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**TEACHERS SERVICE COMMISSION**

# Annual Report and Financial Statements

for the Year Ended 30 June, 2015



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



# **TEACHERS SERVICE COMMISSION**

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## **Annual Report and Financial Statements**

**for the Year Ended 30 June, 2015**

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

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## I. Key Information and Management

### (a) Background Information

Teachers Service Commission is a Constitutional Office established under Article 237 of the *Constitution of Kenya 2010* and operationalised by TSC Act No. 20 of 2012 with the mandate to perform teacher management functions.

### (b) Vision and Mission

The Commission's corporate vision is to be a transformative teaching service for quality education. Our mission is to professionalise the teaching service for quality education and development.

### (c) Key Oversight Team

The overall management of the Commission includes the Chairperson, the deputy Chairperson and seven other members who execute the programmes of the Commission. In this regard the Commission has established governance committees with special mandates to assist in the execution of these programmes.

### (d) Key Management Directorates

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

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

### (e) Fiduciary Management

The key management personnel who held office during the financial year ended 30 June, 2015 and who had direct fiduciary responsibility were:

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

### (f) Fiduciary Oversight Arrangements

#### *Audit committee activities*

The committee's mandate is to ensure the Commission's assets are safeguarded and that there exists adequate operating and control processes for this purpose.

**(g) Headquarters**

TEACHERS SERVICE COMMISSION  
TSC House,  
Kilimanjaro Road,  
Upper Hill,  
NAIROBI, KENYA

**(h) Contacts**

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

**(i) Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P. O. Box 60000 - 00200  
Nairobi, Kenya
2. National Bank of Kenya  
National Bank of Kenya Building  
Harambee Avenue  
P. O. Box 41862-00100  
Nairobi, Kenya

**(j) Independent Auditors**

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

**(k) Principal Legal Adviser**

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

**II.****Members of the Commission****CHAIRPERSON****DR LYDIA N. NZOMO, OGW**

Dr Lydia N. Nzomo is the Chairperson of the Commission. She holds a PhD in Educational Psychology from Kenyatta University, Master of Arts Degree in Counselling Psychology from United States International University (USIU) and a Bachelor of Arts degree with 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.

Dr Nzomo was decorated with the Order of Golden Warrior (OGW) in 2003.

She has a wealth of experience in Administration, Management, Education and Curriculum development and implementation.

She was sworn in as the Chairperson of the Commission on 9th December, 2014.

**VICE CHAIRPERSON CLEOPAS TIROP, OGW**

Commissioner Cleopas Tirop is the Vice Chair of the Commission from 10th December, 2014.

He holds a Master of Education (in Educational Administration and Planning) from University of Nairobi and 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). He was appointed a member of Teachers Service Commission on 24th April, 2013.



**COMMISSIONER DR SALOME GICHURA, OGW**

Dr Gichura was Ag. Chairperson of the Commission from 12th August 2013 to 9th December 2014. 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. Before being appointed as a Commissioner, she 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. She was awarded the Head of State Commendation, OGW, in 2010. She has an experience of thirty-four years in the Education Sector. She was appointed a member of Teachers Service Commission on 6th August, 2013.



**COMMISSIONER SAADIA ABDI KONTOMA, OGW**

Commissioner Kontoma was appointed a member of Teachers Service Commission on 6th August, 2013. She is the current chair of Audit Committee. She holds a Master 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 served in various Non-Governmental Organisations in Education Sector including Forum for African Women Education Kenya Chapter (FAWEK).



### **COMMISSIONER ALBERT FRED EKIRAPA**

Commissioner Ekirapa was appointed member of the Teachers Service Commission on 20th March, 2015. At the time of his appointment he was a Senior Deputy Director of Education (Directorate of Secondary and Tertiary Education) in the Ministry of Education, Science and Technology. He joined the Public Service Commission in 2001 as an Assistant Director of Education.

He has also served for 15 years as a teacher in various schools where he rose through the ranks to the position of principal. He holds a Master's degree in Education Administration from the University of Nairobi and a Bachelor's degree in Education from Kenyatta University.

### **COMMISSIONER BEATRICE MAREMBO ADU, HSC**



Commissioner Adu was appointed member of the Teachers Service Commission on 20th March, 2015. She previously served under the Public Service Commission in various capacities, including; Education Officer, Senior Education officer, District Education Officer and Provincial Director of Education. Before her retirement from public service, she was the County Director of Education in Kisumu County.

She initially worked for the Teachers Service Commission for eight years as a teacher where she served in various schools.

She holds a Bachelor of Education (Arts) degree from the University of Nairobi and has undertaken various professional courses.



### **COMMISSIONER KINOTI IMANYARA**

Commissioner Imanyara was appointed member of the Teachers Service Commission on 20th March, 2015. At the time of his appointment he was the TSC County Director, Nyeri County and the national chairman of the TSC County Directors. 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.

He holds a Bachelor's degree in Education from the 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.





**COMMISSIONER MBARAK TWAHIR, FKIM**

Commissioner Twahir was appointed member of the Teachers Service Commission on 20th March, 2015. At the time of his appointment, he was the Director of Performance Management in the Ministry of Devolution and Planning. He started his teaching career at Aga Khan Secondary in Mombasa. He has also served as a Municipal Education Officer, Mombasa County and as the Provincial Director of Education in charge of Nairobi. He holds a Master of Education degree (Science Education) from University of Leeds and a Bachelor of Education degree (B.Ed. Science) from the University of Nairobi. He also holds an Advanced Diploma in Educational Studies from University of Leeds and a Diploma in Special Education from the County of Copenhagen in Denmark.



**COMMISSIONER TACHE BONSA GOLLO**

Commissioner Tache was appointed member of the Teachers Commission on 20th March, 2015. At the time of his appointment he was a member of National Executive Committee of Kenya Red Cross Society. Prior to this appointment, he was the Vice Chairperson National Gender and 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 in Education from the Catholic University of Eastern Africa and has undergone training on Corporate Governance and Administration and Management of Schools.

**III. THE SECRETARY TO THE COMMISSION**



**NANCY NJERI MACHARIA**

*Secretary/Chief Executive Officer*

She was appointed to the position on 1st July, 2015. She has worked in the Education sector for more than 28 years.

She holds a Master of Education degree (M.Ed.) from the University of Bristol (UK) and Bachelor of Education (B. Ed) from Kenyatta University. She has undergone training both locally and internationally in Corporate Governance, Public Procurement, Policy Formulation, Information Communication Technology (ICT), Proactive Management and Business Excellence models. She is a member of Public Administration Management (KAPAM) and the Institute of Directors.

## IV.

**Management Team****NANCY NJERI MACHARIA***Secretary/Chief Executive Officer*

She was appointed to the position on 1st July, 2015. She has worked in the Education sector for more than 28 years. She holds Master of Education degree (M.Ed.) from the University of Bristol (UK) and Bachelor of Education (B. Ed) from Kenyatta University. She has undergone training both locally and internationally in Corporate Governance, Public Procurement, Policy Formulation, Information Communication Technology (ICT), Proactive Management and Business Excellence models. She is a member of Public Administration Management (KAPAM) and the Institute of Directors.

**MR S. M. KAVISI, OGW***Ag. Deputy Secretary/Chief Executive Officer*

He is a holder of Bachelor of Education degree from the University of Nairobi, Executive Master 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 served at the secretariat as Senior Staffing Officer, Chief Staffing Officer, Principal Co-ordinator Post Primary, Senior Deputy Secretary (Teacher Management), Director Administration Services and now Acting Deputy Commission Secretary.

**CPA CHEPTUMO AYABEI***Director (Finance)*

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

He holds a Master of Science degree in Finance and Banking, University of Stirling (United Kingdom), Bachelor of Education 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).



**MRS JOSEPHINE M. MAUNDU**

*Director (Human Resource Management and Development)*

She holds a Master 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 Kenyatta University.

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



**MR PATRICK MANG'ATU**

*Ag. Director (Internal Audit)*

He was appointed to the current position in 2014. He has a lot of experience in the Commission having served in various Divisions in Accounts Directorate.

He holds a Bachelor of Commerce degree in Accounting from Daystar University. He has attended various local and international work related management courses, conferences and seminars. He is a member of Institute of Internal Auditors (UK) and a member of Institute of Internal Audit (Kenya Chapter).



**CPA GRACE W. NGURE**

*Ag. Director (Accounts)*

She worked in the private sector for 3 years before joining the Commission in 1991. She worked 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 holds a Master in Business Administration (MBA) in Finance and Banking from Moi University, Eldoret, 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).



**MRS MARY ROTICH**

*Ag. Director (Teacher Management)*

She holds a Master of Education (M.Ed.) degree in Management and Policy Studies from the University of Bristol (UK). Bachelor of Education (B.Ed.) degree 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 joined the secretariat as a staffing officer where she rose through the ranks to the current position of Ag. Director Teacher Management.



**MR IBRAHIM MUMIN GEDI**

*Ag. Director (Administration)*

He holds a Bachelor of Education degree from the University of Sterling (UK) and has Master of Education (Education Management and Policy Studies) from the University of Bristol.



**MR AYUB IMBIRA**

*Director (Information Communication Technology)*

He holds a Master of Science in Information Systems from University of Nairobi and Bachelor of Science in Computer Science from Egerton University.

## V. Chairperson’s Statement

It gives me great pleasure to present to you the Teachers Service Commission Annual Report and Financial Statements for the year 2014/2015. The Report focuses on the contribution of the Commission towards efficiency in service delivery in the public service. During the 2014/2015 financial year, the Commission pursued reforms aimed at improving service delivery and creating structures necessary for the implementation of the *Constitution of Kenya, 2010* and the Teachers Service Commission Act No. 20 of 2012.

The Constitution elevated the Teachers Service Commission with an expanded and a more elaborate mandate besides the traditional functions of teacher registration, employment, promotion, transfer and discipline. The Commission has an additional mandate of reviewing the standard of training persons entering the teaching service, reviewing the demand for and supply of teachers and advising the National Government on matters relating to the teaching profession.

The Commission is now fully constituted with a Chairperson and eight members as provided for in the *Constitution of Kenya, 2010*. The process of reviewing Teachers Service Commission policies to align them with the new law culminated with the review of the Code of Regulations for teachers and the Code of Conduct and Ethics for teachers.

Under the Vision 2030 flagship project, the Medium Term Plan 2013 – 2017 targets the recruitment of 5,000 teachers annually over the 5-year period to address the current teacher shortage. In light of the financial constraints in the financial year 2014/2015 the Commission recruited 5,000 teachers. The recruitment of 5,000 teachers will only reduce the demand for teachers slightly considering the need for additional teachers to facilitate provision of free and compulsory basic education for all Kenyan children.

The Commission has undertaken various reforms which include, improvement of quality of education, professionalism and the rights of children; improvement of efficiency and quality of teaching service on curriculum development; improvement of teacher quality, competence and ethical conduct within the teaching service.

Finally, I wish to take this opportunity to appreciate the effort made by fellow Commissioners, Commission Secretary, Senior Management and all the staff in facilitating the advancement of the Commission’s strategic objectives and execution of its mandate successfully. All these achievements would not have been possible without their support and hard work.



**Dr. Lydia N. Nzomo, OGW**

COMMISSION CHAIRPERSON

Date 24.09.2015

## VI. Report of the Chief Executive Officer

The Teachers Service Commission is currently undergoing major reforms of decentralisation and implementation of the Teachers Service Commission Act , 2012 and other related regulations. TSC is required to review its structures in line with the Commission's Strategic Plan and the *Constitution of Kenya, 2010*.

The Commission is positioning itself to deliver on the social pillar in Vision 2030 by providing effective and efficient teaching service for public educational institutions. The Commission was ISO certified in 2010. The Commission is currently working on the recertification. The implementation of the Quality Management System (QMS) (ISO 9001:2008) has greatly improved documentation of the Commission's processes, procedures and service delivery.

In line with the e-government's initiative to automate the education sector, the Commission successfully automated online registration of teachers, online application for advertised posts and customer relationship management system. This has improved service delivery to our clients. The Commission was able to register 47,929 teachers. Training of staff is underway in preparation of the adoption of the National Treasury Integrated Financial Management Information System (IFMIS).

The Commission utilises 15% of the total Government recurrent expenditure budget and over 50% of the Education Sector Budget. As at 2014/15 financial year, budgetary allocation to the Commission stood at Kshs.169.8 billion. This allocation is made up of 98% teachers' salaries and only 2% for Secretariat salaries and for Operations and Maintenance. The budgetary allocation for Operation and Maintenance is significantly hampering effective service delivery.

The Commission faced several challenges in fulfilment of its mandates as provided under Article 237 of the Constitution. The main challenge facing the Commission is shortage of teachers. This is as a result of unplanned schools as many schools have been opened without adequate planning and co-ordination. As a result in the year under review, the Commission had a teacher shortage of over 80,000 teachers. This is aggravated by desertion, absenteeism, HIV/AIDS pandemic, inadequate funding and insecurity in some parts of the country.

As we move into the future, our resolve is to remain focused on pursuing our mandate and applying resources on strategies that ensure effective and efficient delivery of services to our clients in all our offices countrywide. Finally, I wish to take this opportunity to thank the Commission Chairperson, Commissioners, Directors, all Staff and stakeholders for their support which enabled us to improve service delivery.



**Nancy Njeri Macharia, OGW**  
COMMISSION SECRETARY/CEO  
TEACHERS SERVICE COMMISSION

Date 24.09.2015

## VII. Corporate Governance Statement

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

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

### The Commission

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

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

### Duties of the Commissioners

The Commissioners provide strategic directions; objectives and values that ensure policies and practices are in place to implement governance and effective control over the Commission's assets and operations. The Commissioners meet regularly to continually review and monitor the Commission's progress with respect to strategic direction and operational effectiveness.

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

### Audit Committee

The Audit Committee is composed of three Commissioners of whom one of them chairs, other members are; Directors of Human Resource Management and Development, Information Communication and Technology, Finance, Accounts, Internal Audit, Teacher Management, Administration and representatives from the National Treasury and the Ministry of Education. The Audit Committee meets quarterly.

The duties and responsibilities are to review, advise and make recommendations on financial information, budgets, risk management, policies and audit issues.

It reviews auditors' independence, internal controls and compliance with the Code of Conduct and Ethics. It also reviews adherence to statutory and regulatory requirements.

### Audit Committee Membership

1. Comm. Saadia Abdi Kontoma, OGW	<i>Chairperson</i>
2. Comm. Tache Bansa Gollo	<i>Member</i>
3. Comm. Beatrice Marembo Adu, HSC	<i>Member</i>
4. Patrick Mang'atu	<i>Secretary</i>
5. C. Ayabei	<i>Technical</i>
6. Ayub Imbira	<i>Member</i>
7. Josephine Maundu	<i>Member</i>
8. Grace Ngure	<i>Technical</i>
9. Mumin Gedi	<i>Member</i>
10. Mary Rotich	<i>Member</i>
11. Daniel Nyaga	<i>National Treasury</i>
12. Robert Masese	<i>Ministry of Education</i>

**Human Resource Committee Membership**

1.	Comm. Dr Salome Gichura, OGW	<i>Chairperson</i>
2.	Comm. Cleopas Tirop, OGW	<i>Member</i>
3.	Comm. Tache Bonsa Gollo	<i>Member</i>
4.	S. M. Kavisi, OGW	<i>Member</i>
5.	J. M. Maundu	<i>Member</i>
6.	Cheptumo Ayabei	<i>Member</i>
7.	Mary Rotich	<i>Member</i>

**Field Services Committee Membership**

1.	Comm. Kinoti Imanyara	<i>Chairman</i>
2.	Comm. Beatrice Marengo Adu, HSC	<i>Member</i>
3.	Comm. Albert Fred Ekirapa	<i>Member</i>
4.	S. M. Kavisi, OGW	<i>Member</i>
5.	J. M. Maundu	<i>Member</i>
6.	Mary Rotich	<i>Member</i>

**Finance Committee Membership**

1.	Comm. Cleopas Tirop, OGW	<i>Chairman</i>
2.	Comm. Dr Salome Gichura, OGW	<i>Member</i>
3.	Comm. Mbarak Twahir, FKIM	<i>Member</i>
4.	S. M. Kavisi, OGW	<i>Member</i>
5.	J. M. Maundu	<i>Member</i>
6.	Cheptumo Ayabei	<i>Member</i>
7.	Mary Rotich	<i>Member</i>
8.	Grace Ngure	<i>Member</i>
9.	Mumin Gedi	<i>Member</i>
10.	Ayub Imbira	<i>Member</i>

**Strategy and Innovation Committee Membership**

1.	Comm. Mbarak Twahir, FKIM	<i>Chairman</i>
2.	Comm. Dr Salome Gichura, OGW	<i>Member</i>
3.	Comm. Albert Fred Ekirapa	<i>Member</i>
4.	S. M. Kavisi, OGW	<i>Member</i>
5.	J. M. Maundu	<i>Member</i>
6.	Mary Rotich	<i>Member</i>

**Committee on Terms and Conditions of Service for Teachers**

1.	Joseph S. O'bonyo	<i>Chairman</i>
2.	Comm. Cleopas Tirop, OGW	<i>Member</i>
3.	Nancy Macharia, OGW	<i>Member</i>
4.	Ayabei Cheptumo	<i>Technical</i>
5.	Josephine Maundu	<i>Technical</i>
6.	Allan Sitima	<i>Technical</i>
7.	Robert Masese	<i>Ministry of Education</i>
8.	Samuel Macharia	<i>The National Treasury</i>
9.	John T. Gecaga	<i>Ministry of State for Public Service</i>
10.	Cyrus Maina Kariuki	<i>Secretary</i>

**Ad hoc committees**



## 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 recognise 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 Division 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 to expanding it to benefit more teachers and the community in general.

### **TSC Corporate Social Responsibility (2014 – 2015)**

In the year under review, the Commission participated in charitable activities to support less privileged members of the community as a way of giving back to the society.

The Commission sponsored 30 members of its Fitness Club to participate in the 12th edition of the Standard Chartered Marathon which was held on 26th October, 2014 to raise funds to help members of the society suffering from blindness.

TSC sponsored the Fitness Club in the 21-kilometre half marathon in Chemususu Dam, Eldama Ravine on 18th September, 2014 to raise funds for conservation of the dam catchment area.

In May 2015, the Commission sponsored 39 participants from the Health and Fitness Club in the 10-kilometre Mater Heart Run to raise funds for children from poor families with heart ailments.

The TSC Muslim community visited Mbuvi Secondary School and Embakasi Girls High School to donate food to the Muslim students in the month of Ramadhan.

The Teachers Service Commission Network for Positive Living (TESCONEP) visited Divine Mercy Children's Home and Jan Recy Children's Home to donate food, clothing, pampers and sanitary towels.

## IX. Report of the Commissioners

The Chairperson and members of the Commission wish to submit their report together with the audited financial statements for the year ended June 30, 2015 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 teachers;
- (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 June 30, 2015 are set out on page 19.

### Commissioners

The Commissioners who served during the year are shown on page 3.

### Auditors

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

By Order of the Commission



**Nancy Njeri Macharia, OGW**  
SECRETARY/CHIEF EXECUTIVE  
TEACHERS SERVICE COMMISSION

*Date 24.09.2015*

## 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 June 30, 2015. 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; and
- (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 June 30, 2015, 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.

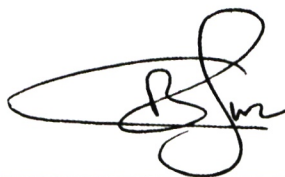
Nothing has come to the attention of the Commissioners to indicate that the Teachers Service Commission will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the Financial Statements

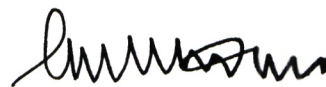
The financial statements were approved by the Commission on 24.09.2015 and signed on its behalf.



Nancy Njeri Macharia, OGW  
SECRETARY/CHIEF EXECUTIVE



Cleopas Tirop, OGW  
VICE CHAIRMAN/CHAIRMAN  
FINANCE COMMITTEE



Dr. Lydia N. Nzomo, OGW  
CHAIRPERSON

# XI. Report of the Auditor General on the Teachers Service Commission

FOR THE YEAR ENDED 30 JUNE, 2015

## REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Teachers Service Commission set out on pages 19 to 39, which comprise the statement of financial position as at 30 June, 2015, and statement of financial performance, statement of changes in net assets, 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, 2010* and Section 14 of the Public Audit Act, 2003. 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.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

## AUDITOR-GENERAL'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the *Constitution of Kenya, 2010*. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

## BASIS FOR QUALIFIED OPINION

### 1. Going Concern

During the year 2014/2015, the Commission incurred a deficit of Kshs. 4,577,727,356 (2013/2014 – Surplus: Kshs. 221,016,694) resulting to an accumulated deficit of Kshs. 2,595,271,851 as at 30 June, 2015. Further the current liabilities of Kshs. 5,251,126,568 exceeded the current assets of Kshs. 1,244,081,251 by a negative working capital of Kshs. 4,007,045,317 as at 30 June, 2015. The management has attributed the poor performance to low funding from the National Treasury. The financial statements of the Commission have, therefore, been prepared on a going concern basis on the assumption of continued support from the Government and its creditors.

### 2. Stores and Cash Losses

Included in the receivables from exchange transactions balance of Kshs. 372,433,024 as at 30 June

2015, are 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 indicated that the suspect was charged in a Court of Law, and the case was ongoing as at the date of this report.

In addition, included in the balance of Kshs. 372,433,024 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. The PAYE had not been recovered as at the date of this report.

In the circumstances, it has not been possible to confirm the recoverability of the receivables from non-exchange transactions totalling Kshs. 141,808,853 as at 30 June, 2015.

### 3. Property, Plant and Equipment

The property, plant and equipment balance of Kshs. 2,532,467,445 as at 30 June, 2015 includes Kshs. 805,166 being the residue value of eleven (11) motor vehicles procured between 1996 and 2004 for a total cost of Kshs. 26,450,711. Although the eleven (11) motor vehicles were still in good working condition as at the date of this report, their reported residue value of Kshs. 805,166 as at 30 June, 2015 appears way below their market value.

In the circumstances, it has not been possible to confirm that the property, plant and equipment balance of Kshs. 2,532,467,445 as at 30 June, 2015 is fairly stated.

### Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Teachers Service Commission as at 30 June, 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Teachers Service Commission Act, 2012.

### Other Matter

#### Budgetary Control and Performance

The Teachers Service Commission had a total development budget of Kshs. 135,000,000 voted for the financial year 2014/2015 for the construction of TSC County office. However, the Commission did not receive any development funds during the year under review resulting in 100% under absorption as shown below:

Item	Budgeted Allocation 2014/2015	Actual 2014/2015	Under Absorption	Absorption in %
Development	135,000,000	–	135,000,000	100
<b>Total</b>	<b>135,000,000</b>	<b>–</b>	<b>135,000,000</b>	<b>100</b>

It is doubtful if the Commission achieved its objective and mandate for construction of the intended buildings for services in the Counties. My opinion is not qualified in respect of this matter.



**FCPA Edward R. O. Ouko, CBS**

AUDITOR-GENERAL

NAIROBI

05 April 2016

## XII. Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE, 2015

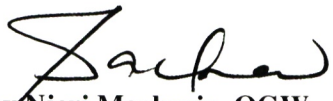
	Note	2015 Kshs	2014 Kshs
<b>Revenue from Non-Exchange Transactions</b>			
Exchequer Releases	4	166,047,000,000	153,919,000,000
<b>Revenue from Exchange Transactions</b>			
Rental Revenue from Facilities and Equipment	5	3,781,443	3,781,444
Interest Income – Fixed Deposits	6	13,087,787	2,550,000
Agency Fees	7	226,498,832	121,199,747
Other Income	8	20,767,042	33,643,858
<b>Total Revenue</b>		<b>166,311,135,104</b>	<b>154,080,175,049</b>
<b>Expenses</b>			
Employee Costs	9	170,245,074,390	152,967,161,239
Depreciation and Amortisation Expense	10, 16b	121,362,490	102,488,998
Repairs and Maintenance	11	80,885,527	58,787,387
General Expenses	12	441,540,053	730,720,731
<b>Total Expenses</b>		<b>170,888,862,460</b>	<b>153,859,158,354</b>
Surplus/(Deficit) before tax		(4,577,727,356)	221,016,694
<b>Surplus/(Deficit) for the period</b>		<b>(4,577,727,356)</b>	<b>221,016,694</b>

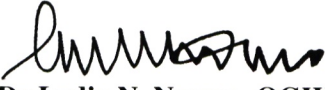
### XIII. Statement of Financial Position

AS AT 30 JUNE, 2015

	Note	2015 Kshs	2014 Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	13	859,479,189	1,324,654,238
Receivables from Non-Exchange Transactions	14	372,433,024	1,197,956,053
Inventories	15	12,169,038	11,437,800
<b>Total Current Assets</b>		<b>1,244,081,251</b>	<b>2,534,048,091</b>
<b>Non-current Assets</b>			
Property, Plant and Equipment	16(a)	2,532,467,445	1,515,585,862
Intangible Assets	16(b)	5,844,168	
<b>Total Non-Current Assets</b>		<b>2,538,311,613</b>	<b>1,515,585,862</b>
<b>Total Assets</b>		<b>3,782,392,864</b>	<b>4,049,633,953</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	17	4,475,374,439	1,259,246,739
Provisions	18	775,752,129	767,938,879
<b>Total Liabilities</b>		<b>5,251,126,568</b>	<b>2,027,185,618</b>
<b>Total Net Assets</b>		<b>(1,468,733,704)</b>	<b>2,022,448,335</b>
Accumulated Fund	20	(2,595,271,851)	1,980,448,335
Capital Reserves	21	1,117,208,147	42,000,000
Donations	3	9,330,000	-
<b>Total Net Assets and Liabilities</b>		<b>(1,468,733,704)</b>	<b>2,022,448,335</b>

The Financial Statements set out on pages 19 to 39 were signed on behalf of the Commission by:

  
 Nancy Njeri Macharia, OGW  
 SECRETARY/CHIEF EXECUTIVE  
 Date: 24.09.2015

  
 Dr Lydia N. Nzomo, OGW  
 CHAIRPERSON  
 Date: 24.09.2015

## XIV. Statement of Changes in Net Assets

FOR THE YEAR ENDED 30 JUNE, 2015

Attributable to the owners of the controlling entity

	Accumulated fund	Capital Reserves	Donations	Total
	Kshs	Kshs	Kshs	Kshs
<b>Balance as at 30 June, 2013</b>	<b>1,750,273,672</b>	<b>42,000,000</b>	-	<b>1,792,273,672</b>
Adjustment for Statutory Barred Cheques	9,157,968	-	-	<b>9,157,968</b>
Surplus for the period	221,016,694	-	-	<b>221,016,694</b>
<b>Balance as at 30 June, 2014</b>	<b>1,980,448,335</b>	<b>42,000,000</b>	-	<b>2,022,448,334</b>
Adjustment for Statutory Barred Cheques	2,007,170	-	-	<b>2,007,170</b>
Surplus/ (Deficit) for the period	(4,577,727,356)	-	-	<b>(4,577,727,356)</b>
Capital Reserve – Non-cash donations	-	-	9,330,000	<b>9,330,000</b>
Revaluation Surplus (Note 16(a))	-	1,075,208,147	-	<b>1,075,208,147</b>
<b>Balance as at 30 June, 2015</b>	<b>(2,595,271,851)</b>	<b>1,117,208,147</b>	<b>9,330,000</b>	<b>(1,468,733,704)</b>



## XV. Statement of Cash Flow

FOR THE YEAR ENDED 30 JUNE, 2015

	Note	2015 Kshs	2014 Kshs
<b>Net cash flows from operating activities</b>	<b>19</b>	<b>(415,646,368)</b>	<b>365,432,892</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(59,550,094)	(58,600,451)
Proceeds from sale of property, plant and equipment		-	-
Decrease in non-current receivables		-	-
Increase in investments		-	-
<b>Net cash flows used in investing activities</b>		<b>(59,550,094)</b>	<b>(58,600,451)</b>
<b>Cash flows from financing activities</b>			
Finance income (Interest)		10,021,413	2,550,000
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Increase in deposits		-	-
<b>Net cash flows used in financing activities</b>		<b>10,021,413</b>	<b>2,550,000</b>
Net increase/(decrease) in cash and cash equivalents		(465,175,049)	309,382,442
Cash and cash equivalents at 1 July	13	1,324,654,238	1,015,271,796
<b>Cash and cash equivalents at 30 JUNE</b>	<b>13</b>	<b>859,479,189</b>	<b>1,324,654,238</b>

## XVI. Statement of Comparison of Budget and Actual Amounts

FOR THE YEAR ENDED 30 JUNE, 2015

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Revenue</b>					
Government grants and subsidies	165,357,257,507	4,277,000,000	169,634,257,507	166,047,000,000	(3,587,257,507)
Sale of goods	120,000,000	100,000,000	220,000,000	250,800,237	30,800,237
Interest Income	-	-	-	10,021,413	10,021,413
<b>Total income</b>	<b>165,477,257,507</b>	<b>4,377,000,000</b>	<b>169,854,257,507</b>	<b>166,307,821,650</b>	<b>(3,546,435,857)</b>
<b>Expenses</b>					
Compensation of employees	164,979,250,000	4,247,000,000	169,226,250,000	169,793,234,966	566,984,966
Goods and services	278,578,608	60,000,000	338,578,608	367,932,059	29,353,451
Rent paid	58,000,000	-	58,000,000	31,500,000	(26,500,000)
Other payments	161,428,899	70,000,000	231,428,899	219,737,744	(11,691,155)
<b>Total expenditure</b>	<b>165,477,257,507</b>	<b>4,377,000,000</b>	<b>169,854,257,507</b>	<b>170,412,404,769</b>	<b>558,147,262</b>
<b>Surplus/(Deficit) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,104,583,119)</b>	<b>(4,104,583,119)</b>

## XVII. Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE, 2015

### 1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION – IPSAS 1

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). 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 Ksh. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost except for land and building which have been revalued in the current financial year. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Revenue Recognition

##### (i) *Revenue from Non-exchange Transactions – IPSAS 23*

Revenues from non-exchange transactions with other government entities are measured at fair value and recognised on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Commission and can be measured reliably.

##### (ii) *Revenue from Exchange Transactions – IPSAS 9*

###### *Rendering of Services*

The Commission recognises revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are recoverable.

###### *Sale of Goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Commission.

## Notes to the Financial Statements *(Continued)*

FOR THE YEAR ENDED 30 JUNE, 2015

### *Interest Income*

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income for each period.

### *Rental Income*

Rental income arising from operating leases on renting part of the building is accounted for on a straight-line basis over the lease terms and included in revenue.

### **(b) Budget Information – IPSAS 24**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Commission. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

### **(c) Property, Plant and Equipment – IPSAS 17**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except land and building which have been revalued in the current financial year. When significant parts of property, plant and equipment are required to be replaced at intervals, the Commission recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated on a reducing balance basis at annual rates estimated to write off the assets over their expected useful lives.

The annual depreciation rates in use are:

#### **(i) Office Equipment and Furniture**

At the rate of 12.5% per annum or part thereof on the written down value or from the date of purchase.

#### **(ii) Motor Vehicles**

The applicable rate of depreciation is 25% per annum or part thereof on the written down value or from the date of purchase. This class includes motorcycles depreciated at the same rate.

#### **(iii) Computer Equipment**

At the rate of 30% per annum or part thereof on the written down value or from the date of purchase.

#### **(iv) Land and Building**

Land and building were revalued on 14th April, 2015. The applicable rate of depreciation on building is 2.5% per annum or part thereof on the written down value or from the date of revaluation. Land is non-depreciable.

## Notes to the Financial Statements *(Continued)*

FOR THE YEAR ENDED 30 JUNE, 2015

**(d) Leases – IPSAS 13**

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Commission. Operating lease receipts are recognised as an operating income in surplus or deficit on a straight-line basis over the lease term.

**(e) Financial Instruments – IPSAS 29**

**Financial Assets**

*Initial recognition and measurement*

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Commission determines the classification of its financial assets at initial recognition.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognised in the surplus or deficit.

*Held-to-maturity*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognised in surplus or deficit.

*Impairment of financial assets*

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty;
- Default or delinquency in interest or principal payments;
- The probability that debtors will enter bankruptcy or other financial reorganisation; and
- Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults).

**(f) Inventories – IPSAS 12**

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

## Notes to the Financial Statements *(Continued)*

FOR THE YEAR ENDED 30 JUNE, 2015

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

Inventories are recognised as an expense when deployed for utilisation or consumption in the ordinary course of operations of the Commission.

### **(g) Provisions – IPSAS 19**

Provisions are recognised when the Commission has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Commission expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

### **(h) Nature and Purpose of Reserves**

The Commission has a revaluation reserve on the land and building occupied in Upper Hill L.R. No. 2009/11422 valued by the Ministry of Lands, Housing and Urban Development vide letter reference VAL.852/XII VOL.VIII/152 dated 4th May 2015.

### **(i) Changes in Accounting Policies and Estimates – IPSAS 3**

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

### **(j) Employee Benefits – IPSAS 25**

#### ***Retirement benefit plans***

The Commission operates a defined contribution retirement benefit scheme for its permanent and pensionable employees. The assets of the scheme are held in separate trustee administered fund, which is funded by contributions both from the Commission and employees. The Commission and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. The Commission's contributions to the defined contribution scheme are charged to the statement of financial performance in the period to which they relate. An actuary occasionally values the fund and the Commission pays the actuarial liability into the fund.

### **(k) Foreign Currency Transactions – IPSAS 4**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognised as income or expenses in the period in which they arise.

## Notes to the Financial Statements *(Continued)*

FOR THE YEAR ENDED 30 JUNE, 2015

### (l) 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 National Bank at the end of the financial year.

### (m) Comparative Figures

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

### (n) Significant Judgements and Sources of Estimation Uncertainty – IPSAS 19

#### *Provisions*

##### *Legal fees*

In 2006 the Commission was sued by a teacher Simon P. Kamau and other retired teachers in connection to their pension dues for the period 1997 – 2003. The High Court of Kenya at Nakuru, civil Suit No 65 of 2006, awarded Ms Kimata Co. Advocates a legal fee of Kshs. 382.6 million. The Commission appealed in the Court of Appeal of Kenya at Nakuru, civil appeal No. 300 of 2009 where an additional fee of Kshs. 382.6 million was awarded bringing the total outstanding bill to Kshs. 765.2 million payable to the teachers' advocates. The case has not been concluded.

The Commission recognises that a liability exists to the tune of **Kshs 765.2 million**.

The Commission's vehicle KAR 246 L was attached by auctioneers as a result of a court order filed by a teacher who had sued the Commission over an unfair dismissal. The court awarded the teacher Kshs. 839,052.00 as compensation. The amount of storage charges incurred by 26th March, 2006 was Kshs. 180,327.40. On 11th December, 2008, the Commission reached an agreement with the auctioneers and paid them Kshs. 780,500.00. The balance of Kshs. **238,879.40** is outstanding as a provision.

### (o) Subsequent Events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015.

### (p) Intangible Assets – IPSAS 31

IPSAS 31 prescribes the accounting treatment for intangible assets. The Commission's intangible assets comprises acquisition of new computer software or upgrading of the existing software. It is initially measured at its cost except when the intangible is derived from a non-exchange transaction, then it is initially measured at fair value. Subsequently, intangible assets are measured using either a cost or revaluation model and amortised so that its depreciable amount is allocated on a systematic basis over its useful life.

Depreciation is at the rate of 33.3% per annum or part thereof on the written down value or from the Date of Purchase.

## Notes to the Financial Statements *(Continued)*

FOR THE YEAR ENDED 30 JUNE, 2015

### 3. PUBLIC CONTRIBUTIONS AND DONATIONS

#### Capital Reserve – Non-cash Donations

Description	Unit Cost	Qty	2015 Kshs	2014 Kshs
Desktop Computer – NBK	80,000	15	1,200,000	-
Laptop Computer – NBK	100,000	5	500,000	-
Motorcycles from British Council	145,000	12	1,740,000	-
Motor vehicle GK B 809 F	5,000,000	1	5,000,000	-
Motor vehicle GK A 811X – Contractor	890,000	1	890,000	-
<b>Total</b>			<b>9,330,000</b>	<b>-</b>

### 4. EXCHEQUER RELEASES

Quarter	2015 Kshs	2015 Kshs
JULY – SEPT	41,400,000,000	37,560,000,000
OCT – DEC	41,255,000,000	37,400,000,000
JAN – MAR	41,400,000,000	38,000,000,000
APR – JUNE	41,992,000,000	40,159,000,000
Grant Receivable	-	800,000,000
<b>Total</b>	<b>166,047,000,000</b>	<b>153,919,000,000</b>

### 5. RENTAL INCOME

NBK	2,793,123	2,793,123
Mwalimu Sacco	741,240	988,321
Rent Receivable - Mwalimu Sacco	247,080	-
<b>Total</b>	<b>3,781,443</b>	<b>3,781,444</b>

### 6. INTEREST INCOME – FIXED DEPOSIT

Interest Received	10,021,413	2,550,000
Accrued Interest	3,066,374	-
<b>Total</b>	<b>13,087,787</b>	<b>2,550,000</b>



**Notes to the Financial Statements** *(Continued)*

FOR THE YEAR ENDED 30 JUNE, 2015

## 7. AGENCY FEES

	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Commission on third parties	226,016,063	120,473,247
Service Charge – Kilimanjaro Food Court	482,769	726,500
<b>Total</b>	<b>226,498,832</b>	<b>121,199,747</b>

## 8. OTHER INCOME

Teacher Registration	20,137,014	32,418,858
Medical Recoveries	36,568	500,000
Sale of Tender Documents	593,460	725,000
<b>Total</b>	<b>20,767,042</b>	<b>33,643,858</b>

## 9. COMPENSATION OF EMPLOYEES

<b>Description</b>	<b>Actual</b>	<b>Actual</b>
	<b>Expenditure</b>	<b>Expenditure</b>
<b>TSC Secretariat</b>		
Basic Salary	1,967,313,929	1,269,031,775
Gratuity and Pension Contribution	398,138,007	374,276,332
House Allowance	377,318,779	365,211,983
Other Personal Allowances	31,037,615	57,156,766
Special Duty Allowance	1,357,232	768,194
Hardship Allowance	123,420,045	79,461,675
Transfer Allowance	64,226,816	40,503,311
Commuter Allowance	202,382,111	200,754,017
Medical Insurance Scheme	1,881,550,301	379,334,943
<b>Sub Total</b>	<b>5,046,744,835</b>	<b>2,766,498,996</b>

## Notes to the Financial Statements *(Continued)*

FOR THE YEAR ENDED 30 JUNE, 2015

### Primary, Secondary and Special Institutions

	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Basic Salary	110,010,123,392	103,305,749,400
Gratuity and Pension Contribution	138,551,269	4,023,296
House Allowance	22,837,492,764	21,342,532,720
Other Personal Allowances	511,310,716	690,239,913
Hardship Allowance	8,079,328,168	7,555,984,755
Transfer Allowance	18,414,609	18,070,354
Commuter Allowance	17,351,652,362	11,324,870,043
Special Schools Allowance	483,975,365	372,894,567
Medical Allowance	5,703,505,544	5,480,173,552
Medical Ex-gratia	63,975,366	106,123,643
<b>Sub Total</b>	<b>165,198,329,555</b>	<b>150,200,662,243</b>
<b>Grand Totals</b>	<b>170,245,074,390</b>	<b>152,967,161,239</b>

### 10. DEPRECIATION AND AMORTISATION

Property, plant and equipment	119,529,482	102,488,998
Amortisation — Note 16(b)	1,833,008	-
<b>Total</b>	<b>121,362,490</b>	<b>102,488,998</b>

### 11. REPAIRS AND MAINTENANCE

Property/Building	30,271,277	17,740,681
Computer Equipment	10,970,581	6,449,266
Vehicles	15,483,606	23,694,174
Other	24,160,064	10,903,266
<b>Total</b>	<b>80,885,527</b>	<b>58,787,387</b>

**Notes to the Financial Statements** *(Continued)*

FOR THE YEAR ENDED 30 JUNE, 2015

## 12. USES OF GOODS AND SERVICES

	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Advertising	7,711,488	11,615,705
Administration Fees	4,982,500	3,889,857
Audit Fees	2,500,000	1,450,000
Conferences and Delegations	32,383,843	29,566,672
Consulting Fees	28,938,470	18,460,618
Consumables	3,884,865	2,313,290
Electricity and Water	32,327,198	25,225,348
Fuel and Oil	39,573,700	25,180,373
Insurance	8,531,334	9,280
Legal Expenses	6,941,227	6,977,538
Licenses and Permits	2,532,500	3,850,045
Postage	19,035,920	14,170,565
Printing and Stationery	27,670,669	22,401,239
Rent Expense	31,637,307	14,238,103
Security Costs	12,252,200	8,426,100
Skills Development Levies	1,391,011	1,070,430
Telecommunication	26,198,000	41,620,770
Training	50,761,803	44,881,481
Travelling and Accommodation	84,369,663	54,272,613
Foreign Travel	15,107,198	14,010,911
Court Fines and Similar Payments	-	385,100,000
Education and Library Supplies	1,347,570	1,258,433
Office Entertainment	636,529	296,600
Miscellaneous Other Charges	266,605	182,885
Bank Charges	76,484	61,875
Burial Expenses	472,000	-
HIV/AIDS Awareness	9,970	-
Leave Expenses	-	190,000
<b>Total</b>	<b>441,540,053</b>	<b>730,720,731</b>

## Notes to the Financial Statements *(Continued)*

FOR THE YEAR ENDED 30 JUNE, 2015

### 13. CASH AND CASH EQUIVALENTS

	2015 Kshs	2014 Kshs
Bank	859,462,916	1,324,547,251
Cash-in-hand	16,273	106,987
<b>Total cash and cash equivalents</b>	<b>859,479,189</b>	<b>1,324,654,238</b>

#### (a) Banks

Name of the Bank	Bank Account Number	Currency	2015 Kshs	2014 Kshs
National Bank of Kenya – Secretariat	01001005707400	Kenya Shillings	15,778,722.90 (CR)	15,778,722.90(CR)
National Bank of Kenya – Teachers	01001000905000	Kenya Shillings	341,112,780.30(CR)	816,218,527.60(CR)
Central Bank of Kenya	120375	Kenya Shillings	0.00	0.00
<b>Total</b>			<b>356,891,503.20 (CR)</b>	<b>831,997,250.50 (CR)</b>

#### (b) Cash in Hand

Form of cash holding	2015 Kshs	2014 Kshs
Liquid cash	16,272.40	106,987.00
<b>Total</b>	<b>16,272.40</b>	<b>106,987.00</b>

#### (c) Fixed Deposits – National Bank of Kenya

Bank Acc. Number	Date of Deposit	Currency	2015 Kshs	2014 Kshs
01377083109304		Kenya Shillings	156,577,291.95	152,550,000.00
		Kenya Shillings	40,894,120.95	40,000,000.00
		Kenya Shillings	305,100,000.00	300,000,000.00
<b>Total</b>		Kenya Shillings	<b>502,571,412.90 (CR)</b>	<b>492,550,000.00 (CR)</b>

**Notes to the Financial Statements** *(Continued)*

FOR THE YEAR ENDED 30 JUNE, 2015

## 14. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	<b>Secretariat</b>	<b>Teachers</b>	<b>Total 2015</b>	<b>Total 2014</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Losses of Cash	3,037,864		3,037,864	2,928,398
Salary Overpayments		144,612,258	144,612,258	152,401,101
Temporary Imprests	5,199,680		5,199,680	1,840,197
Salary Advances	1,990,248	3,332,171	5,322,419	4,978,877
Medical Advance	6,082,138	903,892	6,986,030	12,218,024
Net Salary Advance		123,662	123,662	34,539,722
Grants Receivable			-	800,000,000
University Loans		242,841	242,841	1,647,775
Rent Receivable	247,080		247,080	-
Prepayments	68,587,829		68,587,829	38,812,022
Loss of Stores	10,467,519		10,467,519	10,467,519
Unpaid RD Cheques	452,022	136,653	588,675	588,675
Clearance Accounts	117,794	116,019,749	116,137,543	129,720,493
Pioneer Building/Investment	7,813,250		7,813,250	7,813,250
Accrued Interest – NBK	3,066,374		3,066,374	-
<b>Total</b>	<b>107,061,798</b>	<b>265,371,223</b>	<b>372,433,024</b>	<b>1,197,956,053</b>

## 15. INVENTORIES

Consumable stores		12,169,038	11,437,800
<b>Total</b>		<b>12,169,038</b>	<b>11,437,800</b>

## Notes to the Financial Statements *(Continued)*

FOR THE YEAR ENDED 30 JUNE, 2015

### 16 (A) PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Motor Vehicles	Computer Equipments	Furniture and Fittings	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>At 1 July 2013</b>	42,000,000	1,082,791,853	268,704,047	331,033,783	390,091,340	2,114,621,024
Additions	-	-	38,892,809	15,871,691	3,835,952	58,600,451
<b>At 30 June 2014</b>	42,000,000	1,082,791,853	307,596,856	346,905,474	393,927,292	2,173,221,475
Additions	-	2,045,814	7,630,000	44,964,870	6,562,234	61,202,918
Revaluation adjustments	958,000,000	117,208,147	-	-	-	1,075,208,147
<b>At 30 June 2015</b>	<b>1,000,000,000</b>	<b>1,202,045,814</b>	<b>315,226,856</b>	<b>391,870,344</b>	<b>400,489,526</b>	<b>3,309,632,540</b>
<b>Depreciation and Impairment</b>						
At 1 July 2013	-	-	60,229,002	255,789,270	239,128,343	555,146,615
Depreciation	-	-	58,821,446	24,641,828	19,025,724	102,488,998
<b>At 30 June 2014</b>	-	-	<b>119,050,448</b>	<b>280,431,098</b>	<b>258,154,067</b>	<b>657,635,613</b>
Depreciation	-	30,038,359	48,486,394	23,591,375	17,413,353	119,529,482
<b>At 30 June 2015</b>	-	<b>30,038,359</b>	<b>167,536,842</b>	<b>304,022,473</b>	<b>275,567,421</b>	<b>777,165,095</b>
<b>Net Book Values</b>						
<b>At 30 June 2015</b>	<b>1,000,000,000</b>	<b>1,172,007,455</b>	<b>147,690,014</b>	<b>87,847,871</b>	<b>124,922,105</b>	<b>2,532,467,445</b>
<b>At 30 June 2014</b>	<b>42,000,000</b>	<b>1,082,791,853</b>	<b>188,546,408</b>	<b>66,474,376</b>	<b>135,773,224</b>	<b>1,515,585,862</b>

The Commission's land and buildings situated at Upper Hill L.R No. 2009/11422 were first revalued by the Ministry of Lands, Housing and Urban Development on 4<sup>th</sup> May, 2015 at Kshs. 2,200,000,000 and a valuation separation report issued on 11<sup>th</sup> August, 2015 indicating land at a value of Kshs. 1,000,000,000 and buildings at a value of Kshs. 1,200,000,000. The original value of Kshs. 42,000,000 comprised of land only that was valued by the Commissioner of Lands on 23<sup>rd</sup> October, 2001.

## Notes to the Financial Statements *(Continued)*

FOR THE YEAR ENDED 30 JUNE, 2015

### (B) INTANGIBLE ASSETS

	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Cost at 1st July</b>	-	-
Additions	7,677,176	-
<b>Total cost at 30th June</b>	<b>7,677,176</b>	-
<b>Depreciation</b>		
<b>At 1st July</b>	-	-
Amortisation charge for the year	1,833,008	-
<b>At 30th June</b>	<b>1,833,008</b>	-
<b>NBV as at 30th June</b>	<b>5,844,168</b>	-

### 17. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	<b>Secretariat</b>	<b>Teachers</b>	<b>Total</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Clearance Accounts	16,491,063	4,239,179,178	4,255,670,241	1,137,947,236
Returned Salaries	38,082	16,623,688	16,661,770	18,425,108
KNUT Union Dues		74,409,063	74,409,063	28,008,527
Stale cheques	12,294,371	65,365,494	77,659,865	43,993,659
Returned EFT payments	279,827	13,711,746	13,991,573	4,382,237
Recoveries for other Institutions		738,392	738,392	885,953
Mwalimu Sacco Dividend	307,215	11,330,472	11,637,687	11,664,185
Teacher Management (STEPS)			-	25,308
Gender Policy Implementation			-	11,260
Sundry Creditors	709,618	10,191,480	10,901,098	13,031,758
Teacher Proficiency Course	136,909		136,909	754,319
Plan International – Kenya	1,058,668		1,058,668	-
Library Charges	119,946		119,946	117,189
Consultancy services	12,207,672		12,207,672	-
Value Added Tax	181,553		181,553	-
<b>Total</b>	<b>43,824,924</b>	<b>4,431,549,515</b>	<b>4,475,374,439</b>	<b>1,259,246,739</b>

## Notes to the Financial Statements *(Continued)*

FOR THE YEAR ENDED 30 JUNE, 2015

### 18. CURRENT PROVISIONS

	Balance at the beginning of the year	Additional provisions raised/ (Utilised)	Balance as at 30 June 2015
	Kshs	Kshs	Kshs
Legal fees	765,438,879	-	765,438,879
Audit fees Utilised	2,500,000	(2,500,000)	-
Audit fees provided	-	2,500,000	2,500,000
Bad Debt	-	7,813,250	7,813,250
<b>Total</b>	<b>767,938,879</b>	<b>7,813,250</b>	<b>775,752,129</b>

### 19. CASH GENERATED FROM OPERATIONS

	2015 Kshs	2014 Kshs
Surplus for the year before tax	(4,577,727,356)	221,016,694
<b>Adjusted for:</b>		
Depreciation	121,362,490	102,488,998
Finance income	(13,087,787)	(2,550,000)
Accrued Rent	(247,080)	-
<b>Working capital adjustments:</b>		
Increase/Decrease in inventory	(731,238)	216,449
Increase in receivables	828,836,484	(809,362,537)
Increase/Decrease in provisions	-	385,100,000
Decrease in provision for bad debts	7,813,250	-
Increase/decrease in payables	3,218,134,869	468,523,288
<b>Net cash flows from operating activities</b>	<b>(415,646,368)</b>	<b>365,432,892</b>



## Notes to the Financial Statements *(Continued)*

FOR THE YEAR ENDED 30 JUNE, 2015

### 20. ACCUMULATED FUND

	<b>2015 Kshs</b>	<b>2014 Kshs</b>
Adjusted balance brought forward	1,982,455,505	1,759,431,640
<i>Add:</i> Operating Surplus/(Deficit)	(4,577,727,356)	221,016,694
<b>Accumulated Fund Carried Forward</b>	<b>(2,595,271,851)</b>	<b>1,980,448,334</b>


### 21. CAPITAL RESERVES


Balance brought forward	42,000,000	42,000,000
<i>Add:</i> Revaluation Surplus	1,075,208,147	-
<b>Balance Carried Forward</b>	<b>1,117,208,147</b>	<b>42,000,000</b>

## XVIII. Progress on Follow up of Auditor Recommendations

The following is the summary of issues raised by the external auditor in their letter 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 timeframe 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	Eleven motor vehicles procured between 1996 and 2004 at a total cost of 26,450,711.00 had a carrying value of Kshs. 805,166 in the books as at 30.6.2014	All Commission motor vehicles are being revalued by the Ministry of Public Works.	Director Administration	Resolved	
	TSC building that was completed on 24.9.2009 at a cost of 1,082,791,853.00 had not been depreciated as at 30.06.2014 contrary to IPSAS 17	The building was revalued on 4.05.2015 at a cost of Kshs. 1.2 billion and land at Kshs. 1 billion.	Director Accounts	Resolved	
2	Loss of CISCO switches Kshs. 9,281,160	The matter is in court OB NO.46/3/6/2013 Kibera Law Courts. Court file No.799/15	Director Administration	In Progress	
	Loss of cash Kshs. 2,852,880.90	The Commission recommended write off of Loss of cash.	Director Accounts	In Progress	
	Long outstanding undue remittance of PAYE Kshs. 128,392,930.20 to KRA	The matter is being pursued with KRA for refund.	Director Accounts	In Progress	

  
 Nancy Njeri Macharia, OGW  
 SECRETARY/CHIEF EXECUTIVE  
 Date 24.09.2015

  
 Dr Lydia N. Nzomo, OGW  
 CHAIRPERSON  
 Date 24.09.2015











**TEACHERS SERVICE COMMISSION**

**Upper Hill Kilimanjaro Road**

**Private Bag 00100 Nairobi, Kenya**

**Tel: +254 20 289 200**

**Email: [info@tsc.go.ke](mailto:info@tsc.go.ke)**

**Website: [www.tsc.go.ke](http://www.tsc.go.ke)**

