(49,000)	519,008	341,299	177,709	66%
Grand Total	201,893,458	16,485,000	218,378,458	217,091,893	1,286,565	99%
Surplus/Deficit	118,000	(118,000)	-	334,829	(334,829)	


DR NANCY NJERI MACHARIA
COMMISSION SECRETARY/CEO

Date: 27.09.2018


CPA CHEPTUMO AYABEI
DIRECTOR (FINANCE)

ICPAK NUMBER: 8372

Date: 27.09.2018

XVIII. SIGNIFICANT ACCOUNTING POLICIES

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

a. 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.

b. Reporting Entity

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

- i) *Kenya Secondary Education Quality Improvement Project (SEQIP)*
- ii) *Kenya Primary Education Development (PRIEDE) project*

c. Reporting Currency

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

d. Significant Accounting Policies

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

a) Recognition of Receipts

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

i) Transfers from the Exchequer

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

ii) Other receipts

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

b) Recognition of payments

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

i) Compensation of Employees

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

ii) Use of Goods and Services

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

iii) Acquisition of Fixed Assets

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

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

e. In-kind contributions

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

f. Cash and Cash Equivalentents

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

SIGNIFICANT ACCOUNTING POLICIES

g. 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.

h. 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.

i. 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.

j. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2017 for the period 1st July 2017 to 30th June 2018 as required by Law and there were two supplementary adjustments to the original budget during the year.

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

k. Comparative Figures

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

l. 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 30 June 2018.

m. 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.

XIX. NOTES TO THE FINANCIAL STATEMENTS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

1 EXCHEQUER RELEASES

Description	2017-2018 Kshs	2016-2017 Kshs
Total Exchequer Releases for quarter 1	52,123,254,133	45,453,000,000
Total Exchequer Releases for quarter 2	54,362,709,000	47,406,200,000
Total Exchequer Releases for quarter 3	50,717,957,895	48,006,755,200
Total Exchequer Releases for quarter 4	59,706,142,043	49,678,644,800
TOTAL	216,910,063,071	190,544,600,000

2 PROCEEDS FROM SALE OF ASSETS

	2017-2018 Kshs	2016-2017 Kshs
Receipts from the Sale of Vehicles and Transport Equipment	933,999	410,000
TOTAL	933,999	410,000

3 OTHER REVENUES

	2017-2018 Kshs	2016-2017 Kshs
Interest Received	8,836,670	8,688,957
Rental income collected as AIA	6,548,348	2,846,246
Receipts from Administrative Fees and Charges - Collected as AIA	500,340,457	479,234,586
Other Receipts Not Classified Elsewhere (Donations)	-	750,000
TOTAL	515,725,475	491,519,789

XIX. NOTES TO THE FINANCIAL STATEMENTS (Cont)

4 COMPENSATION OF EMPLOYEES

	2017-2018	2016-2017
	Kshs	Kshs
Basic Salaries - Permanent Employees	136,877,627,340	120,925,491,321
Basic Wages - Contractual Employees	7,431,700	6,613,356
Personal Allowances paid as part of Salary	69,957,333,493	59,943,600,606
Personal Allowances paid as Reimbursements	92,717,441	29,020,387
Employer Contributions to Staff Pensions Schemes	787,540,055	549,658,425
Employer Contributions to Compulsory National Social Security Schemes	7,313,937	7,379,467
Employer Contributions to Compulsory Health Insurance Schemes	8,358,590,532	8,299,892,926
TOTAL	216,088,554,496	189,761,656,488

5 USE OF GOODS AND SERVICES

	2017-2018	2016-2017
	Kshs	Kshs
Utilities, Supplies and Services	36,113,493	34,253,077
Communication, Supplies and Services	36,811,972	80,133,492
Domestic Travel and Subsistence, and Other Transportation Costs	161,712,296	130,323,036
Foreign Travel and Subsistence, and other transportation costs	3,180,299	14,693,751
Printing , Advertising and Information Supplies and Services	15,692,079	5,564,463
Rentals of Produced Assets	39,108,768	33,170,897
Training Expenses	36,951,545	85,866,519
Hospitality Supplies and Services	44,644,282	25,456,934
Insurance Costs	78,591,132	292,445,106
Specialized Materials and Supplies	3,727,709	4,139,413

Office and General Supplies and Services	15,874,135	17,223,313
Fuel Oil and Lubricants	54,135,977	27,112,005
Other Operating Expenses	55,833,552	51,586,990
Routine Maintenance - Vehicles	53,089,634	24,629,538
Routine Maintenance - Other Assets	21,560,200	37,010,473
TOTAL	657,027,073	863,609,418

5B. In the amounts of Domestic travel, Foreign travel, Communication Supplies and services Ksh.161,712,296.35 , Ksh.3,180,299.15, Ksh.36,811,971.80 respectively includes amounts used by Commissioners Ksh.1,990,732 for foreign travel, Ksh.5,444,600.00 for domestic travel and Ksh.1,080,000 for airtime.

6 TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2017-2018 Kshs	2016-2017 Kshs
Transfers to National Government entities		
SEQIP Expenses	5,012,735	
TOTAL	5,012,735	-

7 ACQUISITION OF ASSETS

Description	2017-2018 Kshs	2016-2017 Kshs
Refurbishment of Buildings	44,226,917	25,794,179
Purchase of Vehicles and Other Transport Equipment	197,001,189	137,551,990
Purchase of Office Furniture and General Equipment	11,991,954	6,873,308
Purchase of ICT Equipment	88,079,137	91,223,976
TOTAL	341,299,196	261,443,453

XIX. NOTES TO THE FINANCIAL STATEMENTS (Cont)

8A Bank Accounts

Name of Bank, Account No. & currency	Type of Account	2017-2018 Kshs	2016-2017 Kshs
<i>National Bank of Kenya-Secretariat A/C No.01001005707400</i>	Reccurent	15,778,723	15,778,723
<i>National Bank of Kenya-Teachers A/C No.01001000905000</i>	Reccurent	1,325,639,531	1,002,031,086
Central Bank of Kenya A/C No. 1000181117	Reccurent	5,944,678	262,204,645
<i>National Bank of Kenya A/C No.01377083109304</i>	Fixed Deposit	528,640,754	519,804,084
Central Bank of Kenya - PRIEDE A/C No. 1000291133	Project	19,877,465	39,122,499
<i>Central Bank of Kenya - SEQIP A/C No.1000370882</i>	Project	136,303,900	-
Total		2,032,185,050	1,838,941,037

8B Cash in hand

	2017-2018 Kshs	2016-2017 Kshs
Cash in Hand – Held in domestic currency	2,054	459
Cash in Hand – Held in domestic currency	48,900	-
TOTAL	50,954	459

Cash in hand should also be analyzed as follows:

	2017-2018 Kshs	2016-2017 Kshs
Headquarters, Teachers Service Commisson, Cashoffice	2,054	459
Headquarters, Teachers Service Commisson, Cashoffice	48,900	-
TOTAL	50,954	459

XIX. NOTES TO THE FINANCIAL STATEMENTS (Cont)

9 Accounts Receivables

<i>Description</i>	2017-2018 Kshs	2016-2017 Kshs
Domestic Debtors & Advances	10,467,062	8,747,624
Government Imprests	431,813	474,158
Other Receivables & Clearance Account	260,159,848	2,207,786,690
Withholding Taxes	-	691,755
TOTAL	271,058,723	2,217,700,227

10 Accounts Payables

	2017-2018 Kshs	2016-2017 Kshs
Other Liabilities	686,952,770	2,255,231,208
Agency Accounts	61,481,041	80,480,027
AP Liabilities	41,583,729	542,482,347
TOTAL	790,017,540	2,878,193,582

11 BALANCES BROUGHT FORWARD

	2017-2018 Kshs	2016-2017 Kshs
Bank accounts	1,838,941,037	1,150,889,467
Cash in hand	459	20,515
Receivables	2,217,700,227	9,251,756,550
Payables	(2,878,193,582)	(9,374,038,822)
TOTAL	1,178,448,141	1,028,627,710

XX. PPE SCHEDULE 2017-2018

	COST 01.07.2017	ADDITIONS	DISPOSALS	COST 30.06.2018
	KSHS	KSHS	KSHS	KSHS
LAND	1,000,000,000	-	-	1,000,000,000
BUILDING	1,227,839,993	44,226,917	-	1,272,066,910
MOTOR VEHICLES	498,911,039	197,001,189	(7,782,221)	688,130,007
FURNITURE AND OFFICE EQUIPMENTS	425,810,088	11,991,954	-	437,802,042
COMPUTER AND OTHER ICT EQUIPMENTS	510,404,198	88,079,137	-	598,483,335
TOTAL	3,662,965,318	341,299,197	(7,782,221)	3,996,482,294

XXI. PROGRESS ON FOLLOW UP OF AUDITOR’S RECOMMENDATIONS

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

Ref No. on external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Time frame
1	<p>Stores and Cash Losses</p> <p>Note 8 to the financial statements reflects receivables – outstanding imprest and clearance accounts balance of Ksh.2,217,700,000 as at 30 June 2017. The figure of Kshs. Ksh.2,217,700,000 includes unrecoverable losses of stores and cash losses amounting to Kshs.10,487,516 and Kshs.2,928,398 respectively, which as previously reported occurred between the years 1988 and 2000. The matter was investigated and the Director of Public Prosecutions directed the suspect to be charged with the offence of stealing by person employed in the Public Service contrary to Section 280 of the penal code. A review of the matter during the year under review indicates that the suspect was charged and the case is pending and that although the case was set for hearing on 19 March 2018, it was adjourned to 25 June 2018.</p>	<p>Loss of Stores Ksh. 10,487,516</p> <p>(i) These were losses occasioned by theft of stores which the Commission followed up and the suspect was charged at the Kibera Law Courts vide O.B. NO.46/3/6/2013 with the offense of stealing by person employed in public service contrary to section 280 of the penal code.</p> <p>(ii) In response to the Commission’s letter Ref: TSC/LS/004/Acc/10 /45 dated 21/ 3/2018 enquiring on the progress of the case, the prosecuting officer – Kibera Law Courts vide letter Ref: KBR/ODPPP/1 dated 21/3/2018 replied that the case is ongoing and the last hearing date was on 19th March, 2018 when it was adjourned to 25th July, 2018. Though the Commission does not have control over the progress of the case, our legal officer is following up on the matter to ensure that it is finalized as soon as possible.</p>	SDD LEGAL	In Progress	

Ref No. on external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Time frame
		<p>Cash Losses Ksh. 2,928,398</p> <p>(i) These were cash losses which occurred in the period 1988-2000 and the Commission followed up the matter in the Courts over several years culminating with the Investigating Officer's letter Ref: CID/IB/SEC/4/3/1/A/VOL.II I/64 dated 5/9/2014 indicating the insurmountable challenges in charging the culprits.</p> <p>(ii) The Commission recommended for write off in the meeting held on 24/ 9/15 and has subsequently sought for the National Treasury's approval vide letter Ref: TSC/FIN/32/VOL.IX/34 dated 9/ 6/17, followed with a reminder Ref: TSC/FIN/60/VOL.IV/109 dated 30/ 1/18 before recognizing the write off in our books. The National Treasury vide their letter Ref: AG/3/149/Vol.1/ (47) dated 6th March, 2018 responded and advised on the procedure to be followed when writing off losses and the Commission vide letter Ref: TSC/FIN/60/VOL.V/5 dated 4th July, 2018 followed the outlined procedure and attached additional evidence as requested.</p>			

Ref No. on external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Time frame
	<p>In addition, included in the balance of Ksh.2,217,700,000 is a long outstanding Pay As You Earn (PAYE) amount of Kshs.128,392,939 which was paid to Kenya Revenue Authority (KRA) on account of former teachers who deserted their jobs and their salaries were returned to the Commission. Available information indicate that KRA carried out an audit on the PAYE amount and as a result adjusted the figure downwards to Kshs.46,060,915 as at 30 June 2017. A review of the matter in February 2018 revealed that the Commission had received a refund of Kshs.46,057,935 from KRA on 23rd February 2018 and that it has sought authority to write-off the un-recoverable balance of Kshs.68,802,494 from the National Treasury. It is not clear if National Treasury will grant the authority.</p> <p>In the circumstances, it has not been possible to confirm the recoverability of the accounts receivables – outstanding imprest and clearance accounts figure of Ksh.2,217,700,000 for the year ended 30 June, 2017.</p>	<p>Refund of PAYE Ksh. 128,392,939</p> <p>(i) The Commission and Kenya Revenue Authority auditors held a meeting on 26/2/2016 to agree on the modalities of verifying the records and documents that supported the claim.</p> <p>(ii) As provided under section 59 of the tax Procedures Act 2015, KRA audited the original claim of Kshs. 128,392,939 on 24/3/2016 and the claim was revised downwards to Kshs.46,060,915 vide their letter dated 9/8/2016. The Commission received the refund of Kshs.46,057,935.35 on 23/2/2018 from KRA vide their letter dated 1/3/2018.</p> <p>(iii) The Commission has also sought approval for the write off of the un-recoverable balance of Kshs. 68,802,494.55 from the National Treasury vide letter Ref:TSC/FIN/32/VOL.IX/25 dated 10/4/17, followed with a reminder Ref: TSC/FIN/60/VOL.IV/109 dated 30/ 1/18. The National Treasury vide their letter Ref: AG/3/149/Vol.1/ (47) dated 6th March, 2018 responded and advised on the procedure to be followed when writing off losses and the Commission vide letter Ref:TSC/FIN/60/VOL.V/5</p>			

Ref No. on external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Time frame
		dated 4 th July, 2018 followed the outlined procedure and attached additional evidence as requested.			
2	<p>Property, Plant & Equipment As reported in the previous years, the property, plant and equipment schedule balance of Kshs.3,662,965,318 under Annexure XVIII as at 30 June 2017 includes kshs.88,096 being the residual value of one (1) motor vehicle procured in 2004 for a total cost of Kshs.2,085,869. A review of the matter in January 2018 revealed that the vehicle had earlier been taken and auctioned by the auctioneers after obtaining a duplicate log book No. 20063490279 from KRA. Although the Commission repossessed the vehicle, a case is pending before a court of law as at the date of this report and the outcome is known.</p>	<p>Revaluation of the Motor Vehicle registration KAR 246L- Nissan Urvan whose net book value was Ksh. 88,096 by the Ministry of Public Works & Infrastructure is as follows:</p> <p>The vehicle was repossessed from auctioneers. The original log book was submitted to KRA on 30/6/2011 to verify the rightful owner upon their request vide letter ref: KRA/RTD/TRANS-DUP/10027/0-11 dated 13/6/2011. The case is ready for hearing after parties exchanged all pleadings.</p> <p>However, crucial documents filed by the Plaintiff are missing from the Court file and consequently, on 24th September, 2014 the Court directed that the documents be replaced forthwith. To date, the Plaintiff is yet to set down the suit for hearing hence the Commission (Defendant) has prepared an application to dismiss the suit for want of prosecution.</p>	Director Administrative Services	In Progress	



**DR NANCY NJERI MACHARIA
COMMISSION SECRETARY/CEO**

Date: 27.09.2018



**CPA CHEPTUMO AYABEI
DIRECTOR (FINANCE)**

ICPAK NUMBER: 8372

Date: 27.09.2018